

Targeting Your Income Needs

Strategy overview

Coupled with a managed payment policy, the Fund invests in a combination of Voya Funds which are invested in global equity, fixed-income, and which may include floating rate loans, emerging markets debt and real estate securities.

You should consider the investment objectives, risks, and charges and expenses of the variable product and its underlying fund options; or mutual funds offered through a retirement plan, carefully before investing. The prospectuses / prospectus summaries / information booklets contain this and other information, which can be obtained by contacting your local representative or by calling (800) 992-0180. Please read the information carefully before investing.

Key takeaways

- In the third quarter of 2024, equity markets showed varied performance, with a notable broadening of returns. Small- and mid-cap stocks led the way, while emerging markets (EM) benefited from a strong rebound in China. Falling interest rates boosted bond returns, and value stocks outperformed growth stocks, driven by defensives, cyclicals and banks.
- Looking ahead, the equity market outlook is cautiously optimistic, although uncertainties surrounding U.S. Federal Reserve policies, upcoming elections, and rising geopolitical tensions may increase volatility. Nevertheless, in an environment marked by positive economic growth and declining interest rates, we expect U.S. stocks to continue performing well and find higher quality U.S. assets more attractive than foreign broadly.
- The Fund achieved its primary investment objective, to meet its managed payment policy by delivering level monthly payments.
- During the period, the Fund outperformed the S&P Target Risk Moderate Index on a net asset value (NAV) basis and its strategic allocation benchmark. Alternative strategies contributed, while manager selection detracted.

Market review

U.S. stocks advanced during the third quarter following the Fed's larger-than-expected 50 basis points interest rate cut. Interest rate sensitive sectors—utilities and real estate—led, while energy and growthier segments—technology and communications—lagged. Small cap stocks outperformed large caps and value significantly beat growth.

International equities surpassed U.S. markets, with EM leading the way. In developed markets, United Kingdom stocks performed well due to optimism around the general election and Bank of England rate cuts. The European Central Bank's rate reduction in September aided Eurozone stocks despite manufacturing declines. Japan stood out by raising rates for the first time in 17 years, causing a sharp rise in the yen, chaotic unwind of carry trades and negative local, but positive U.S. based performance. China stocks delivered the highest return, soaring over 20% in just a few weeks, following aggressive monetary stimulus and fiscal commitments.

U.S. bonds logged their first positive quarterly performance of 2024, as the 10-year U.S. Treasury yield fell from 4.48% at the beginning of July to 3.81% by quarter-end. Long duration bonds performed best, followed by high yield and investment grade (IG). The U.S. dollar fell during the quarter, helping global aggregate bonds and broad EM debt outperform U.S. aggregate bonds.

Outlook

Inflation has dropped to a three-year low, allowing the Fed to start cutting interest rates to support the labor market. While the job market has softened, the gradual rise in unemployment has mainly been due to increased labor supply from immigration. In an environment where economic growth is positive and interest rates are declining, stocks typically perform well. As a result, we remain bullish on U.S. equities, particularly large caps. Earnings have been strong and are expected to continue. While valuation ratios like P/E appear high, this is partly due to the increased weight of technology and related sectors in the S&P 500, which have capital-light models and higher margins. This shift makes current valuations more reasonable and suggests equity returns could align with earnings growth. However, our overweight stance on large caps has gradually shifted to mid caps due to their attractive valuations and expected benefit from lower borrowing costs.

The outlook for international equities is mixed. Europe faces challenges such as slow economic activity, high labor costs, limited fiscal options and high real interest rates. Germany is experiencing a manufacturing slowdown and a recession. Additionally, geopolitical risks and global trade disruptions pose further threats. In contrast, Japan's economy shows promising signs, including improvements in corporate governance, normalizing monetary policy and positive earnings revisions, despite currency stability issues. China's recent stimulus package targeting consumers and the property market led to a strong rally. However, we are skeptical about the sustainability of these measures in addressing structural issues. Uncertainties persist regarding consumer demand and investor risk appetite. Additionally, China faces geopolitical tensions, declining Western foreign direct investment, potential tariffs, real estate challenges and the need for sustainable growth. Given these factors, underweight international developed and neutral EM equities.

We continue overweight U.S. IG core bonds due to supportive policy, strong fundamental factors and attractive carry, despite tight spreads. Within the asset classes, lower-beta securitized assets, such as agency mortgages and consumer-oriented asset-backed securities, as well as high-quality corporates, look appealing. These sectors should benefit from solid macro conditions and favorable supply and demand dynamics. We are underweight leveraged loans. Slower economic growth, falling interest rates and tilted toward cyclical sectors dependent on discretionary consumer spending keep us cautious. We do not have strong conviction on the near-term direction of rates. While we do believe the Fed will continue to reduce rates, the short end of the curve already has significant cuts priced in and the long-end yield seem fair given our views on growth and inflation, preferring nominal bonds as a hedge against the downside in equity returns. Our aversion to international fixed income is based on the same factors that drive our underweights in non-U.S. equities. There are cases to be made for certain countries, but overall, foreign securities are not as compelling as U.S. assets, in our opinion. Furthermore, we are not confident that global bonds will continue to benefit from a weaker U.S. dollar going forward.

