Voya High Yield Strategy

Firm Overview

Voya Investment Management at a Glance

Voya Investment Management (Voya IM) is a leading active asset management firm. As of June 30, 2017, Voya IM manages approximately $224 billion* for affiliated and external institutions as well as individual investors. Drawing on over 40 years of experience and an ongoing commitment to reliable investing, Voya IM has the resources and expertise to help provide long-term investors with strong investment results.

Mission

Voya Investment Management's mission is to find unrecognized value ahead of consensus by seeking original insights on markets and companies. Toward that end, we apply our proprietary research and analytics, benchmark awareness and risk management to serve client needs within the guidelines and objectives of each assignment.

Portfolio Managers

Randy Parrish, CFA

Head of Credit

Years of experience: 27

Years with company: 16

Rick Cumberledge, CFA

Head of High Yield

Years of experience: 24

Years with company: 10

Matt Toms, CFA

Chief Investment Officer, Fixed Income

Years of experience: 23

Years with company: 8

Supported by over 100 Fixed Income Investment Professionals with the majority averaging 10+ years of experience.

Strategy

Summary

Total return approach, investing in below investment grade corporate securities

Objective**

To outperform the Bloomberg Barclays U.S. High Yield 2% Issuer Cap Index by 1.0% annually over a full credit cycle with tracking error not to exceed 2.0%

Investment Process

Our investment process involves a focus on rigorous fundamental credit analysis and security selection. Broad investment themes implemented across a wide range of securities limit impact from negative company-specific credit events. Strategic input from the entire Voya IM fixed income team guides overall risk appetite and positioning. Strong risk budgeting, risk management and compliance capabilities ensure quality checks and balances. Ultimately, we seek consistently competitive returns appropriate to each client's mandate and risk tolerance.

Contribution to Process and Returns

High

Issuer/Security Selection — Issuer selection is the cornerstone of the investment process, generating about 60-70% of excess returns.

Industry/Sector Allocation — Investment themes implemented across a range of credits in order to capture the upside of the view and limit the impact of any negative idiosyncratic events; about 20-40% of excess returns.

Market Direction — Strategic input from Voya IM Fixed Income guides overall risk appetite and positioning accounts for 0-20% of excess returns.

Low

Competitive Advantages

- Total return approach, investing in below investment-grade corporate securities
- Experienced, dedicated high yield team leverages the broader resources of the Voya fixed income platform
- Disciplined investment process built on fundamental research, designed to identify and exploit opportunities arising from mispriced credit risk
- By focusing on multiple sources of alpha generation rather than varying the beta of the portfolios alone, the Strategy seeks to outperform regardless of market environment
- The efficacy of the team's process is reflected in the strong relative returns and the superior information ratio generated by the Strategy

*Voya IM assets of $224 billion include proprietary insurance general account assets of $90 billion calculated on a market value basis. Voya IM assets, as reported in Voya Financial, Inc. SEC filings, include general account assets valued on a statutory book value basis and total approximately $217 billion. Both totals include approximately $9 billion in Private Equity, $4 billion in Real Estate and $5 billion in other assets including those sub-advised through the Voya family of funds and the Multi-Asset Strategies and Solutions product offerings. Approximately $0.7 billion of total fixed income assets are also included in the Senior Loan and Private Equity totals.

**There is no guarantee that this objective will be achieved.

For more information, please contact your relationship manager or go to www.voyainvestments.com
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Voya High Yield Strategy

Performance (%)

	Quarter	YTD	1 Year	Annualized 3 Years	Annualized 5 Years	Annualized 10 Years
Composite Gross:	1.74	6.45	8.19	6.17	7.00	7.43
Composite Net:	1.61	6.06	7.66	5.64	6.47	6.92
Bloomberg Barclays U.S. HY 2% Issuer Cap Index	1.98	7.00	8.87	5.84	6.37	7.92
Gross Excess Return	-0.24	-0.55	-0.68	0.32	0.63	-0.50

Commentary

Market Review

A broad swath of global markets set new record highs or rebounded sharply during the third quarter. In the U.S., performance was spurred by an incredible turnaround in the energy sector. Away from the U.S., the economic outlook is firm for Europe and Japan. Eurozone growth is above trend and headline inflation is ticking up, both of which, combined with fading systemic risk, are prompting investment flows into Europe and therefore benefiting the euro. Japan's GDP is expected to run above trend for 2017; growth is underpinned by strong domestic demand and export volumes.

