

Voya GNMA Income Fund

> Investment Objective

The Fund seeks a high level of current income, consistent with liquidity and safety of principal.

> Main Investments

Government National Mortgage Association (GNMA) mortgage-backed securities, also known as GNMA Certificates.

> Portfolio Management

Voya Investments, LLC, Investment Adviser

Voya Investment Management Co., LLC, Investment Sub-Adviser



Jeff Dutra, CFA
Portfolio Manager



Peter Guan, Ph.D.
Portfolio Manager



Justin McWhorter, CFA, CPA
Portfolio Manager

Key Takeaways

- For the quarter, the Voya GNMA Income Fund underperformed its benchmark, the Barclays Capital U.S. MBS Index GNMA component
- U.S. interest rates remained range-bound and finished the quarter close to where they began with the 10-year yielding 2.34%
- Federal Reserve announced its long awaited reduction of balance sheet holdings to begin in Q4-2017; the initial reductions will be \$6bn Treasuries and \$4bn mortgage-backed-securities (MBS) per month
- Agency MBS excess returns were mostly positive during the period on strong demand

Market Review

Low volatility and strong economic growth resulted in the third quarter of 2017 being an excellent period for spread asset performance. All fixed-income asset classes outperformed rates and U.S. equities continued to reach new highs as investor appetite for higher returns remained resilient. Undoubtedly, the ongoing consistency and clarity of communication from the Federal Open Market Committee (FOMC) regarding upcoming monetary policy contributed to suppressed volatility and fueled market demand for riskier assets.

Volatility measures remained at, or near, multi-year lows and were the fundamental backdrop that fostered domestic and international economies continued growth, and encouraged investors to seek added value in credit, and convexity markets. Meanwhile, domestic balance sheet normalization announced by the FOMC seems to have been largely offset by quantitative easing efforts by foreign central banks, specifically the Bank of Japan and the European Central Bank (ECB). Unfortunately, multiple storms hit the Caribbean and U.S. causing billions of dollars in damage and resulted in many lives being permanently altered. We mourn the loss of life and destruction of property; however, it appears investors were largely undeterred.

Moving forward, an item requiring particular consideration is changes within the FOMC. Within the past year there have been four departures from the FOMC Board of Governors with Vice Chairman, Stanley Fischer the latest to resign. The departures contribute some uncertainty to the stability of the FED just as Chair Janet Yellen's term is set to expire early next year. There have been recent nominations for replacement Governors, and a short list of potential Chairmen to lead the FOMC. However, if new members embrace a monetary policy path divergent from their predecessors the market reaction may be harsh.

Portfolio Review

The Voya GNMA Income Fund underperformed the GNMA component of the Barclay's Capital U.S. MBS Index during the quarter. Portfolio underperformance was due to an underweight to generic mortgage pools that experienced strong demand throughout the quarter. Generic (benchmark) GNMA pools outperformed the Treasury curve by an impressive 0.46% in the third quarter. The Fund was underweight similar pools by 15% favoring instead off-benchmark holdings with less sensitivity to Fed purchases and interest rate changes.

Outlook and Current Strategy

As mentioned earlier, fixed-income markets remain remarkably stable in 2017 with record low volatility and asset class spreads tightening to multi-year levels. This has led to excess performance for nearly every risk sector. The dominant factor impacting Agency MBS in the near-term is the continued demand for mortgages by domestic banks and the level of interest rate volatility. Over the next 12-24 months, the Fed "tapering" of treasuries and MBS should become a greater headwind for performance.

With this in mind, we continue to manage the Portfolio seeking high current income investments while also taking advantage of tactical opportunities in the marketplace. The focus remains on specified Ginnie Mae pools and collateralized mortgage obligations (CMOs) which in our view provide attractive current income while minimizing prepayment risks.

Not FDIC Insured | May Lose Value | No Bank Guarantee

INVESTMENT MANAGEMENT

Reliable Partner | Reliable Investing®

VOYA®

Voya GNMA Income Fund

The **Bloomberg Barclays Mortgage Backed Securities Index** is an unmanaged index composed of fixed-income security mortgage pools sponsored by GNMA, FNMA and FHLMC, including GNMA Graduated Payment Mortgages. The Index does not reflect fees, brokerage commissions, taxes or other expenses of investing. **Investors cannot invest directly in an index.**

SEC fund returns assume the reinvestment of dividends and capital gain distributions and include a sales charge. Net Asset Value fund returns assume the reinvestment of dividends and capital gain distributions. Total return for less than one year is not annualized. Results would have been less favorable if the sales charge were included.

Principal Risks: All investing involves risks of fluctuating prices and the uncertainties of rates of return and yield. As **Interest Rates** rise, bond prices fall, reducing the value of the Fund's share price. To the extent that the Fund invests in **Asset-Backed, Mortgage-Backed or Mortgage-Related Securities**, its exposure to prepayment and extension risks may be greater than investments in other fixed-income securities. While the Fund invests in securities guaranteed by the U.S. Government as to timely payments of interest and principal, the Fund shares are **Not Insured or Guaranteed**. Other risks of the Fund include but are not limited to: **Credit Risks, Extension Risks, Other Investment Companies' Risks, Prepayment Risks, U.S. Government Securities and Obligations 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.

This commentary has been prepared by Voya Investment Management for informational purposes. Nothing contained herein should be construed as (i) an offer to sell or solicitation of an offer to buy any security or (ii) a recommendation as to the advisability of investing in, purchasing or selling any security. Any opinions expressed herein reflect our judgment and are subject to change. Certain of the statements contained herein are statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, (1) general economic conditions, (2) performance of financial markets, (3) interest rate levels, (4) increasing levels of loan defaults (5) changes in laws and regulations and (6) changes in the policies of governments and/or regulatory authorities. **Past performance is no guarantee of future results.**

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.

©2017 Voya Investments Distributor, LLC • 230 Park Ave, New York, NY 10169 • All rights reserved.

Not FDIC Insured | May Lose Value | No Bank Guarantee
CMFC-GNMAINCOME3 102517 • ex123117 • IM1024-38027-0118