Commentary | 3Q23

Voya Corporate Leaders 100 Strategy

Equal Positions in the 100 Largest S&P 500 Companies

Strategy overview

A rules-based strategy designed to exploit market inefficiencies in a disciplined systematic manner.

Key takeaways

- For the quarter ended September 30, 2023, the Voya Corporate Leaders 100 Fund (the Fund) outperformed its benchmark, the S&P 500 Index (the Index) on net asset value (NAV) basis.
- During the quarter, the Fund continued to follow its strict rules-based investment approach.
- At the beginning of the quarter, the Fund held equal-weighted positions in the stocks of the S&P 100 Index (implying that each holding represented about 1% of the portfolio).
- Over the course of the quarter, if the value of a security increased by more than 50%,* the position size was reduced to 1%, and if the value of a security decreased by more than 30%,* the position was eliminated.

Current strategy and outlook

U.S. equity markets reversed course during the third quarter, weighed down by fears of interest rates remaining higher for longer. The S&P 500 Index fell by –3.27% for the quarter. Energy and information technology stocks led while utilities and consumer staples lagged. Growth stocks modestly outperformed value stocks during the quarter, and large caps beat small caps.

The U.S. bond market remained choppy during the quarter. The Bloomberg U.S. Aggregate Bond Index lost –3.23%, while a surprisingly resilient U.S. economy pushed the 10-year U.S. Treasury yield from 3.86% at the beginning of the quarter to 4.59% by quarter-end. In July, U.S. Federal Reserve raised rates by 25 basis points, bringing the Fed funds rate to a range of 5.25–5.50%. Rates were held steady at the September meeting, and Fed Chair Powell's remarks maintained a hawkish tone as he reiterated the central bank's strong commitment to returning inflation to its 2% target.

The U.S. economy has remained resilient as have corporate earnings, fueling the debate of a hard versus soft landing. We still believe there may be greater volatility to come given uncertainty over Fed rate policy through the end of the year; mixed business sentiment and slowing economic growth; and whether a recession will actually happen, and if so, the duration and depth. The real story has been the resilience of corporate earnings and rise in equity valuations as interest rates begin to normalize. Using price-to-earnings (P/E) ratio as a proxy, valuations for the S&P 500 Index ended 2022 well below 2019 levels. However, despite elevated rates and tightening financial conditions in the first half of the year, valuations have expanded modestly. P/E ratios are still below 2019 levels, and we believe earnings expectations are reasonable, but this could change as we enter 2024 depending on the state of the U.S. economy.

* If a security is underperforming the S&P 500® Index and the S&P 500® Index is positive on an intra-quarter basis, the security will typically be sold when it declines by 30% or more, irrespective of the percentage difference versus the S&P 500® Index. If a security is underperforming the S&P 500® Index and the S&P 500® Index is negative on an intra-quarter basis, the security will typically be sold when it underperforms the S&P 500® Index by 30 percentage points or more. This change went into effect on 5/18/20.

Portfolio review

Over the reporting period, the underweight and stock selection in the information technology sector contributed the most to performance. Secondarily, selection in the health care sector contributed. At the individual stock level, underweight positions in Apple Inc. and Microsoft Corp. as well as the overweight position in Charter Communications, Inc. were among the key contributors.

By contrast, stock selection in the communication services sector and the underweight in energy detracted. Among the largest individual detractors for the period were the not owning Alphabet Inc., and overweight positions in Walgreens Boots Alliance, Inc. as well as RTX Corp.

As of the end of the reporting period, the Fund's largest sector overweight was to the financials sector, while the largest sector underweight was information technology. Sector exposures are purely a function of the strategy's rules-based investment discipline and are not actively managed.

Holdings detail

Companies mentioned in this report – percentage of Fund investments, as of 09/30/23: Apple Inc. 0.92%, Microsoft Corp. 0.96%, Charter Communications, Inc. 1.23%, Alphabet Inc. 1.11%, Walgreens Boots Alliance, Inc. 0% and RTX Corp. 0.75% ; 0% indicates that the security is no longer in the Fund. Portfolio holdings are subject to daily change.

The **Standard & Poor's 500 index** is an unmanaged index that measures the performance of securities of approximately 500 of the largest companies in the United States. The Index does not reflect fees, brokerage commissions, taxes or other expenses of investing. **Investors cannot invest directly in an index**.

Principal Risks: All investing involves risks of fluctuating prices and the uncertainties of rates of return and yield. Stocks fall into three broad **Market Capitalization** categories — large, mid and small. Investing primarily in one category carries the risk that, due to current market conditions, that category may be out of favor with investors. If valuations of large-capitalization companies appear to be greatly out of proportion to the valuations of mid- or small-capitalization companies, investors may migrate to the stock of mid- and small-sized companies causing a fund that invests in these companies to increase in value more rapidly than a fund that invests in larger, fully-valued companies. Investing in mid- and small-capitalization companies may be subject to special risks associated with narrower product lines, more limited financial resources, smaller management groups and a more limited trading market for their stock than with larger companies. As a result, stock of mid- and small-capitalization companies may decline significantly in market downturns. Investing in **Foreign (non-U.S.) Securities** may result in the Fund experiencing more rapid and extreme changes in value than a fund that invests exclusively in securities of U.S. companies due to smaller markets, differing reporting, accounting and auditing standards, and nationalization, expropriation or confiscatory taxation, foreign currency fluctuations, currency blockage, or political changes or diplomatic developments. **Derivative Instruments** are subject to a number of risks, including the risk of changes in the market price of the underlying securities, credit risk with respect to the counterparty, risk of loss due to changes in interest rates and liquidity risk. The use of certain derivatives could have a leveraging effect, which might increase the volatility of the Fund and reduce its returns. Other risks of the Fund include but are not limited to: **Company risk, Convertible Securities risk, Currency risk, Liquidity risk, Market risk, Other Investment Companies' Risks and Securities Lending risks. An investment in the Fund is not a bank deposit and is not insured or guaranteed by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.**

The strategy is available as a mutual fund or variable portfolio. The mutual fund may be available to you as part of your employer sponsored retirement plan. There may be additional plan level fees resulting in personal performance that varies from stated performance. Please call your benefits office for more information.

Variable annuities and group annuities are long-term investments designed for retirement purposes. If withdrawals are taken prior to age 59½, an IRS 10% premature distribution penalty tax may apply. Money taken from the annuity will be taxed as ordinary income in the year the money is distributed. An annuity does not provide any additional tax deferral benefit, as tax deferral is provided by the plan. Annuities may be subject to additional fees and expenses to which other tax-qualified funding vehicles may not be subject. However, an annuity does provide other features and benefits, such as lifetime income payments and death benefits, which may be valuable to you.

Variable investments, of any kind, are not guaranteed and are subject to investment risk including the possible loss of principal. The investment return and principal value of the security will fluctuate so that when redeemed, it may be worth more or less than the original investment. In addition, there is no guarantee that any variable investment option will meet its stated objective. All guarantees are based on the financial strength and claims paying ability of the issuing insurance company, who is solely responsible for all obligations under its policies.

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The opinions, views and information expressed in this commentary regarding holdings are subject to change without notice. The information provided regarding holdings is not a recommendation to buy or sell any security. Portfolio holdings are fluid and are subject to daily change based on market conditions and other factors.

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