Positioning

At the beginning of the period, there were no open tactical positions. At the end of February, the Fund's strategic asset allocation was reset, with all tactical positions at the beginning of the period being subsumed into the revised strategic asset allocation, thereby becoming longer-term views.

The Fund continues to favor U.S. assets and maintain a balanced posture overall with a preference for U.S. large cap equities and core IG fixed income.

Performance

The Fund achieved its primary investment objective: to meet its managed payment policy by delivering level monthly payments. In addition, the Fund attempts to outperform its strategic allocation benchmark through tactical asset allocation, i.e. deviating from the composite benchmark over the short and medium-term, alternative strategies and active manager selection. For the third quarter of 2024, the Fund outperformed the S&P Target Risk Moderate Index on a NAV basis and its strategic allocation benchmark. Alternative strategies contributed, while manager selection detracted.

Tactical asset allocation was neutral during the period. Alternative strategies were a contributor. Both cross-asset relative value (CARV) and tactical currency (TC) delivered positive returns for the quarter.

The Fund also attempts to outperform its strategic allocation benchmark through the selection of managers to run the underlying funds, which represent the various asset classes within the composite. Manager selection was a detractor during quarter. Strategies that contributed most to excess returns in the quarter were Voya Multi-Manager International Equity, Voya Small Company and Voya Global Bond. The biggest detractors in the quarter were Voya Mid Cap Opportunities, Voya Large-Cap Growth and Voya Multi-Manager Emerging Markets Equity.

The Fund's option overlay strategy is designed to support the monthly payment through premium generation and provide some downside protection if an underlying asset sells off substantially. This strategy seeks to accomplish these objectives through two sub-strategies. The first piece involves earning the volatility risk premium by selling options while hedging the delta exposure, in effect removing negative equity beta. The second leg provides downside protection. This involves buying puts and put spreads or selling calls and call spreads. These positions should add to performance when equities fall. Over the quarter, the option overlay was a contributor, with volatility premium capture delivering strong returns and the hedge leg modestly adding.

The **S&P Target Risk Growth Index** is comprised of nine multi-asset class indexes, each corresponding to a particular risk level. The nine multi-asset classes include U.S. large-cap equities, U.S. mid-cap equities, U.S. small-cap equities, international equities, emerging markets, U.S. real estate investment trusts (REITs), core fixed income, short-term U.S. Treasury securities and Treasury inflation-protected securities (TIPS). Each index is designed to provide varying levels of exposure to equities and fixed income.

Investors cannot invest directly in an index.

Risks specific to Managed Payment: The Fund is expected to make monthly payments under its Managed Payment Policy regardless of the Fund's investment performance. Because these payments will be made from Fund assets, the Fund's monthly payments may reduce the amount of assets available for investment by the Fund. It is possible for the Fund to suffer substantial investment losses and simultaneously experience additional asset reductions as a result of its payments to shareholders under the Managed Payment Policy. The Fund may, under its Managed Payment Policy, return capital to shareholders which will decrease their costs basis in the Fund and will affect the amount of any capital gain or loss that shareholders realize when selling or exchanging their Fund shares.

Principal Risks: All investing involves risks of fluctuating prices and the uncertainties of rates of return and yield inherent in investing. You could lose money on your investment and any of the following risks, among others, could affect investment performance. The following principal risks are presented in alphabetical order which does not imply order of importance or likelihood: Affiliated Underlying Funds; Asset Allocation; Commodities; Company; Credit; Credit Default Swaps; Currency; Derivative Instruments; Environmental, Social, and Governance (Funds-of-Funds); Floating Rate Loans; Foreign (Non-U.S.) Investments/ Developing and Emerging Markets; Growth Investing; High-Yield Securities; Index Strategy (Funds-of-Funds); Interest in Loans; Interest Rate; Investment Model; Liquidity; Managed Payment; Market; Market Capitalization; Market Disruption and Geopolitical; Prepayment and Extension; Real Estate Companies and Real Estate Investment Trusts; Underlying Funds; Value Investing. **Investors should consult the Fund's Prospectus and Statement of Additional Information for a more detailed discussion of the Fund's risks.**

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The strategy employs a quantitative model to execute the strategy. Data imprecision, software or other technology malfunctions, programming inaccuracies and similar circumstances may impair the performance of these systems, which may negatively affect performance. Furthermore, there can be no assurance that the quantitative models used in managing the strategy will perform as anticipated or enable the strategy to achieve its objective.

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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