

# Voya Small Company Strategy

## > Strategy Overview

The strategy seeks growth of capital primarily through investment in a diversified portfolio of common stocks and securities of companies with smaller market capitalizations.

## > Expected Contribution to Returns

**High Security Selection** — Purchase candidates are beneficiaries of an investment thesis; have accelerating sales, earnings and cash flow; and attractive valuations



**Sell Discipline** — Stocks may be sold if valuations exceeds expectations, our thesis changes, or if industry or company fundamentals deteriorate



**Low Sector Allocation** — Portfolios are diversified across sectors and kept within  $\pm 5\%$  of each sector's index weight

## Performance

The Voya Small Company Strategy underperformed its benchmark, the Russell 2000 index, for the quarter ending June 30, 2017.

## Portfolio Review

The strategy's underperformance was due primarily to unfavorable stock selection. Selection within the software and services and consumer services sectors detracted the most from performance. By contrast, stock selection within the commercial services and industrial materials contributed the most to performance.

## Key Detractors

- ◆ **IMAX Corporation** — Within the consumer services sector, an overweight position in IMAX detracted from results. Despite exceeding earnings expectations for the first quarter and raising 2017 full-year screen installation guidance, IMAX shares have declined with the segment, due to competitive pressures including the potential impact that Premium Video On Demand (PVOD) could have on traffic. A weak box office in AAA titles was also a headwind during the period.
- ◆ **AMC Entertainment Holdings, Inc.** — An overweight position AMC detracted from results during the period. Despite strong performance, strategic initiatives for long-term growth and accretive merger and acquisition activity throughout the year, shares have declined due to a weaker box office and the potential impact of PVOD on traffic.
- ◆ **Cardtronics PLC** — Within the software and services sector, an overweight position in Cardtronics, a company which owns and operates automatic teller machines, detracted from results. Despite the company's long-term objectives and solid growth prospects, shares were under pressure during the month in anticipation of a choppy, transitional quarter due to short-term headwinds and investor uncertainty regarding the timing of a turnaround. Due to this ongoing pressure, the team is working with management to determine if there are underlying issues that are causing the continued weakness.

## Main Contributors

- ◆ **Tivity Health, Inc.** — An overweight in Tivity, a company that engages in the development and provision of health management services, generated positive results. Shares advanced following both strong results across the company's three platforms and a raise in earnings guidance.
- ◆ **Amedisys, Inc.** — Within the healthcare equipment and services sector, an overweight position in Amedisys, a hospice and home healthcare services company, contributed to results. Shares advanced following a strong reported 1Q17 performance particularly within its hospice segment and as a result of management's cost savings initiatives. Amedisys is also reaping the benefits of a strong management team and a solid pipeline due to recent acquisitions which are expected to drive long-term growth.
- ◆ **Exact Sciences Corporation** — An overweight position in Exact Sciences, a pharmaceutical and biotechnology company focused on the early detection and prevention of colorectal cancer, added to results during the quarter. Shares rose with investor confidence in response to strong quarterly results and a raise in guidance. Furthermore, the company continues to gain share within a large market opportunity in addition to a robust pipeline well-positioned for long-term growth.

## Outlook and Current Strategy

We continue to monitor changes occurring globally, actions at central banks and overall economic data. Our portfolio positioning has not changed significantly. We seek to remain nimble and continue to focus on quality companies, such as those that, in our opinion, have strong managements, solid balance sheets and good cash flow generation capabilities. Going forward, we believe the portfolio is well positioned, as we think that investors will continue to focus on companies' fundamentals due to ongoing economic uncertainty.

## Holdings Detail

Companies mentioned in this report – percentage of portfolio investments, as of 6/30/17: AMC Entertainment Holdings, Inc., 0.75%; Amedisys, Inc., 0.79%; Cardtronics PLC, 0.64%; Exact Sciences Corporation, 0.29%; IMAX Corporation, 0.57%; Tivity Health, Inc., 0.90%; 0% 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 Small Company Strategy

The **Russell 2000 Index** is an unmanaged index that measures the performance of securities of small U.S. companies. 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.

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. **Foreign Investing** poses special risks including currency fluctuation, economic and political risks not found in investments that are solely domestic. Investing in stocks of **Smaller-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: **Market Trends Risks, Other Investment Companies' Risks, Price Volatility Risks, Liquidity Risks, Portfolio Turnover Risks and Securities Lending 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.**

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