

Access High Quality Mortgage Securities

Strategy overview

Primarily invests in Government National Mortgage Association (GNMA) securities with maturities in excess of one year and which have the same credit quality as U.S. Treasury securities, but higher yields to compensate for prepayment uncertainty.

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

- The U.S. Federal Reserve continued cutting rates during the quarter and according to the Fed's dot plot in December, two additional cuts are projected for 2025. In the fourth quarter, the Fed reduced its balance sheet through runoff, with 4Q24 runoff equating to roughly \$48 billion in additional mortgage-backed securities (MBS) supply.
- Interest rates sold off across the board and curve steepened with the 10-year rising 80 basis points (bp) and the 2-year/10-year steepening 20 bp during the quarter. Accordingly, the 30-year fixed mortgage rate increased roughly 62 bp to 6.86%.
- The 30-years GNMA Index delivered marginally positive excess returns during the quarter despite the rate selloff. Belly coupons were the worst performers along the coupon stack, while higher coupons (5.5+) outperformed.
- Housing market activity declined as we went through winter seasonals. Both new home sales and existing home sales decelerated, and overall home sales remain subdued by historical standards.
- The Voya GNMA Income Fund outperformed its benchmark, The Bloomberg 30-year GNMA Index (the Index) on a net asset value (NAV) basis.

Portfolio review

For the quarter, the Fund outperformed the Index on a NAV basis. Outperformance was mostly attributable to the outperformance of CMOs while the longer duration profile of the strategy detracted.

Current outlook and strategy

Agency MBS held in during the fourth quarter despite a significant rate sell off and curve steepening. The 10-year Treasury rate ended the quarter at 4.57% and 2-year/10-year steepened 20 bp. Housing activity decelerated as we went through winter seasonals and remained relatively low from a historical perspective due to elevated mortgage rates. Inflation, as measured by Consumer Price Index, has remained tractable as it met median market estimates in both October and November.

From a technical perspective, lower coupons remain sensitive to supply and demand factors. As the largest part of the Index with no new supply, lower coupons tend to outperform when there's passive index flows into fixed income and mortgage funds. Demand for Ginnie versus Conventionals is also impacted by technical factors. If the repropounded banking regulations require smaller banks to follow similar regulatory requirements akin to their larger, global systemically important bank (GSIB) counterparts, we could see resurgent bank demand for Ginnie Mae MBS in 2025. From a fundamental perspective, prepayment speeds for recently produced, high coupon, Veteran Affairs (VA) loans remain elevated due to the efficiency of VA's streamlined refinancing program.

Housing prices remained stable during the quarter with Case-Shiller 20-City Home Price Index up a seasonally adjusted 0.32% in October. Overall MBS supply appears to be relatively docile for the foreseeable future for both gross and net issuance; however, the GNMA fund managers will continue to monitor the technical factors impacting MBS supply.

The Voya GNMA Income Fund maintains allocations to conventional MBS, where technical demand and fundamental

value appear more favorable. The Fund also maintains allocations to off-benchmark GNMA and agency-backed collateralized mortgage obligations (CMO) which offer greater longer-term value with higher spreads relative to generic collateral, especially on an option-adjusted basis. Additionally, the Fund maintains a preference for higher coupon collateral such as 4.5s to 5.5s.

The **Bloomberg GNMA Index** tracks fixed-rate mortgage-backed pass-through securities guaranteed by the Government National Mortgage Association (GNMA). The Index is constructed by grouping individual MBS pools into aggregates or generics, which proxy for the outstanding pools of a given program, coupon and vintage. The Indexes do not reflect fees, brokerage commissions, taxes or other expenses of investing. **Investors cannot invest directly in an Index.**

Past performance is no guarantee of future returns. All security transactions involve a substantial risk of loss. Please reference your client statement for a complete review of recent transactions and performance.

Principal risks. All investing involves risks of fluctuating prices and the uncertainties of rates of return and yield. As interest rates rise, bond prices fall, reducing the value of the Fund's share price. To the extent that the Fund invests in asset-backed, mortgage-backed or mortgage-related securities, its exposure to prepayment and extension risks may be greater than investments in other fixed-income securities. While the Fund invests in securities guaranteed by the U.S. government as to timely payments of interest and principal, **the Fund's shares are not insured or guaranteed.** Other risks of the Fund include but are not limited to: credit risks, extension risks, other investment companies' risks, prepayment risks, U.S. government securities and obligations risks and securities lending 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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The Fund discussed may be available to you as part of your employer sponsored retirement plan. There may be additional plan level fees resulting in personal performance to vary from stated performance. Please call your benefits office for more information.

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