Commentary | 1Q25

Voya Global Income and Growth Fund

Focused On Providing Consistent Income With Upside Participation, Downside Management

Strategy overview

A multi-asset client solution that seeks to deliver consistent income and capital growth with less volatility than a stock-only portfolio through investments in global equities, global convertible securities and global high-yield corporate bonds.

Key takeaways

- For the quarter, the Fund outperformed the equity-only benchmark MSCI World Index (the Index) on a net asset value (NAV) basis.
- The portfolio was negatively impacted by weakness in global equities, but benefited from exposure to global convertible securities and high yield (HY) bonds.
- Outside of the United States, monetary and fiscal policy stimulus measures could help to stabilize the global economy.
- Due to the defensive characteristics of convertible securities and HY bonds, the portfolio is well positioned if volatility persists without sacrificing upside participation and income-generation potential.

Portfolio review

The Fund moved lower in the quarter as equity holdings offset positive performance in convertible securities and HY bonds.

Top contributors included a number of industrial manufacturers that were positively impacted by strong quarterly results and fiscal stimulus announcements. An ecommerce company reported strength in its cloud business and announced a strategic partnership, and a rare earth materials producer was viewed as a significant beneficiary of reshoring efforts.

Top detractors in the period included holdings in semiconductors and internet services that were adversely impacted by increasing uncertainty around the artificial intelligence secular growth narrative and what an economic slowdown might mean for related capex spending. An ecommerce company, a technology hardware developer and a major electric vehicle manufacturer were all pressured by tariff-related volatility as investors struggled to evaluate a highly dynamic trade environment.

Current strategy and outlook

In our 2025 outlook, we wrote that the equity market's path would not be linear, with bouts of volatility throughout the year. We also noted convertible securities and HY bonds—given their defensive characteristics—could mitigate equity market weakness.

This scenario materialized in the first quarter. The portfolio is well positioned if volatility persists without sacrificing upside participation and income-generation potential.

Outside of the U.S., monetary and fiscal policy stimulus measures could help to stabilize the global economy. The U.S. economy could expand in 2025, but tariff, government reform and immigration measures are becoming a bigger headwind than previously thought. However, tailwinds such as deregulation and taxation measures still exist. As trade and budgetary clarity improves, uncertainty should lessen, and spending, investment, hiring, merger and acquisition, etc. can resume. Productivity gains, industrialization, onshoring and private sector demand are additional potential growth drivers.

The U.S. Federal Reserve likely remains on hold as they assess the effect of trade policies on inflation, employment and the potential for stagflation. Interest rate cuts could restart later this year to support their dual mandate. A resumption of monetary policy easing would closer align the Fed with accommodation by central banks overseas.

Global equity markets are now pricing in slower economic and earnings growth. Stabilization in these estimates or better than expected incoming data and results, and corporate guidance could be positive equity market catalysts.

Global convertible securities have an attractive asymmetric return profile, providing upside participation potential when stock prices rise and downside mitigation when stock prices fall. The asset class may outperform the broad equity market if volatility continues. $85–95 billion of new issuance is expected in 2025 due to coupon savings demand and elevated refinancing needs. Aside from diversification benefits, new issuance expands the opportunity set of investments with attractive terms and the desired risk to reward characteristics.

The global HY market, yielding nearly 8%[1], could deliver a coupon-like return in 2025. As a result, the asset class continues to offer equity-like returns but with less volatility. The market's attractive total return potential is a function of its discount to face value and higher coupon, which also serves to cushion downside volatility. Credit fundamental factors are stable, near-term refinancing obligations remain low, and management teams continue to exercise balance sheet discipline. In this environment, new issuance is expected to remain steady, and the default rate should stay below the historical average of 3–4%.

A covered call options strategy can be utilized to generate premium income. In periods of elevated or rising equity volatility, premiums collected may translate into more attractive annualized yields.

Collectively, these asset classes can provide a steady source of income and a compelling "participate and mitigate" return profile.

The Global Income strategy is a client solution designed to provide high monthly income, the potential for capital appreciation, and less volatility than an equity-only fund.

[1] Source: ICE Data Services; data as of March 2025.

The **MSCI World Index** captures large and mid-cap representation across 23 Developed Markets (DM) countries. With 1,410 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. **Investors cannot directly invest in an Index.**

Past performance is no guarantee of future returns. All investing involves risks of fluctuating prices and the uncertainties of rates of return and yield inherent in investing. All security transactions involve substantial risk of loss. Please reference your client statement for a complete review of recent transactions and performance.

Investment Risks: All investing involves risks of fluctuating prices and the uncertainties of rates of return and yield inherent in investing. **Debt Instruments:** Debt instruments are subject to greater levels of credit and liquidity risk, may be speculative and may decline in value due to changes in interest rates or an issuer's or counterparty's deterioration or default. **High Yield Fixed Income Securities:** There is a greater risk of issuer default, less liquidity, and increased price volatility related to high yield securities than investment grade securities. **Market Volatility:** The value of the securities in the Fund may go up or down in response to the prospects of individual companies and/or general economic conditions. Price changes may be short- or long-term. Local, regional or global events such as war, acts of terrorism, the spread of infectious illness or other public health issue, recessions, or other events could have a significant impact on the Fund and its investments, including hampering the ability of the portfolio's manager(s) to invest the Fund's assets as intended. **Issuer Risk:** The Fund will be affected by factors specific to the issuers of securities and other instruments in which the Fund invests, including actual or perceived changes in the financial condition or business prospects of such issuers. **Interest Rate:** The values of debt instruments may rise or fall in response to changes in interest rates, and this risk may be enhanced for securities with longer maturities. **Credit Risk:** If the issuer of a debt instrument fails to pay interest or principal in a timely manner, or negative perceptions exist in the market of the issuer's ability to make such payments, the price of the security may decline. **Investors should consult the Fund's Prospectus and Statement of Additional Information for a more detailed discussion of the Fund's risks.**

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Maturity allocations are based on the sum of the weighted average of each security where maturity is relevant. Credit Quality is calculated based on S&P ratings. If no S&P rating is available, the Moody's equivalent will be used. If no Moody's rating is available, the security will be placed in the NR (Not Rated) category. Internal ratings will not be used for any security. Ratings do not apply to the Fund itself or the Fund shares. Ratings are subject to change. Ratings are a measure of quality and safety of a bond based on the financial condition of the issuer. Generally accepted, AAA is the highest grade (best) to D which is the lowest (worst). Due to rounding, numbers presented may not add up to 100% and percentages may not precisely reflect the absolute figures.

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

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