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 March 31, 2024, the Voya Corporate Leaders 100 Fund underperformed its benchmark, the S&P 500 Index (the Index) on a 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. stocks enjoyed a strong first quarter as inflation's downward trend continued and U.S. economic growth beat expectations. The S&P 500 Index reached a new high and advanced by 10.56% on a total return basis during the quarter and the Nasdaq Composite had a price return of 9.11%. The communication services, energy and information technology sectors led, while real estate and utilities lagged. Large-cap stocks outperformed small caps and growth beat value. The Federal Open Market Committee voted to hold interest rates steady for the fifth consecutive time at its March meeting; however, three rate cuts are still expected this year, with the first likely to happen in June.

U.S. bonds slipped during the quarter amid persistently tight credit spreads and a rising U.S. Treasury yield curve. The Bloomberg U.S. Aggregate Bond Index fell –0.78%. The 10-year U.S. Treasury yield rose from 3.95% in January to 4.20% by quarter end on early concerns that lingering high inflation could change the Fed's rate cut plans; however, it remained essentially flat in March following favorable comments from Fed Chair Powell.

The U.S. economy remains strong, with positive gains in payrolls and productivity. Consumer spending momentum appears soft but stable. Household net worth has increased significantly since the pandemic, but consumer confidence remains below long-term averages due to the lasting negative impact of higher prices on consumers' psyches. The U.S. labor market remains robust but shows signs of softening. While inflation has fallen to more manageable levels, concerns about overheating persist. Interest rates may remain higher for longer than some participants expect.

* 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.

The economic soft landing and easier financial conditions, coupled with anticipated rate cuts, should create favorable conditions for U.S. stocks. Although a lot of price appreciation has already taken place and a near-term pullback is possible, there is significant potential for further rally once the Fed starts cutting rates.

Portfolio review

Over the reporting period, the underweight and stock selection in the real estate sector contributed the most to performance. Secondarily, the overweight to the financials sector contributed. At the individual stock level, underweight positions in Apple Inc. and Tesla, Inc. as well as the overweight position in GE Aerospace are among the key contributors.

By contrast, the stock selection in the industrials sector as well as the underweight and stock selection in the information technology sector detracted. Among the largest individual detractors for the period were the underweight position in NVIDIA Corp., overweight position in Charter Communications, Inc. and underweight in Meta Platforms Inc.

As of the end of the reporting period, the Fund's largest sector overweight was to the consumer staples 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 03/31/24: Apple Inc. 0.82%, Tesla, Inc. 0%, GE Aerospace 0%, NVIDIA Corp. 1.10%, Charter Communications, Inc. 0.68% and Meta Platforms Inc. 1.25%; 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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