Voya Large Cap Growth Strategy

Seeking the Growth Potential and Stability of Large Caps

Strategy Overview

Investment Objective

The Portfolio seeks long-term capital growth through active portfolio management. The strategy seeks to identify companies with strong business momentum, increasing market acceptance and attractive valuations.

Expected Contribution to Returns

High

Security Selection—In-depth fundamental research identifies attractive stocks using a proprietary quantitative scoring system

Sell Discipline—Continuously review fundamentals and relative positions of securities

Sector Allocation—Sector weighting decisions directly result from bottom-up investment process

Low

You should consider the investment objectives, risks, and charges and expenses of the variable product and its underlying fund options; or mutual funds offered through a retirement plan, carefully before investing. The prospectuses / prospectus summaries / information booklets contain this and other information, which can be obtained by contacting your local representative or by calling (800) 992-0180. Please read the information carefully before investing.

Key Takeaways

- Equity markets sustained significant losses in the fourth quarter of 2018
- Small cap stocks fared worse than large caps, and growth fared worse than value
- The Voya Large Cap Growth strategy outperformed its benchmark, the Russell 1000 Growth index, for the quarter[1]

Outlook and Current Strategy

We believe the U.S. economy is currently in the later stages of the economic cycle. With macro-related concerns on the rise (i.e., trade wars, rising rates and fears of a slowing economy), market sentiment is mixed and uncertain as the Federal Reserve has cautiously taken steps toward a normalized interest rate environment. While the health of U.S. corporations remains intact, as evidenced by significant amounts of free cash flow, active dividend increases and share buybacks, we believe record high incremental margins are at peak. As a disciplined manager, we remain true to our investment process regardless of the unpredictable market environment, investing in companies with strong fundamentals and attractive relative valuations.

Portfolio Review

For the quarter, the strategy outperformed its benchmark primarily due to stock selection effects. Stock selection within the information technology sector, and to a lesser extent, the healthcare sector, contributed the most to performance. In addition, the strategy's cash position, while within its normal range, contributed to relative results as stock prices declined. By contrast, stock selection within the materials and communication services sectors detracted the most from performance.

Key contributors to performance included NVIDIA Corporation, Apple Inc. and VMware, Inc.

Not owning benchmark stock, NVIDIA Corporation (NVDA), contributed to performance during the period. Following a multi-year period of significant outperformance, shares underperformed considerably as a high beta/high multiple member of an overall weakening semiconductor subsector and increased concerns on near-term supply/demand dynamics driven by cryptocurrency weakness.

An underweight position in Apple (AAPL) contributed to performance during the period. Despite exceeding the revenue range of its fiscal fourth quarter guidance as well as Wall Street earnings per share (EPS) estimates on a stronger reported

[1] Performance discussed in this commentary is intended to reflect the strategy and may not represent the net of fee results of all share classes.

average selling price (ASP), the company's guided fiscal first quarter revenues came in below expectations amid concerns of weaker global traction for a new product. What's more, AAPL is discontinuing its disclosure of hardware unit results and going forward will only provide product and segment revenues and margins for products and services. We view this change in reporting in a period of uncertainty to be incrementally negative. We believe it will likely continue to fuel the bear narrative of decelerating/declining new unit growth and plateauing ASPs for iPhones, marking a downward inflection in iPhone revenues going forward.

An overweight position in VMware (VMW) generated positive results during the period following a well-received quarterly earnings report and a raise in guidance indicating sustainable revenue growth into fiscal year 2020. The company continues to execute on its hybrid, multi-cloud strategy evidenced by strong booking and licensing growth. Furthermore, VMW shares benefited as the overhang of uncertainty regarding the corporate structure of its majority owner, Dell Technologies Inc. (DELL), abated.

Key detractors from performance included XPO Logistics, Inc., Electronic Arts Inc., and Coca-Cola Company.

An overweight position in transportation and logistics company, XPO Logistics (XPO), detracted from performance during the period. In addition to investor concerns regarding C-suite departures, a mixed third quarter 2018 earnings report pressured the stock. While guidance was largely in line with expectations, a $15 million write-off resulting from the bankruptcy of a small contract logistics customer weighed on gross earnings expectations into fiscal year 2018.

An overweight position in Electronic Arts (EA) detracted from performance. While the company had guided revenues lower in late August, the first time they gave an earnings guide for the year was in fiscal second quarter 2019. EA's guidance came in a few cents shy of Wall Street expectations, causing analysts to reduce their target share prices. Furthermore, while revenue guidance for the year was left unchanged, EA weighted revenue more towards fiscal fourth quarter 2019 estimates (F4Q19E) versus fiscal third-quarter 2019 estimates. This made achieving the guidance more dependent on a new title (Anthem) due to be released in F4Q19E. That dependence caused the market to discount the stock further due to the added risk in achieving full-year revenue guidance.

Not owning benchmark stock, The Coca-Cola (KO) detracted from performance during the period. The stock benefited from a strong reported third quarter 2018 earnings report and favorable market sentiment. A new management team focused on productivity, marketing and cost discipline renewed investor confidence in the company's ability to achieve organic growth.

Holdings Detail

Companies mentioned in this report – percentage of portfolio investments, as of 12/31/18: NVIDIA Corporation, 0.00%; Apple Inc., 4.20%; VMware, Inc., 1.64%; XPO Logistics, 0.69%; Electronic Arts, Inc. 1.69%; The Coca-Cola Co., 0.00%. 0% indicates that the security is no longer in the portfolio. Portfolio holdings are subject to change on a daily basis.

The **Russell 1000 Growth Index** is an unmanaged index that measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted directly in an index. 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. **Growth Investing** Prices of growth stocks typically reflect high expectations for future company growth, and may fall quickly and significantly if investors suspect that actual growth may be less than expected. Growth companies typically lack any dividends that might cushion price declines. Growth stocks tend to be more volatile than value stocks, and may underperform the market as a whole over any given time period. **Derivative Instruments** Derivative instruments are subject to a number of risks, including the risk of changes in the market price of the underlying securities, credit risk with respect to the counterparty, risk of loss due to changes in interest rates and liquidity risk. The use of certain derivatives may also have a leveraging effect which may increase the volatility of the Portfolio and reduce its returns. Other risks of the Portfolio include, but are not limited to**: Liquidity, Company, Currency, Foreign Investments, Market, Other Investment Companies and Securities Lending. Investors should consider the Portfolio's prospectus and statements 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.**

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 that varies from stated performance. Please call your benefits office for more information.

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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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.

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