Voya Global Equity Dividend

> **Investment Objective**

Voya Global Equity Dividend uses a value-based investment process which applies a bottom-up approach to investing in companies we believe are attractive, using dividend yield as the main valuation criterion. We combine a screening process and company analysis, including earnings growth prospects and capital structure analysis, to identify attractively priced, above-average dividend paying companies.

> **Portfolio Management**

NNIP Advisor B.V., Sub-Adviser

Bruno Springael, Portfolio Manager

Portfolio Review and Outlook

The Global Equity Dividend strategy underperformed its benchmark, the MSCI World Index. Sector positioning had a negative impact on performance, particularly our overweight positions to the energy and telecommunications sectors. Stock selection in the technology, consumer staples and consumer discretionary sectors also detracted from results.

In the consumer discretionary sector, our underweight position to Amazon.com, Inc., which doesn't pay dividends, and overweight positions to Macy's, Inc. and Gap, Inc. negatively impacted performance. Macy's fell after reporting disappointing earnings while Gap's solid results during the quarter were not enough to lift its share price. In Technology, IBM Corporation and Cisco Systems, Inc. were the weakest performers in the portfolio. IBM reported disappointing earnings, while Cisco met Q1 earnings estimates but guided lower than analysts had been expecting. The main positive contributions in the quarter came from our security selection the within financials and telecommunications sectors. In the financials sector, we benefitted mostly from our overweight to European banks.

The valuation gap between expensive and cheaply valued companies remains at a very high level, especially in Europe. Investors have favored bonds and their proxies in the first half of this year because of political risks and low inflation. However, recent comments from central bankers has prompted outflows from this asset class. While policy uncertainty remains in the U.S., political risk in the Eurozone has declined significantly after the French and Dutch elections, thereby removing one of the headwinds for value stocks.

Stocks with predictable cash flows (also called "low volatility stocks") have acted as bond proxies and have strongly outperformed in recent years as interest rates fell. Many of these stocks can be found in the food & beverage, personal care and consumer durables & luxury sectors. However, we believe that the combination of these excessive valuations, and the prospect of rising interest rates, weakens the outlook for these sectors, therefore we continue to avoid them.

Confidence in the euro area is strong, with both consumer and business sentiment indicators in June at their highest levels for many years. Macro-economic data in Europe points to further economic expansion. Earnings trends and the upside potential for equities continues to improve, as demonstrated by the financial and commodities sectors. We see less valuation dispersion in the U.S. than in Europe and less macro momentum. We are also cautious on Japan as inflation targets will be difficult to meet, and the market is highly dependent on currency depreciation.

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