Portfolio Manager Quarterly Commentary | June 30, 2017

Voya High Yield Bond Fund

> Strategy Overview

The Voya High Yield Bond Fund seeks to deliver consistent outperformance through active management emphasizing credit selection and prudent diversification. High yield bonds have historically produced higher returns than other fixed income asset classes with less volatility than equities.

> Expected Contribution to Returns

High

- **Security Selection —** the primary driver of returns and risk in the high yield market and, we believe, the most reliable way to generate repeatable outperformance
- **Industry Sector Allocation —** industry sector views and other broad investment themes implemented across a range of issuers to provide a second source of outperformance
- **Market Direction —** input from across the Voya IM fixed income platform informs appraisal of credit cycle and guides overall risk appetite

Low

Key Takeaways

- For the quarter, the Fund underperformed its benchmark, the Bloomberg Barclays U.S. High Yield 2% Issuer Constrained Index, after deducting operating expenses and fees
- The largest contributor to outperformance was positioning within the energy sector, while the largest detractor was positioning within retailers
- Both security selection and industry sector allocation contributed to performance versus benchmark
- The backdrop for corporate credit remains constructive, with risks primarily in the macro environment
- We believe retail, health care and energy will present opportunities the rest of the year

Portfolio Review

Thematic Winners and Losers

- The energy sector was the largest contributor to outperformance in the quarter, reflecting several underlying themes as well as positive security selection
  - Based on our belief that oil prices would remain adequate to provide a return for onshore shale producers, but not increase enough to boost deep water drilling activity, the Fund stayed underweight energy in total but continued to favor onshore exploration and production companies, as well as midstream pipeline operators, over offshore drillers
  - Believing that the natural gas market was closer to supply/demand balance than the oil market, we favored natural gas producers such as Antero Resources Corp. and Gulfport Energy Corp. over lower quality oil producers that need higher oil prices
  - We continue to see merger and acquisition and capital raising activity in the energy space benefit companies that own attractive assets, as was the case with fund holding LoneStar Resources during the quarter
  - We marginally reduced risk in the energy sector over the quarter. as the OPEC production cuts have increased oil prices; they have only incented greater investment and production by U.S. shale producers, which promises to keep a lid on prices for the foreseeable future
- Our holdings in the retail sector negatively impacted performance, primarily a function of security selection:
  - Neiman Marcus Group Ltd., Inc. bonds declined for a second consecutive quarter due to ongoing sales weakness complicated by a botched inventory system conversion. We continue to believe there is value in the Neiman brand that ultimately will benefit bondholders, but the extent of the problems makes this a longer term proposition than we previously thought
  - PetSmart, Inc. was hurt by fears of the shift from in-store to online selling, and the need to issue additional debt to fund the acquisition of Chewy.com. We believe the acquisition is a positive competitive move – one that was backed by an additional equity contribution from PetSmart's owners—and we took the opportunity to add to our position
  - We 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

Issuer Specific Winners and Losers

- Positives in the quarter included:
  - Wireless telecom provider Sprint Corp., on renewed takeover speculation
  - Valeant Pharmaceuticals International, Inc, as new management delivered on both quarterly earnings and asset sales
  - Advance Pierre Foods, which agreed to be acquired by Tyson Foods
- Negatives included:
  - Wireline telecommunications provider Windstream Services LLC, which reported weak earnings
  - Cosmetics producer Revlon Consumer Products Corp., which saw sales fall sharply. The company has been slow to refresh its product offering to keep pace with changing trends

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 2017. Earnings improved year-over-year in the first quarter and should post a reasonable increase through the rest of the year, supporting at least modest improvement in credit quality and keeping the next default cycle beyond the horizon for some time. Macro risks remain, most notably the risk that the Trump administration and Congress fail to deliver on the policy front and the risk that market volatility picks up as global central banks finally get more aggressive in removing accommodative monetary policy. 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 remain wide of their post-crisis tights, suggesting additional 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 through the balance of the year.

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. Within energy, we remain cautious and continue to favor the midstream and exploration and production sub-sectors over offshore service companies, and to favor natural gas over oil. Healthcare is more difficult to gauge given the impact of changes in laws and regulations, but we continue to monitor developments in search of opportunities.

Holdings Detail

Companies mentioned in this report – as of 6/30/2017: Antero Resources, 0.33%; Gulfport Energy, 0.31%; LoneStar Resources, 0.18%; Neiman Marcus, 0.16%; PetSmart, 0.54%; Sprint, 2.29%; Valeant Pharmaceuticals, 1.70%; Advance Pierre Foods, 0.00%; Windstream, 0.46%; Revlon, 0.28%; 0% indicates that the security is no longer in the portfolio. Portfolio holdings are subject to change on a daily basis.

Voya High Yield Bond Fund

The **Bloomberg Barclays High Yield Bond—2% Issuer Constrained Composite Index** is an unmanaged index that includes all fixed income securities having a maximum quality rating of Ba1, a minimum amount outstanding of $150 million, and at least one year to maturity. **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.

The **Bloomberg Barclays U.S. Aggregate Bond Index** is an unmanaged index composed of securities from the Bloomberg Barclays Capital/Government/ Corporate Bond Index, Mortgage-Backed Securities Index, and the Asset-Backed Securities Index including securities that are of investment grade quality or better and have at least one year to maturity. The Index does not reflect fees, brokerage commissions, taxes or other expenses of investing. **Investors cannot invest directly in an index.**

Principal Risks: All investing involves risks of fluctuating prices and the uncertainties of rates of return and yield. Investments rated below investment-grade (or of similar quality if unrated) are known as **High-Yield Securities** or "junk bonds." High-yield securities are subject to greater levels of credit and liquidity risks. High-yield securities are considered primarily speculative with respect to the issuer's continuing ability to make principal and interest payments. **Call Risk** During periods of falling interest rates, a bond issuer may call or repay its high-yielding bonds before their maturity date. If forced to invest the unanticipated proceeds at lower interest rates, the Fund would experience a decline in income. Prices of bonds and other debt securities can fall if the issuer's actual or perceived **Credit Risk** deteriorates, whether because of broad economic or company-specific reasons. In severe cases, the issuer could be late in paying interest or principal or could fail to pay altogether. **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 Fund and reduce its returns. Other risks of the Fund include but are not limited to: **Liquidity Risk, Credit Derivatives Risk, Securities Lending Risk, Interest Rate Risk and U.S. Government Securities and Obligations 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.**

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.

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The opinions, views and information expressed in this commentary regarding holdings are subject to change without notice. The information provided regarding holdings is not a recommendation to buy or sell any security. Portfolio holdings are fluid and are subject to daily change based on market conditions and other factors.

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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