

# Voya Mid Cap Growth Strategy

## Strategy-At-A-Glance

<b>Objective<sup>1</sup></b>	To outperform the Russell Midcap Growth Index by 2-3% annualized before management fees over full market cycles with an expected annualized tracking error of approximately 4-6%
<b>Inception Date</b>	08/01/05
<b>Strategy Assets<sup>2</sup></b>	\$5.3 Billion
<b>Benchmark</b>	Russell Midcap Growth Index
<b>Vehicles</b>	Separate Account Collective Trust Mutual Fund

<sup>1</sup> There is no guarantee that this objective will be achieved.

<sup>2</sup> AUM as of 09/30/18

## Strategy Overview

The Mid-Cap Growth strategy seeks to outperform its benchmark over a full market cycle via an actively managed approach relying on fundamental research and analysis to identify companies with strong and accelerating business momentum, increasing market acceptance and attractive valuations.

## Investment Philosophy

We believe consistent and durable alpha is best achieved over the long term via a sector-neutral, research-centric investment process with a fully integrated fundamental and quantitative approach at its core.

Our key beliefs:

- A differentiated point of view is required for successful active growth investing
- Understanding expectations is key
- Everything is relative: valuations and fundamentals should be considered in a relative framework

## Investment Process

Our disciplined, bottom-up investment process focuses on high-conviction stock selection. The process begins with identifying a universe of large cap stocks with market capitalizations > \$1 billion. Next, a quantitative evaluation ranks the investment universe and identifies the most attractive stocks within each sector. Once the universe is ranked, the analysts concentrate their efforts on the highest ranked stocks within their sector to add insight through in-depth fundamental research and analysis. Buy and sell decisions are mainly the product of qualitative judgments about business momentum, market recognition, and valuation, as well as the attractiveness of each stock, given benchmark weight, expected return, and perceived risk.

### Define & Rank Universe

All growth stocks > \$1 billion are ranked by sector to identify stocks that warrant further research (top 30% of universe)

### Conduct Fundamental Analysis

Analysts conduct deep fundamental research to discover underappreciated or disputed growth stocks

### Construct Portfolio

Portfolio Managers review and approve investment thesis, determine active weights, monitor risk and style exposures, and enforce sell discipline

Not FDIC Insured | May Lose Value | No Bank Guarantee

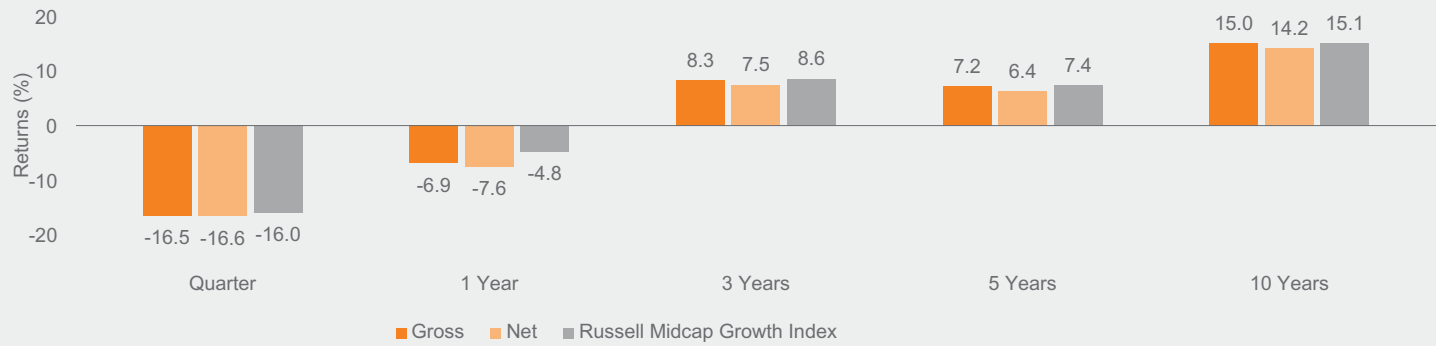
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## Performance

### Voya Mid Cap Growth Composite



## Investment Commentary

### Key Takeaways

- We believe the U.S. economy is currently in the later stages of the economic cycle
- 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 reporting period, the strategy underperformed its benchmark, the Russell Midcap Growth index, due to unfavorable stock selection effects. In particular, stock selection within the healthcare and materials sectors detracted the most from performance. An allocation to cash, while within the typical range, contributed the most during the period. Stock selection within the consumer discretionary sector, and to a lesser extent, the real estate sector, also generated positive results.

Key detractors for the quarter were XPO Logistics, Inc., Aramark, and Pure Storage, Inc.