We continue to view the credit markets as fully priced. U.S. high yield spreads are near their lowest levels in nearly a decade. In our view, current market risks are decidedly to the upside. We believe this will continue to be demonstrated. The probability that the U.S. gets a comprehensive tax cut sometime in the near future remains. We think that the best way to capitalize in the current economic environment is to engage in broad global diversification, across continents and across equity and fixed income. The pro-business economic backdrop further enforces the resilience of these markets.

Strategy Performance

Underperformance in the quarter was driven by sector positioning. Our holdings in the retail sector negatively impacted performance, primarily a function of security selection. Among the top detractors were Hot Topic, Inc., whose bonds declined when the company posted a second consecutive quarter of weak earnings owing to declines in mall traffic. We believe the company's debt is manageable, and we anticipate some improvement in operating trends in the fourth quarter. PetSmart, Inc. bonds continued to trade off as investors remained fearful of the impact of the shift from in-store to online selling. We continue to believe the acquisition of chewy.com is a positive competitive move, but the extremely negative sentiment around the retail space suggests we will need a positive catalyst to reverse the downdraft in the bonds. We continue to believe many of today's leading retailers ultimately will win in the online arena, and that negative investor sentiment toward the space will create opportunities.

The energy sector was a drag on performance in the quarter, as the negative impact of our underweight to the space was only partially offset by positive security selection. We remained modestly underweight to the exploration and production (E&P) sub-sector, which rallied with oil prices through the quarter. Positive performance from California Resources Corporation and WPX Energy, Inc. was not enough to offset the negative impact of the underweight to the sector. Our long-standing underweight to the oilfield services sector – offshore drillers in particular – weighed on performance, as bonds in this sector also rallied with oil prices. We have become marginally more positive on oil prices amid increased signs that global inventories are moving back toward balance. We have selectively added E&P exposure, leaning toward natural gas and high-quality assets as we increasingly see differentiation among operating performance of shale oil producers. We have reduced our underweight to offshore drillers, as we are seeing signs that market may be near an inflection point.

Other detractors included Wireline telecommunications provider Windstream Communications, which failed to leverage diversifying acquisitions into improved customer trends. Supermarket operator Tops Markets, LLC, suffered along with the rest of the sector as investors reacted to Amazon's entry into the space through its purchase of Whole Foods. Cosmetics producer Revlon, Inc. saw its bonds continue to drift lower as an operating turnaround still appears to be multiple quarters away.

Positives during the quarter included JBS Foods Scotland, Ltd., bonds of which recovered from a recent sell-off related to negative publicity around its Brazilian parent company. Bonds of aluminum producer Constellium N.V. gained on reports that the company may be acquired. Valeant Pharmaceuticals International, Inc., saw it bonds benefit as new management continued to execute on asset sales and debt reduction.

Current Strategy and Outlook

The backdrop for corporate credit remains constructive, and we still expect to see an improved pace of growth as we move through the end of 2017. Earnings growth should support at least modest improvement in credit quality and keep the next default cycle beyond the horizon for some time. Macro risks remain, most notably those of the geopolitical variety and the risk that market volatility picks up as the Fed embarks on the path of shrinking its balance sheet. Signs of increased growth elsewhere around the globe, however, should take some pressure off the United States and the still-hesitant U.S. consumer. Spreads are near their post-crisis tights, but we believe there is still room to tighten if this scenario plays out. We are likely to see continued volatility in the retail, health care and energy sectors, which we believe will present opportunities for outperformance in coming quarters.

