

Voya International Real Estate Fund

> Investment Objective

The Fund seeks to provide investors with high total return.

> Main Investments

Equity securities of companies that are principally engaged in the real estate industry.

> Portfolio Management

Voya Investments, LLC, Investment Adviser

CBRE Clarion Securities, LLC, Investment Sub-Adviser



T. Ritson Ferguson, CFA
Portfolio Manager



Steven D. Burton, CFA
Portfolio Manager



Joseph P. Smith, CFA
Portfolio Manager

Key Takeaways

- For the quarter, the Fund underperformed its benchmark, the FTSE EPRA/NAREIT Developed ex-U.S. Index (net)
- International real estate stocks moved modestly higher during the quarter, up +4.7%, and are positive year-to-date, up +9.7%
- Stock selection in Hong Kong and Australia were the top contributors to relative performance

Market Review

International property stocks were solidly positive during the three months ended June 30, particularly European property companies which moved higher catalyzed by a favorable French election outcome and improving property fundamentals. Hong Kong and Singapore property stocks also moved higher, maintaining their status as the best performing geographies year-to-date as property fundamentals show marginal improvement from subdued levels. North American REITs were modestly positive as Canadian companies generated positive performance for the quarter. By the end of June, interest rates were moving steadily higher but nonetheless finished lower than three months prior, which reflects the gradual nature of this economic expansion. The yield on the U.S. 10-year Treasury finished June at 2.30% versus 2.39% at March 31. The U.S. dollar generally weakened versus other major currencies, with the exception of the Japanese yen, thus continuing a year-to-date trend of general weakening which has enhanced total return for a U.S.-based investor.

Portfolio Review

European positioning detracted from performance despite strong absolute performance as London office stocks underperformed. Stock selection in Hong Kong and Australia were the top contributors performance. In Hong Kong, stock selection was superior among both landlord-oriented companies as well as the developers during the quarter. Favorable stock selection in Australia was generated by an overweight position in outperforming industrial companies as well as avoiding underperforming companies in the retail sector.

Outlook and Current Strategy

We generally are positive on the Asia-Pacific region with a focus on adding value via stock selection. We have become more positive on Hong Kong and more recently Singapore this year as valuations remain attractive relative to property fundamentals which are showing moderate signs of improvement

off of sluggish levels. Within Hong Kong, we have a bias towards landlord-oriented companies. In Japan, we prefer companies with exposure to the Tokyo office market, which continues to experience improved rental growth as vacancies have fallen below the 4% threshold at which landlords enjoy increasing pricing power, particularly with a modest increase in inflation expectations. Australian investments are benefiting from an attractive combination of yield and growth but are reaching valuations levels which give us some pause, particularly in the residential market. Nonetheless, in an international context, Australia remains an attractive market in the office property type. Elevated housing policy risk remains a constant in the Asia-Pacific region, which otherwise is a region that should benefit from improving global economic growth.

We are more positive on Europe given indications of renewed economic growth and stable property fundamentals. Given continued uncertainty surrounding the future economic and political relationship between the UK and Euro zone, and issues surrounding where we are in the economic and real estate cycles, we believe cautious positioning is appropriate in the UK, although have become somewhat more positive given attractive valuations. Caution is particularly warranted in the office sector, where any future impact of Brexit would be particularly felt. This is despite tenant demand and investor demand which has exceeded expectations immediately following the Brexit referendum vote which occurred a year ago. We have become more positive on markets with dependable growth, including Germany, and those with attractive valuations, including a number of the French-based shopping center/mall companies. We also favor markets with above average and improving growth, including Spain and Ireland.

We believe that Canadian real estate investment trusts (REITs) will provide stable total return anchored by dividend yield. We prefer attractively valued stocks that offer visible earnings growth, conservative balance sheets and modest development pipelines. We are overweight sectors and stocks where we are positive on the fundamentals and the valuations seem reasonable to cheap, and we are underweight where fundamentals are weak and valuations are not cheap to justify poor fundamentals.

Not FDIC Insured | May Lose Value | No Bank Guarantee

INVESTMENT MANAGEMENT

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Voya International Real Estate Fund

The **FTSE EPRA/NAREIT Developed ex-U.S. Index** is designed to track the performance of listed real estate companies and real-estate investment trusts (REITs) outside the United States. Relevant activities are defined as the ownership, disposal and development of income-producing real estate. Constituents are classified into distinct property sectors based on gross invested book assets, as disclosed in the latest published financial statement. Index constituents are free-float adjusted, liquidity, size and revenue screened. The Index does not reflect fees, brokerage commissions 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. **Foreign Investing** poses special risks including currency fluctuation, economic and political risks not found in investments that are solely domestic. Investing in stocks of **Small- and Mid-Sized Companies** may entail greater volatility and less liquidity than larger companies. **Concentration** of investments in one or more real estate industries may subject the Fund to greater volatility than a portfolio that is less concentrated. **Emerging Market** stocks may be especially volatile. **Price Volatility**, liquidity and other risks accompany an investment in International **Real Estate Equities**. The risks of real estate investment trusts (REITs) are similar to those associated with direct ownership of real estate, such as changes in real estate values and property taxes, interest rates, cash flow of underlying real estate assets, supply and demand, and the management skill and creditworthiness of the issuer. Other risks of the Fund include but are not limited to: **Initial Public Offering Risks, Convertible Security Risks, Market Trends Risks, Rule 144A Security Risks, Non-Diversification Risks, Other Investment Company Risks, Inability to Sell Securities Risks and Securities Lending 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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