

Voya Strategic Income Opportunities Fund

Unconstrained Fixed Income

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Strategy overview

Unconstrained and flexible approach, investing broadly across the global debt markets.

Key takeaways

- The Fund outperformed its benchmark, the ICE BofA USD 3M Deposit Offered Rate Constant Maturity Index (the Index), on a net asset value (NAV) basis. Sector allocation and security selection, along with duration and curve positioning, contributed over the period.
- In Q2 2025, markets continued to be driven by trade policies. Tensions peaked early in the quarter, driving volatility, but quickly eased allowing markets to recover. Meanwhile, resilient labor conditions and easing inflation prompted the U.S. Federal Reserve to hold rates steady.
- With spreads back to recent tights, further upside appears limited, despite supportive fundamental factors across most fixed income sectors. As a result, positioning will remain biased towards higher quality, shorter spread duration names.

Portfolio review

The second quarter of 2025 opened with a surge in global trade tensions as the U.S. implemented sweeping tariffs on a broad range of trading partners. The move, branded “Liberation Day,” caught markets off guard with tariff rates significantly higher than expected. The tariffs imposed on China stood out since the severity of the levy along with further escalation and retaliatory measures effectively erased the economic incentive for United States and China trade. Markets reacted swiftly and negatively: equities dropped into correction territory, credit spreads widened sharply many sectors hit 12-month wides and U.S. Treasuries, which had been rallying on expectations of slower growth, sold off as investor sentiment toward U.S. assets deteriorated.

Just days later, the U.S. administration announced a temporary reprieve, significantly reducing tariff rates to allow for negotiations. This reprieve, set to expire on July 9, helped stabilize markets. Although uncertainty remained, the easing of trade tensions allowed risk assets to recover gradually through the remainder of the quarter.

Economic data released during the quarter painted a mixed picture. 1Q25 gross domestic product (GDP) came in at 0.5%, marking the first contraction in three years. The decline was largely driven by a surge in imports, as businesses rushed to front-run the anticipated tariffs.

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

This was mirrored by a buildup in private inventories and a rise in equipment investment. Consumer spending, the largest component of GDP, remained positive but slowed to just 0.5%, reflecting growing caution among households.

Despite the economic slowdown, the labor market remained resilient. Nonfarm payrolls averaged 135,000 new jobs per month in March, April and May, while the unemployment rate held steady at 4.2% throughout the quarter. These figures suggest a labor market that is cooling but not collapsing normalizing rather than deteriorating. This moderation in labor conditions has also helped ease wage pressures, bringing wage growth more in line with pre-pandemic norms.

Inflation continued its gradual descent from the elevated levels of 2022. Core personal consumption expenditures (PCE) inflation stood at 2.5% year-over-year by the end of April, edging closer to the Fed's 2% target. The decline was driven by easing services inflation, as wage growth slowed, and by a moderation in shelter inflation, which is still catching up to real-time rent indicators. Core goods prices remained flat, further contributing to the overall disinflationary trend.

Against this backdrop, the Fed held interest rates steady throughout the quarter. Market participants scrutinized every speech, set of meeting minutes and projection release for clues about the Fed's next move. On one hand, the current fed funds rate is widely viewed as restrictive, and with inflation nearing target and the labor market showing signs of balance, further rate cuts could be justified. On the other hand, the uncertainty surrounding the impact of tariffs on goods prices has made the Fed cautious. With unemployment still low and memories of past policy missteps fresh—particularly the Fed's delayed response to post-pandemic inflation policymakers appear reluctant to move prematurely.

In fixed income markets, this uncertainty translated into heightened volatility. Treasury yields initially spiked on the tariff news, then retraced as the reprieve and softer inflation data took hold. Credit markets experienced a sharp widening in spreads early in the quarter, followed by a partial recovery as risk sentiment improved. Investors remained focused on balancing trade uncertainty against the potential for a soft landing.