In keeping with our view of accelerating U.S. growth, we maintain a slight cyclical bias and an overweight to B-rated and CCC-rated credits. In our view, there will continue to be winners and losers within retail and believe we are likely to have an opportunity to buy the winners at attractive levels. We have become somewhat more positive on energy, but believe credit selection will be key as we do not believe the rising tide of modestly higher commodity prices will lift all boats. Health care is more difficult to gauge given the impact of changes in laws and regulations, but we continue to monitor developments in search of opportunities.

Past performance does not guarantee future results. There is no guarantee that any forecasts or opinions in this material will be realized. Manager commentary is for informational purposes only and does not constitute investment advice and is not a recommendation to purchase or sell any of the securities referenced.

To learn more on the GIPS® compliance Schedule of Composite Performance go to: http://www.voyainvestments.com/US/ProductsandServices/Institutional/index.htm.

The Composite performance information represents the investment results of a group of fully discretionary accounts managed with the investment objective of outperforming the benchmark. Information is subject to change at any time. Gross returns are presented after all transaction costs, but before management fees. Returns include the reinvestment of income. Net performance is shown after the deduction of a model management fee equal to the highest fee charged. Benchmark source: Bloomberg Barclays.

Bloomberg Barclays U.S. High Yield 2% Issuer Cap Index is an unmanaged index that covers U.S. corporate, fixed-rate, non-investment grade debt with at least one year to maturity and at least $150 million in par outstanding. Index weights for each issuer are capped at 2%.

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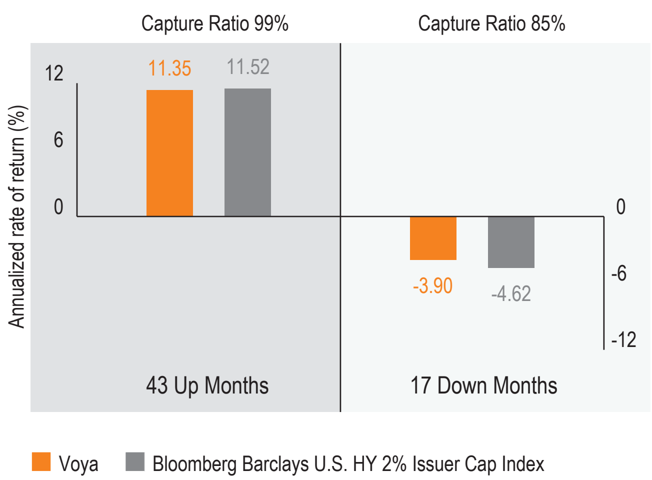
Portfolio Highlights

Top Sector Weights (%)	Portfolio	Bloomberg Barclays U.S. HY 2% Issuer Cap Index	Overweight/ Underweight
Healthcare	8.16	6.88	1.28
Technology	7.99	7.27	0.73
Independent Energy	6.29	6.47	-0.18
Cable and Satellite	6.29	7.11	-0.82
Wireless	5.32	5.32	0.00
Media and Entertainment	4.97	4.06	0.91
Gaming	4.59	3.05	1.54
Chemicals	4.16	2.42	1.74
Midstream	4.08	4.18	-0.10
Financials	4.02	8.97	-4.95

Returns-Based Statistics (5 years ending 09/30/17)	Composite	Bloomberg Barclays U.S. HY 2% Issuer Cap Index
Standard Deviation (%)	4.64	5.18
Tracking Error (%)	1.14	NA
Information Ratio	0.56	NA
Alpha (annualized %)	1.40	NA
Beta	0.88	1.00
R-Squared (%)	0.96	1.00
Sharpe Ratio	1.47	1.19

Quality Rating (%)	Portfolio	Bloomberg Barclays U.S. HY 2% Issuer Cap Index
≥BBB	0.43	0.00
BB	32.79	44.36
B	44.76	39.43
CCC	20.43	14.69
Below CCC	0.58	1.12
Not Rated	0.00	0.40
Cash	1.02	0.00