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 3Q18 earnings report pressured the stock. While guidance was largely in line, a \$15 million write-off resulting from the bankruptcy of a small Contract Logistics customer, weighed on EBITDA (earnings before interest, taxes, depreciation, and amortization) expectations into FY18.

Our positioning in non-benchmark stock, Aramark (ARMK), a company that provides food, facilities and uniform services, detracted from performance during the period. Despite posting consistent and stable revenue growth, shares declined following an earnings report that disappointed the high expectations set by investors and management’s conservative guidance into 2019.

An overweight position in Pure Storage (PSTG), a technology company that provides flash-based storage solutions, detracted value during the period. Despite strong

quarterly results across its business citing above-consensus revenues and gross margin expansion, shares traded off with the broader market in October as investor sentiment declined, particularly within the storage and data management sector.

Stocks that contributed most to the quarter’s performance were Square, Inc., Fidelity National Information Services, Inc. and Burlington Stores, Inc.

Not owning in credit card payment processing solutions company, Square (SQ), generated favorable results during the period. Shares traded off due to investor concerns regarding a slowdown in consumer spending as a result of an uncertain macro environment. Increased fears of the potential negative impact that an economic downturn could have on SQ’s subscription and serviced based business weighed on the stock.

An overweight position in Fidelity National Information Services (FIS), a financial services technology company, contributed to performance. The stock was rewarded after 3Q18 earnings strongly beat forecasts, thanks to better than expected margin and acceleration in organic growth, due to continued demand from banks for FIS products and services.

An overweight position in Burlington Stores (BURL) generated favorable results during the period. As market fears grew over a slowing global economy and trade war pressures, the stock saw multiple expansion given its entirely domestic store base and the off-price sector’s ability to capitalize from any broader trade disruption. As a result, with U.S. consumers benefiting from continued strong wage and job growth, BURL was well positioned above its peers for strong sales growth and ongoing share gains during the 2018 holidays.

### Current Strategy and Outlook

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.

**Past performance does not guarantee future results. There is no guarantee that any forecasts or opinions in this material will be realized.** Manager commentary is for informational purposes only and does not constitute investment advice and is not a recommendation to purchase or sell any of the securities referenced.

To learn more on the GIPS® compliance Schedule of Composite Performance go to: [https://institutional.voya.com/system/files/document/file/GIPS%20Presentation\\_0.pptx](https://institutional.voya.com/system/files/document/file/GIPS%20Presentation_0.pptx).

The Composite performance information represents the investment results of a group of fully discretionary accounts managed with the investment objective of outperforming the benchmark. Information is subject to change at any time. Gross returns are presented after all transaction costs, but before management fees. Returns include the reinvestment of income. Net performance is shown after the deduction of a model management fee equal to the highest fee charged. Benchmark source: Russell Investments

**Russell Midcap Growth Index** measures the performance of the mid-cap growth segment of the U.S. equity market including Russell Midcap Index companies with higher price-to-book ratios and forecasted growth.

**Indexes do not reflect fees, brokerage commissions, taxes or other expenses of investing, and investors cannot directly invest in an index.** Source: Russell Investments and Voya Investment Management.

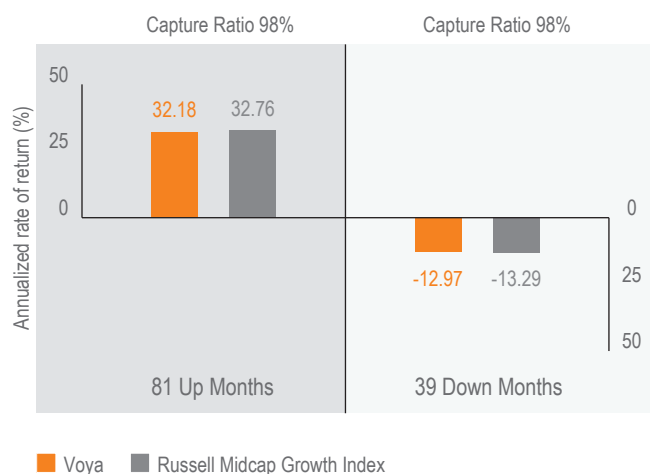
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## Portfolio Highlights