Overall, the second quarter of 2025 was a study in contrasts: geopolitical shocks met with central bank restraint, economic weakness offset by labor market strength, and inflation easing just as new risks to price stability emerged. As the July 9 tariff reprieve deadline approaches, markets remain on edge, with the next chapter in trade policy likely to shape the trajectory of

both the economy and financial markets in the second half of the year.

For the quarter, the Fund outperformed its benchmark, the Index on a NAV basis. After yields initially spiked following the U.S. proposing punitive tariffs, U.S treasury yields retraced as the administration took measures to ease trade tensions and softer inflation data took hold. Both asset allocation and security selection decisions contributed to performance, along with duration and yield curve positioning. Our overweight to spread sectors helped performance over the period led by high yield corporates and bank loans. Security selection also contributed primarily coming from agency mortgage-backed securities (MBS) collateralized mortgage obligations (CMO) and non-agency CMBS securities.

Current strategy and outlook

Our outlook reflects a mix of policy shifts, labor dynamics, and evolving inflation trends. Corporate investment has slowed amid trade volatility, and higher import costs may weigh on consumption. However, proposed tax cuts could support household incomes, while deregulation may enhance business efficiency. As a result, we expect near-term growth to dip below trend then gradually rebounding.

Inflation transfer from tariffs to consumer prices should be slow, given limited corporate pricing power and fluid trade policy. This may cap peak prices but extend duration. Encouragingly, shelter and services inflation are normalizing, reinforcing a disinflationary trend. This should help anchor inflation expectations, even if it rises modestly.

Regarding labor, employers are wary from past shortages and reluctant to lay off workers. We expect this to persist, leading the unemployment rate to drift higher. Similarly, wage growth should remain subdued, especially at the entry level, where artificial intelligence (AI) is exerting downward pressure. However, tighter immigration policies may support lower-end wages by constraining labor supply in key sectors. With labor markets softening and inflation expectations anchored, we expect the Fed to shift focus toward employment and resume cutting rates toward neutral.

In fixed income, elevated yields offer attractive total returns potential, but policy uncertainty will continue to drive episodes of volatility. That said, the current administration's sensitivity to bond market reactions should limit the severity and duration of disruptions, but we will remain nimble.

Credit markets have recovered from the “Liberation Day” shock; spreads have tightened to prior levels.

Investment grade (IG) corporate spreads have retraced back to recent tights, which leaves little room for further tightening. But, corporate fundamental factors remain supportive, and front-end carry (where the impact of widening would be more limited) still appears attractive. As a result, we added to our IG overweight, with a focus on adding shorter dated bonds. Other corporate sectors (high yield and bank loans) also look stretched from a valuation perspective, while securitized credit offers more compelling opportunities. CMBS is still in the early stages of recovery, and there is a growing risk appetite

for a narrow subset of office properties. High quality collateralized loan obligation (CLOs) also offer significantly wider spreads than similarly-rated corporate bonds.

In sum, we maintain a cautiously optimistic outlook.

Growth may stay subdued short-term but should improve with clearer trade policy, better policy mix, and productivity gains. Inflation is well off its peak, expectations are anchored, and the Fed is poised to ease. While corporate credit valuations are tight, fundamentals are broadly positive. Securitized markets offer attractive opportunities, and selectivity will be key in navigating this environment.

Read our Fund Fact Sheet

The **ICE Bank of America U.S. Dollar Three-Month Deposit Offered Rate Constant Maturity** Index is designed to track the performance of a synthetic asset paying ICE Term SOFR to a stated maturity. The index is based on the assumed purchase at par of a synthetic instrument having exactly its stated maturity and with a coupon equal to that day's fixing rate. That issue is assumed to be sold the following business day (priced at a yield equal to the current day rate) and rolled into a new instrument. Effective October 1, 2022 the underlying reference rate for this index was replaced from USD LIBOR to ICE Term SOFR. Index returns do not reflect fees, brokerage commissions, taxes or other expenses of investing. **Investors cannot invest directly in an index.**

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The strategy employs a quantitative investment process. The process is based on a collection of proprietary computer programs, or models, that calculate expected return rankings based on variables such as earnings growth prospects, valuation, and relative strength.

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