Up/Down Capture Ratio



Holdings-Based Characteristics	Portfolio	Bloomberg Barclays U.S. HY 2% Issuer Cap Index
Yield-to-Worst (%)	5.56	5.44
Modified Duration-to-Worst (Yrs.)	3.48	3.56
Average Quality	B	B+

The sector, security, and credit exposures information is based on a sample account in the Composite that we believe best represents this investment management style. It should not be assumed that the adviser continues to hold the securities listed. Other accounts in the Composite might have slightly different portfolio characteristics. Returns-Based Characteristics are based on the Composite returns.

Please see next page for other important disclosures and definitions.

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Principal Risks Disclosure:

All investing involves risks of fluctuating prices and the uncertainties of rates of return and yield inherent in investing. **High-Yield Securities**, or "junk bonds", are rated lower than investment-grade bonds because there is a greater possibility that the issuer may be unable to make interest and principal payments on those securities. The strategy may use **Derivatives**, such as options and futures, which can be illiquid, may disproportionately increase losses and have a potentially large impact on performance. **Foreign Investing** does pose special risks including currency fluctuation, economic and political risks not found in investments that are solely domestic. Risks of foreign investing are generally intensified in **Emerging Markets**. **As Interest Rates** rise, bond prices may fall, reducing the value of the share price. **Debt Securities** with longer durations tend to be more sensitive to interest rate changes. Other risks include but are not limited to: **Credit Risks; Other Investment Companies' Risks; Price Volatility Risks; Inability to Sell Securities Risks; and Securities Lending Risks.**

Glossary of Terms:

Standard Deviation — A measure of the degree to which an individual probability value varies from the distribution mean. The higher the number, the greater the risk.

Tracking Error — A measure of how closely the returns of a fund tend to follow the returns of the index to which it is benchmarked; specifically, the variability of excess returns around the average.

Information Ratio — The ratio of excess returns above a market index to the variability of those excess returns; in effect, describing the value added from active management in relation to the risk taken in achieving those returns.

Alpha — A measure of risk-adjusted performance; expressed as an annualized rate, it is the return that would have been realized by the manager over a measurement period if the return for the market were zero.

Beta — The sensitivity of a portfolio's returns to changes in the return of the market as measured by the index or benchmark that represents the market. A beta of 1.0 behaves exactly like the index. Beta less than 1.0 suggests lower risk than the index; greater than 1.0 indicates a risk level higher than the index.

R-Squared — The proportion of the variation in a portfolio's returns that can be explained by the variability of the returns of an index. High R-Squared (close to 1.0) is usually consistent with broad diversification.

Sharpe Ratio — A risk-adjusted measure calculated using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe Ratio, the better the fund's historical risk-adjusted performance.

Upside/Downside Capture Ratio — A graphical depiction of the historical risk and return potential of a portfolio versus its benchmark. Upside capture measures how the manager performed when the market was positive, while the downside capture measures the degree to which the manager went down while markets were negative.

Yield-to-Worst — Yield to Worst is the internal rate of return of the security based on the given market price. It is the single discount rate that equates a security price (inclusive of accrued interest) with its projected cashflows.

Modified Duration-to-Worst — Modified Duration to Worst is a mathematically adjusted form of Macaulay Duration measuring the sensitivity of a bond's price to small, instantaneous changes in yield. This calculates the rate sensitivity of a security assuming that cashflows do not change as interest rates change.

Average Quality — Credit Quality is a portfolio's market value weighted credit quality. The effective credit rating is determined using the "middle of three/lower of two" ratings from the three NRSRO rating agencies: Fitch, S&P, and Moodys. Credit quality is calculated by weighting each security's effective credit rating by its market value divided by the portfolio's market value. The sum of those values is the Average Quality of the portfolio. Securities with no credit quality are ignored in this calculation.

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