

Voya MidCap Opportunities Strategy

> Investment Objective

Portfolio seeks long-term capital appreciation.

> Portfolio Management

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Key Takeaways

- For the quarter, the strategy underperformed its benchmark, the Russell Midcap Growth Index.
- On a sector level basis, stock selection within the consumer discretionary and information technology as well as a slight overweight to the energy sector detracted the most from performance. Cash, while within the typical range, was also a headwind during the period. By contrast, strong stock selection within the industrials and health care sectors contributed to performance during the period.
- Key contributors to performance were Exact Sciences Corporation, Packaging Corporation of America and Electronic Arts Inc.
- Key detractors from performance were NVIDIA Corporation, Foot Locker, Inc. and O'Reilly Automotive, Inc.

Portfolio Review

Key Detractors

- ◆ **O'Reilly Automotive** — An overweight position in O'Reilly Automotive, Inc. generated unfavorable results related headwinds and a tax refund delay. The company's underperformance was further exacerbated by Amazon's increased focus on the space which the market fears could result in greater price competition and margin pressure.
- ◆ **Foot Locker, Inc.** — Our overweight in specialty retailer, Foot Locker, Inc., detracted results. Despite reporting better than expected comparable store sales in March and April, the company lowered Q2 sales and earnings growth guidance due to a shift in the athletic cycle. Investors are skeptical that growth will re-accelerate in the second half of the year.
- ◆ **NVIDIA Corporation** — Not owning shares of semiconductor company NVIDIA Corporation detracted from performance during the period. The stock significantly outperformed after beating revenue, margin and earnings guidance, and guiding the out quarter above expectations. The company continues to benefit from strong Data Center growth and as the best pure play for the narrative of a secular shift in computing.

Main Contributors

- ◆ **Exact Sciences Corporation** — Owning non-benchmark name, Exact Sciences Corporation, a molecular diagnostics company which is focused on the early detection and prevention of colorectal cancer, generated strong results. Shares continue to benefit from stronger than expected Cologuard volumes and the news of expanded insurance coverage such as UnitedHealthcare members beginning 7/1/17.
- ◆ **Packaging Corporation of America** — Within the materials sector, our overweight position in Packaging Corporation of America contributed to performance during the period. Company shares advanced due to tight industry capacity with utilization levels north of 96% and strong pricing with two rounds of price increases taking place within a 9-month period.
- ◆ **Electronic Arts Inc.** — Our overweight position in interactive entertainment company Electronic Arts Inc., contributed to performance. Shares advanced after the company reported better than expected guidance.

Outlook and Current Strategy

We believe that the U.S. economy is in a phase of self-sustaining, if slow, economic recovery. Amidst continued modestly improving economic conditions in the U.S. and increased optimism about the outlook for economic growth, the Fed is expected to move toward a normalized interest rate environment. The health of U.S. corporations remains intact, as evidenced by significant amounts of free cash flow and record high incremental margins. U.S. corporations are also actively returning capital to shareholders via dividend increases and share

Holdings Detail

Companies mentioned in this report – percentage of portfolio investments, as of 6/30/17: Foot Locker, Inc., 0.00%; O'Reilly Automotive, Inc., 1.09%; NVIDIA Corporation, 0.00%; Exact Sciences Corporation 1.13%; Packaging Corporation of America, 2.13%; Electronic Arts, Inc., 0.70% indicates that the security is no longer in the portfolio. Portfolio holdings are subject to change on a daily basis.

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Voya MidCap Opportunities Strategy

The **Russell MidCap Growth Index** is an unmanaged index that measures the performance of those companies included in the Russell MidCap Index with relatively higher price-to-book ratios and higher forecasted growth values. 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. **Foreign Investing** poses special risks including currency fluctuation, economic and political risks not found in investments that are solely domestic. Investing in stocks of **Mid-Sized Companies** may entail greater volatility and less liquidity than larger companies. The Portfolio may use **Derivatives**, such as options and futures, which can be illiquid, may disproportionately increase losses and have a potentially large impact on Portfolio performance. Other risks of the Portfolio include but are not limited to: **Growth Investing Risks, Market Trends Risks, Other Investment Companies' Risks, Price Volatility Risks, Liquidity Risks, Securities Lending Risks and Portfolio Turnover Risks.** **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 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.

Variable investments, of any kind, are not guaranteed and are subject to investment risk including the possible loss of principal. The investment return and principal value of the security will fluctuate so that when redeemed, it may be worth more or less than the original investment. In addition, there is no guarantee that any variable investment option will meet its stated objective. All guarantees are based on the financial strength and claims paying ability of the issuing insurance company, who is solely responsible for all obligations under its policies.

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