Quarter ending September 30, 2017 I 3Q Strategy Brief

Voya Unconstrained Fixed Income 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

Matt Toms, CFA
Chief Investment Officer, Fixed Income
Years of experience: 23
Years with company: 8

Brian Timberlake, CFA, PhD
Head of Fixed Income Research
Years of experience: 14
Years with company: 14

Sean Banai, CFA
Head of Portfolio Management
Years of experience: 18
Years with company: 18

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

Strategy

Summary

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

Objective**

To outperform LIBOR by 3-4% with an annualized absolute volatility of 2-7% over a full credit cycle

Investment Process

Our investment process involves a focus on macro themes, which are incorporated in every aspect of the decision making process. We integrate quantitative and fundamental analysis at the center of the disciplined, bottom-up security selection approach. Feedback loops across all teams ensure that all elements are continuously connected. Strong risk budgeting, risk management and compliance capabilities ensure quality checks and balances.

Contribution to Process and Returns

High

Active Asset Allocation — We seek to exploit the breadth of opportunities across global fixed income sectors and capitalize on tactical opportunities based on sector relative value, downside skew and asymmetric return potential.

Duration Management — Flexible duration profile from -2 to 6 years allows the strategy to maintain an intelligent mix of duration and credit risk which are adjusted concurrent with market conditions.

Security Selection — We leverage best in class sector teams with unique alpha drivers across global corporate and securitized markets. Particular emphasis is placed on loss avoidance.

Currency Management — We employ a proprietary, sophisticated quantitative modeling approach that identifies relative value opportunities and adapts to prevailing currency regimes.

Low

Competitive Advantages

- Unconstrained approach to portfolio construction employed in an intelligently designed, risk aware manner. Not unconstrained risk
- Absolute return goals with a focus on downside risk mitigation through all markets
- Maintains an appropriate mix of duration and credit exposure that is constantly monitored and adjusted as market conditions change
- Acute sensitivity to changing market correlations and risk drivers informed by deep understanding of global macro environment
- A deep and experienced team of over 100 fixed income specialists demonstrated performance track records across single and multi-sector strategies

*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 Unconstrained Fixed Income Strategy

Performance (%)

	Quarter	YTD	1 Year	Annualized	
				3 Years	Since Inception (01/01/13)
Composite Gross:	1.35	5.40	6.97	5.34	4.41
Composite Net:	1.25	5.09	6.54	4.92	4.00
Merrill Lynch LIBOR 3 month Constant Maturity Index	0.33	0.82	1.03	0.59	0.47
Gross Excess Return	1.03	4.58	5.94	4.75	3.94

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

Interest rates exhibited a see-saw pattern over the quarter. U.S. Treasury yields declined early in the summer, as inflation reports showed continued weakness and the market concluded the likelihood of a third rate hike by the Federal Reserve (Fed) in 2017 was remote. As expected, the Fed left official short-term rates unchanged at the September meeting and formally announced their framework for reducing their holdings in U.S. Treasury and Agency mortgage-backed securities tied to quantitative easing programs conducted after the global financial crisis. Unexpectedly, Fed Chair Janet Yellen struck a more hawkish tone in her testimony in September, leaving the door open for rate hikes in 2017 which in turn hit the re-set button on market expectations for a hike in December. For the quarter, 2-year Treasury yields rose from 1.38% to 1.48% and 10-year treasury yields rose more modestly from 2.30% to 2.33%. Our duration positioning, which included an underweight was also aided by our curve positioning as most of our underweight was focused on the shorter part of the curve.

The Intermediate sleeve modestly outperformed its benchmark, as positive sector allocations that included an overweight to high quality investment grade credit relative to the benchmark was offset by security selection. Meanwhile, duration and yield curve positioning positively contributed as rates for shorter-dated Treasurys rose over the period. Our decision to maintain an overweight to investment grade (IG) credit versus Treasurys helped performance, as corporates outperformed.

The quarter began with spreads continuing to grind tighter, and then larger than expected issuance (including Amazon's bond deal for their acquisition of Whole Foods) and geopolitical tensions between the U.S. and North Korea served as temporary headwinds in August. As supply was digested and anxiety faded, corporate spreads resumed their tightening trend and outperformed for the quarter. For the third quarter, the positive performance generated from sector allocation was offset by individual security selection within the consumer non-cyclical sector.

Our portfolio is a high quality strategy and does not invest in lower quality CCC paper, which led to some underperformance versus the Index. Additionally, much of the rally in High Yield was due to the recovery in oil prices, leading to outperformance in the energy sector. The Strategy is underweight the sector, which led to underperformance. The Strategy's allocations to the technology, food and beverage, and home construction names were the main contributors to positive results.

