

VY[®] Clarion Real Estate Strategy

> Strategy Overview

Voya's real estate strategy seeks to deliver a total return similar to the U.S. market for publicly traded real estate companies, a narrow segment of the total U.S. stock market. It pursues this aim by investing in U.S. real estate investment trusts ("REITs") and stocks of real estate companies. The strategy is managed by CBRE Clarion Securities, which uses proprietary analytics to identify securities it believes can provide above-average income and growth potential.

> Expected Contribution to Returns

High



Asset allocation — top-down research evaluates property market conditions and trends to determine which sectors offer attractive return potential



Security selection — uses proprietary analytics to conduct fundamental analysis, evaluate performance characteristics of securities independently and relative to each other



Sell discipline — secure gains, limit losses or redeploy assets into more promising opportunities

Low

Key Takeaways

- For the quarter, the strategy trailed its benchmark, the MSCI U.S. REIT index
- Asset allocation was positive but security selection detracted from results
- Real estate stocks returned 1.7% for the quarter and are up 2.7% year-to-date
- We estimate that these stocks remain attractively priced, trading at modest discounts to the value of underlying real estate

Market Review

- ◆ Real estate stocks were modestly positive for the quarter
 - Woes in the retail and net lease sectors weighed on total return earlier in the period
 - Mall stocks rebounded in June but were negative for the quarter, as were shopping centers
- ◆ Other U.S. property sectors outperformed for the quarter
 - Technology
 - Industrial
 - Residential
 - Healthcare
- ◆ By period-end interest rates were moving steadily higher but still finished lower than March 31
 - The 10-year U.S. Treasury yield fell from 2.39% to 2.30%

Portfolio Review

- ◆ Asset allocation was positive
 - Primarily due to underweights of poorly performing net lease and shopping center sectors
 - Overweights to the industrial, residential and technology/data center sectors also contributed
 - Detractors included an overweight to the lagging mall sector and an underweight to the outperforming healthcare sector
- ◆ Stock selection was a drag on performance
 - Stock selection in the mall and net lease sectors added to results
 - Sub-par selection in the shopping center and residential sectors outweighed those benefits

Outlook and Current Strategy

We favor companies that offer growth potential in an economic environment which we expect will see fiscal stimulus, increased consumer spending and higher rates of inflation. We prefer attractively-valued companies that offer visible earnings growth, conservative balance sheets and modest development pipelines.

- ◆ Overweighting sectors and stocks where we believe fundamentals are sound and valuations are reasonable
 - Class-A mall stocks — have been weak due to on-line shopping concerns but offer attractive value at current prices
 - Technology
 - Residential — manufactured housing, single family home-for-rent companies and select coastal apartment REITs
 - Select industrial companies

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- ◆ Underweighting sectors where we think fundamentals are weak and valuations are not cheap enough to compensate
 - Storage
 - Healthcare
 - Net lease
 - Office
 - Shopping centers
 - Hotels
- ◆ We remain selective on the more bond-like sectors that offer modest growth and trade less attractively relative to our estimate of underlying real estate value

The MSCI US REIT Index is a free float-adjusted market capitalization weighted index that is comprised of equity REITs that are included in the MSCI US Investable Market 2500 Index (with the exception of specialty equity REITs that do not generate a majority of their revenue and income from real estate rental and leasing obligations). The index represents approximately 85% of the US REIT universe. 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. The risks of 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. **Concentration** of investments in one or more real estate industries may subject the Portfolio to greater volatility than a portfolio that is less concentrated. Other risks of the Portfolio include but are not limited to: **Initial Public Offerings Risks, Convertible Securities Risks, Market Trends Risks, Non-Diversification Risks, Other Investment Companies' Risks, Sector Risks, Rule 144A Securities Risks, Inability to Sell Securities Risks, Restricted and Illiquid Securities Risk, Manager Risks, Investment Models Risks and Securities Lending Risks.** Investors should consult the Portfolio's Prospectus, or summary 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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The strategy is available as a mutual fund or variable portfolio. The mutual fund 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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