Sector Weightings <sup>3</sup> and Attribution	Sector Weights (%) <sup>3</sup>			Trailing 1-Year Attribution Analysis		
	Portfolio	Russell Midcap Growth Index	Overweight/Underweight	Allocation Effect	Selection Effect	Total Effect
Communication Services	4.44	3.96	0.48	-0.07	-0.15	-0.22
Consumer Discretionary	17.08	16.38	0.71	-0.06	1.29	1.23
Consumer Staples	3.44	3.38	0.07	-0.02	-0.13	-0.16
Energy	1.41	1.51	-0.10	0.04	-0.32	-0.28
Financials	6.84	6.61	0.22	-0.01	-0.65	-0.66
Health Care	15.13	14.67	0.46	0.10	0.38	0.48
Industrials	15.69	15.92	-0.23	0.00	-1.82	-1.82
Information Technology	30.63	31.61	-0.98	-0.07	-0.55	-0.62
Materials	2.83	3.65	-0.81	0.01	-0.66	-0.65
Real Estate	2.50	2.32	0.17	0.00	0.17	0.18
Cash	NA	NA	NA	0.44	0.00	0.44
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>0.37</b>	<b>-2.43</b>	<b>-2.06</b>

Returns-Based Statistics (10 years ending 12/31/18)	Composite	Russell Midcap Growth Index
Standard Deviation (%)	14.90	15.31
Tracking Error (%)	2.73	NA
Information Ratio	-0.03	NA
Alpha (annualized %)	0.54	NA
Beta	0.96	1.00
R-Squared (%)	0.97	1.00
Sharpe Ratio	0.99	0.96

## Up / Down Capture Ratio



Security Characteristics	Composite	Russell Midcap Growth Index
Weighted Avg. Cap (\$ Millions)	16,036	14,487
Active Share	77	NA
P/E (next 12 mos.)	20.69	21.79
EPS Growth (3-5 Year Estimate)	17.08	17.49
Price to Cash Flow	18.49	19.89
ROA (%)	7.98	8.48
Dividend yield	0.96	1.04
PEG Ratio (next 12 mos.)	1.32	1.51

Top Ten Holdings (%)	Portfolio
O'Reilly Automotive, Inc.	3.01
Fiserv Inc.	2.96
Fidelity National Info Services	2.68
Moody's Corporaton	2.51
Ingersoll-Rand PLC	2.45
Hilton Worldwide Holdings	2.43
Fortinet Inc.	2.40
GoDaddy Inc.	2.38
Centene Corp.	2.31
Edwards Lifesciences Corp.	2.27

Top Ten Active Weights (%)	Portfolio
Fidelity National Info Services	2.57
Motorola Solutions Inc.	2.08
Fortinet Inc.	2.02
Ingersoll-Rand PLC	1.99
GoDaddy Inc.	1.98
O'Reilly Automotive, Inc.	1.97
Synopsys Inc.	1.90
Quanta Services Inc.	1.85
Fiserv Inc.	1.84
Ametek Inc.	1.84

<sup>3</sup> Ex-cash and other

Attribution results over long periods are not guaranteed to be accurate relative to the sum of a series of shorter periods. The sector, security, and holdings information is based on a sample account in the Composite that we believe best represents this investment management style. It should not be assumed that the adviser continues to hold the securities listed. Other accounts in the Composite might have slightly different portfolio characteristics. Returns-Based Characteristics are based on the Composite returns. **Please see next page for other important disclosures.**

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## Voya Investment Management

Voya Investment Management (Voya IM) is the asset management business of Voya Financial, a Fortune 500 company with over 6,000 employees seeking to help clients plan, invest and protect their savings. As of 09/30/18, Voya IM manages approximately \$212 billion\* in assets across Fixed Income, Senior Loans, Equities, Multi-Asset Strategies & Solutions, Private Equity, and Real Assets. Drawing on over 40 years of experience and the expertise of 250+ investment professionals, Voya IM's capabilities span traditional products and solutions as well as those that cannot be easily replicated by an index.

Voya IM's award-winning culture is deeply rooted in a client-centric approach to helping investors meet their goals — from insurance companies, corporate and public pension funds, sovereign wealth funds, endowments and foundations, and consultants to intermediaries, and individual investors. Reliability is why our clients hire us and it is why they trust us to navigate the path ahead.

\*As of 09/30/18. Voya IM assets are calculated on a market value basis and include proprietary insurance general account assets of \$59 billion.

The principal risks are generally those attributable to stock investing. Holdings are subject to market, issuer and other risks, and their values may fluctuate. Market risk is the risk that securities may decline in value due to factors affecting the securities markets or particular industries. Issuer risk is the risk that the value of a security may decline for reasons specific to the issuer, such as changes in its financial condition. More particularly, growth-oriented stocks typically sell at higher valuations than other stocks. If a growth-oriented stock does not exhibit the level of growth expected, its price may drop sharply. Additionally, growth-oriented stocks have been more volatile than value-oriented stocks.

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## Portfolio Managers



### Jeffrey Bianchi, CFA

Head of Growth and Portfolio Manager

Years of experience: 25

Years with firm: 25



### Michael Pytosh

Chief Investment Officer, Equities

Years of experience: 33

Years with firm: 15