Current Strategy and Outlook

Looking ahead, we expect the trend of higher yields to continue in the U.S. and globally, though this tightening cycle will be a gradual process with a number of digressions. We believe the door remains open for a third rate hike in December, and consequently we remain underweight duration versus our benchmark.

In corporate bonds, the investment grade market remains well supported. However, the magnitude of additional spread tightening may be limited given the extremely strong performance over the course of 2017. We still expect to see tighter spreads given the continued demand for IG credit, fundamentals that are less of a headwind and a supportive economic environment. We like the valuation gap of financials and think BBB credits can benefit as the market grinds tighter. With the global economy remaining supportive for credit investing from a macro perspective, there is little evidence of aggressive balance sheet tactics that are common in the later stages of the credit cycle that could degrade corporate balance sheets. While leverage is slowly rising, we believe it is supportable, and interest coverage remains elevated.

For high yield, though far from robust, the mildly positive trend of economic data has kept credit fundamentals in the sweet spot, while expectations for defaults remain low. Flows into High Yield have picked back up, as markets remain risk on, the search for yield continues, and few are concerned over the affects to the asset class from the Fed raising interest rates. Valuations are tight as OAS levels have moved back to around their tightest levels of the year. With that said, we remain constructive on High Yield as the carry remains attractive, fundamentals are positive, and demand is strong.

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: Merrill Lynch.

Returns are benchmarked to the Bank of America Merrill Lynch U.S. Dollar Three Month LIBOR Constant Maturity Index, which does not incur management fees, transaction costs, or other expenses associated with a composite portfolio. The Bank of America Merrill Lynch U.S. Dollar Three Month LIBOR Constant Maturity Index represents a high-quality base rate for 3-month constant maturity dollar denominated deposits. The index does not reflect fees, brokerage commissions, taxes or other expenses of investing.
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Voya Unconstrained Fixed Income Strategy

Portfolio Highlights

Holdings-Based Characteristics	Portfolio	Merrill Lynch LIBOR 3 month Constant Maturity Index
Yield-to-Worst (%)	4.13	1.33
Effective Duration (Yrs.)	2.36	0.25
Average Quality	BBB	AA

Quality Rating (%)	Portfolio	Merrill Lynch LIBOR 3 month Constant Maturity Index
AAA	9.08	0.00
AA	4.00	0.00
A	6.93	0.00
BBB	14.89	0.00
<=BB	47.60	0.00
Not Rated	0.85	0.00
Treasuries/Cash	16.65	100.00

Sector Weights (%)	Portfolio	Merrill Lynch LIBOR 3 month Constant Maturity Index
US Treasury & Cash	16.65	100.00
Commercial Mortgage-Backed Securities	15.80	0.00
Non-Agency RMBS and SF CRT	14.68	0.00
Bank Loans	13.90	0.00
Asset-Backed Securities	11.39	0.00
Emerging Markets	9.96	0.00
HY Corporates	8.71	0.00
Agency Mortgages	5.30	0.00
IG Corporates	3.61	0.00

The specific securities identified and described above are for illustrative purposes only. The securities were not selected based on performance and do not represent all or any of the securities purchased, sold, or recommended for our client accounts. It should not be assumed that investment in these securities was or will be profitable or that this is a recommendation. We may change information contained herein at any time and make no commitment to update the information.

Please see next page for other important disclosures and definitions.

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Glossary of Terms:

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.

Effective Duration — Effective Duration is the Option Adjusted Duration. It measures the sensitivity of market price to parallel shifts in the yield curve assuming the OAS stays constant as the curve shifts. Unlike Modified Duration, the OAD does not assume that cashflows are constant 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.

Principal Risks Disclosure:

The principal risks are generally those attributable to bond investing. Holdings are subject to market, issuer, credit, prepayment, extension, and other risks, and their values may fluctuate. Market risk is the risk that securities may decline in value due to factors affecting the securities markets or particular industries. Issuer risk is the risk that the value of a security may decline for reasons specific to the issuer, such as changes in its financial condition. The strategy may invest in mortgage-related securities, which can be paid off early if the borrowers on the underlying mortgages pay off their mortgages sooner than scheduled. If interest rates are falling, the strategy will be forced to reinvest this money at lower yields. Conversely, if interest rates are rising, the expected principal payments will slow, thereby locking in the coupon rate at below market levels and extending the security's life and duration while reducing its market value. High yield bonds carry particular market risks and may experience greater volatility in market value than investment grade bonds. Foreign investments could be riskier than U.S. investments because of exchange rate, political, economics, liquidity, and regulatory risks. Additionally, investments in emerging market countries are riskier than other foreign investments because the political and economic systems in emerging market countries are less stable.