

Comprehensive Research, Broad Diversification

Strategy overview

Total return approach, investing in below investment grade corporate securities.

An investor should consider the investment objectives, risks, charges and expenses of the Fund(s) carefully before investing. For a free copy of the Funds' prospectus, or summary prospectus, which contains this and other information, visit us at www.voyainvestments.com or call (800) 992-0180. Please read the prospectus carefully before investing.

Key takeaways

- Risk assets bounced back in a big way in the fourth quarter, bolstered by economic resilience, the continued slowdown in inflation and signs that the U.S. Federal Reserve may soon start to cut interest rates.
- For the quarter, the Strategy underperformed the Index on a net asset value (NAV) basis.
- We expect a trend of weaker topline growth as pricing power diminishes against the backdrop of disinflation and weaker consumer demand, leading to margin erosion for companies, with lower-rated issuers being incrementally impacted due to elevated borrowing costs.

Portfolio review

Risk assets bounced back in a big way in the fourth quarter, bolstered by economic resilience, the continued slowdown in inflation and signs that the Fed may soon start to cut interest rates. The dovish December Federal Open Market Committee meeting was the cherry on top for markets, as Chair Powell stated that the Fed started discussing cuts for 2024. This was driven by another benign inflation print in November and resilient economic data. With the market moving to price in aggressive rate cuts for 2024, Treasury yields rallied, with the yield on the 10-year note declining from 4.69% at the beginning of the quarter to 3.88% by quarter-end.

This backdrop was positive for spread sectors within fixed income, including high yield (HY). The average credit spread of the Bloomberg High Yield 2% Issuer Cap Index (Index) tightened by 71 basis points (bp) during the quarter on an option-adjusted spread (OAS) basis, closing out the year at 323 bp. The Index returned 7.15% during the quarter, which brought the full-year return to 13.44%. From a credit quality perspective, total returns were relatively similar across ratings, as BB, B and CCC rated bonds returned 7.35%, 7.01% and 6.91%, respectively.

For the quarter, the Fund underperformed the Index on a NAV basis. From a sector perspective, security selection within technology as well as paper and packaging sectors was the primary relative detractor during the period, which was largely driven by an overweight allocation to Commscope and ARD Finance. Additional negative impacts resulted from security selection within chemicals and wirelines, primarily due to Trinseo and Level 3. In contrast, the Fund benefited from security selection within leisure and energy. The former was primarily due to an overweight allocation to Carnival Corp., while the latter was driven by an overweight allocation to a few midstream issuers.

Current strategy and outlook

The macro outlook for 2024 looks supportive for U.S. risk assets with low but positive growth and the Fed expected to begin cutting rates. Fundamental factors in HY remain relatively healthy, with limited credit deterioration. 2Q 2023 earnings were more mixed than in the prior quarters, but consensus earnings estimates call for a rebound in earnings growth from 4Q 2023 through 2024. We are somewhat more cautious, as we expect a trend of weaker topline growth as pricing power diminishes against the backdrop of disinflation and weaker consumer demand, leading to margin erosion for companies, with lower-rated issuers being incrementally impacted due to elevated borrowing costs. Market technical factors should remain supportive, with high all-in yields attracting buyers and the higher cost of debt limiting issuance.

However, spreads begin the year at tight levels, skewing outcomes negatively in the event of any surprises.

In sector positioning, we remain positive on the healthcare space given higher utilization rates and easing labor cost, and the energy sector where commodity prices remain supportive and industry consolidation continues to offer upside to bond prices. In contrast, we're less constructive on consumer-reliant business models with weaker credit profiles given our view of moderating consumer strength in 2024 and we remain selective in sectors that have faced secular challenges, such as telecom and media. From a ratings perspective, we maintain a single-B average credit profile, with a heightened focus on single-name risk.

The **Bloomberg Barclays High Yield Bond—2% Issuer Constrained Composite Index** is an unmanaged index that includes all fixed income securities having a maximum quality rating of Ba1, a minimum amount outstanding of \$150 million, and at least one year to maturity. **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. Investments rated below investment-grade (or of similar quality if unrated) are known as **High-Yield Securities** or "junk bonds." High-yield securities are subject to greater levels of credit and liquidity risks. High-yield securities are considered primarily speculative with respect to the issuer's continuing ability to make principal and interest payments. **Call Risk** During periods of falling interest rates, a bond issuer may call or repay its high-yielding bonds before their maturity date. If forced to invest the unanticipated proceeds at lower interest rates, the Fund would experience a decline in income. Prices of bonds and other debt securities can fall if the issuer's actual or perceived **Credit Risk** deteriorates, whether because of broad economic or company-specific reasons. In severe cases, the issuer could be late in paying interest or principal or could fail to pay altogether. **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 may also have a leveraging effect, which may increase the volatility of the Fund and reduce its returns. Other risks of the Fund include but are not limited to: **Liquidity Risk, Credit Derivatives Risk, Securities Lending Risk, Interest Rate Risk and U.S. Government Securities and Obligations Risks.** **Investors should consult the Fund's prospectus and statement of additional information for a more detailed discussion of the Fund's risks. An investment in the Fund is not a bank deposit and is not insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.**

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Past performance is no guarantee of future results.

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