Portfolio Manager Quarterly Commentary | June 30, 2017

Voya Global Bond Strategy

> Strategy Overview

Voya's global bond strategy seeks to maximize total return through a combination of current income and capital appreciation. The strategy invests in broad global bond sectors including a wide range of debt and derivative securities and currencies.

> Expected Contribution to Returns

High

Sector Allocation — Use macro themes, relative value analysis and security level research to guide broad sector allocation strategy

Currency Exposure — Continuous review of macro fundamentals and relative value conditions across global markets to build strategic exposures to global currencies.

Yield Curve — Ongoing assessment of yield curve relative value — position portfolio as opportunities arise

Duration — Employ strategic and tactical views of interest rate risk, make moderate adjustments to capture incremental returns

Low

Key Takeaways

- For the quarter, the strategy outperformed its benchmark, the Bloomberg Barclays Global Aggregate index
- Sector allocation to spread assets generated most of the outperformance
- Currency positioning in both developed and emerging markets added to results, while duration positioning detracted
- We continue to prefer spread assets that could benefit from improving global growth, such as securitized assets, high yield and select emerging market debt

Portfolio Review

Sector Allocation

- Securitized assets were the greatest contributors to outperformance for the quarter
  - Largely driven by allocations to non-agency residential mortgages, credit risk transfer securities and commercial mortgage-backed securities
  - We believed non-agency RMBS would be supported by a housing market that continues to improve, continued strong demand, increased prepayments and lower defaults. Despite tight valuations, we maintained overweights to these sectors
- Our focus on higher-quality, high-yield bonds contributed to the strategy's outperformance
  - High yield fundamentals continue to show signs of improvement, though retail and supermarkets remain notable exceptions
- Our allocation to emerging markets (EM) debt added to results
  - Maintained a bias towards local rates and currency exchange (FX)
  - We continue to like EM with a bias towards local currency interest rate risk and hard currency sovereigns; however, country differentiation remains key

Currency Exposure

- Developed market FX exposure contributed to results
  - Biggest contributor was our long euro position
  - Our short position in the pound detracted from results

Yield Curve/Duration

- We maintained a short duration stance on 10-year U.S. yields, which detracted from results
- The U.S. yield curve continued to flatten — short rates sold off as the Fed hiked again in June and intermediate and long rates fell slightly

Current Strategy and Outlook

We believe that near-term growth in the United States will be closely tethered to trend level. Legislation that could provide upside to U.S. GDP — such as tax cuts, tax reform or significant deregulation — appears less likely given the lack of progress in Washington. We believe that wage pressures within the U.S. economy will continue to increase, albeit unevenly across industries, and that overall inflation pressure will be limited by global excess supply. Balance sheet reduction will be the near-term focus of the Fed; a cautious pace of rate normalization guided by market expectations will continue later. Continued easy monetary policy will keep volatility uncomfortably low, supporting full but sustainable valuations of risk assets.

For these reasons, we are maintaining our preference towards spread assets, specifically those that could benefit from an improving global growth picture such as investment grade credit, high yield and select emerging markets. We are also keeping an overweight to securitized products such as collateralized loan obligations, CMBS and non-agency residential mortgages.

Portfolio Positioning

Asset Class	Current Position	Rationale
Interest Rates	2	Look for higher yields in U.S. and Europe; steady in U.K. and Japan
Currencies	4	U.S. dollar to strengthen vs. pound and yen, weaken vs. euro and emerging markets
Investment Grade	4	Maintain positive bias given continued strong demand, supportive fundamentals
High Yield	4	Option-adjusted spread (OAS) is close to full value; we are maintaining modest allocation
Securitized Assets	4	Non-agency RMBS supported by improving housing market. Fed actions could impact agency mortgages
Emerging Markets	4	Attractive opportunities for select countries, but momentum beginning to fade

1 = maximum underweight, 3 = neutral, 5 = maximum overweight

Voya Global Bond Strategy

The Bloomberg Barclays Global Aggregate Index is an unmanaged index that provides a broad-based measure of the global investment-grade fixed-rate debt markets. The Index does not reflect fees, brokerage commissions, taxes or other expenses of investing. **Investors cannot invest directly in an index.**

The **Standard & Poor's 500 Index** is an unmanaged capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **Dow Jones Industrial Average** is a price-weighted average computed from the stock prices of 30 of the largest and most widely held public companies in the United States, adjusted to reflect stock splits and stock dividends.

Principal Risks: All investing involves risks of fluctuating prices and the uncertainties of rates of return and yield. **Currency** To the extent that the Portfolio invests directly in foreign currencies or in securities denominated in, or that trade in, foreign (non-U.S.) currencies, it is subject to the risk that those currencies will decline in value relative to the U.S. dollar or, in the case of hedging positions, that the U.S. dollar will decline in value relative to the currency being hedged. **Derivative Instruments** 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 may also have a leveraging effect which may increase the volatility of the Portfolio and reduce its returns. **Foreign Investments/Developing and Emerging Markets** Investing in foreign (non-U.S.) securities may result in the Portfolio 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. Foreign investment risks typically are greater in developing and emerging markets than in developed markets. **Asset-Backed (including Mortgage-Related) Securities** Defaults on or the low credit quality or liquidity of the underlying assets of the asset-backed (including mortgage-related) securities held by the Portfolio may impair the value of the securities. **Credit Derivatives** The Portfolio may enter into credit default swaps, either as a buyer or a seller of the swap. As a buyer of the swap, the Portfolio pays a fee to protect against the risk that a security held by the Portfolio will default. As a seller of the swap, the Portfolio receives payment(s) in return for its obligation to pay the counterparty an agreed upon value of a security in the event of a default of the security issuer. Credit default swaps are largely unregulated and susceptible to liquidity, credit, and counterparty risks. Other risks of the Portfolio include but are not limited to: **Leverage, Liquidity, Other Investment Companies, Call, Credit, High-Yield Securities, Prepayment and Extension and Securities Lending. Investors should consult the Portfolio's Prospectus and Statement of Additional Information for a more detailed discussion of the Portfolio's risks. An investment in the Portfolio 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.**

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.

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You should consider the investment objectives, risks, and charges and expenses of the variable product and its underlying fund options; or mutual funds offered through a retirement plan, carefully before investing. The prospectuses/prospectus summaries/information booklets contain this and other information, which can be obtained by contacting your local representative or by calling (800) 386-3799. Please read the information carefully before investing.

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