

# Voya Global Perspectives

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## 2018 Forecast

### Pro-Business Economy Unleashes Growth

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Prepared by Voya Multi-Asset Strategies and Solutions team

**Douglas Côté, CFA**  
Chief Market Strategist

**Karyn Cavanaugh, CFA**  
Senior Market Strategist

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## Executive Summary

- Pro-business tax cuts are the icing on the cake of a strong global economy
- The United States, China and Europe are the “big three” that will drive global growth
- Amid market complexity, it is best to focus on the ABCs of economic growth
- Productivity to regain its mojo, even as inflation struggles to regain its luster
- Currency stability of the big three is the base case but tail risk might wag this dog
- Global diversification will dominate U.S.-centric investing for a second straight year

## Introduction

In our view, the economy is experiencing a marked shift back to free-market capitalism, rewarding private risk-taking. That inspires growth. This sea change is driven by lower tax rates and a rollback of regulatory hindrances, thereby encouraging business formation and supply-side spending. This pro-business inclination also is catching fire across the world. We believe the tax cuts will be most important in spurring growth, but don't forget the regulatory rollback, full business expensing for five years and more. Probably the biggest and most unappreciated part of the tax package is the small business tax cut — the first ever. Taken together with the other aspects of the plan, it is expected to unleash a wave of capitalism not seen in 30 years.

So how will this improve productivity, the key component of growth? Productivity is an amorphous concept but has become the linchpin to expected growth since unemployment is so low. Productivity comes from investment and capital expenditures by private industry. Government does have a role to play too, albeit at a later date. The U.S. is in dire need of investment into physical infrastructure such as roads, bridges, railways, shipping ports, airports, cybersecurity and broadband. It is productivity more than wage growth that will spur reflation. The Federal Reserve has failed to see this, instead relying on outdated ideas such as the “Phillips Curve” and the notion that high employment alone induces wage growth and reflation.

Despite this positive economic backdrop, it is thought that the markets are — to use a baseball analogy — in the eighth or ninth inning and that the end is near for this aging bull market. Instead, we believe we are in a “double-header” that will give this bull market another leg. The following is our Global Perspectives forecast.

**Figure 1. Global Perspectives Outlook for Markets, Rates and Sectors in 2018**

Rate/Sector/Metric	2018 Forecast
S&P 500	2900
S&P 500 Earnings per Share	\$150
Crude Oil (NYM)	\$60/bbl
Euro/U.S. Dollar	1.12
Gold	\$999/oz.
Ten-Year U.S. Treasury Yield	2.7%
U.S. GDP Growth	3.0%
Global GDP Growth	3.9%

Source: Voya Investment Management.  
Forecasts are subject to change.

## Global GDP jumps to 3.9% on surprises from the Big 3

### “Big Three” to Drive Global Growth in 2018

The United States, Europe and China will continue to dominate in 2018. In 2017, the U.S. posted two back-to-back quarters of GDP growth above 3%; Europe grew as fast or faster than the U.S.; and China’s shift to stable/higher growth, including consistent double-digit retail sales increases, fueled global demand. The U.S., China and European Union combine for a stunning \$48 trillion, or more than 60% of the \$79 trillion global GDP produced each year. Why does it matter if these three can grow 1% more each year? Because over ten years the \$4.8 trillion increase produced at this rate would be equivalent to Japan — the third largest country by GDP in the world today. Growth of this magnitude could mean prosperity for all.

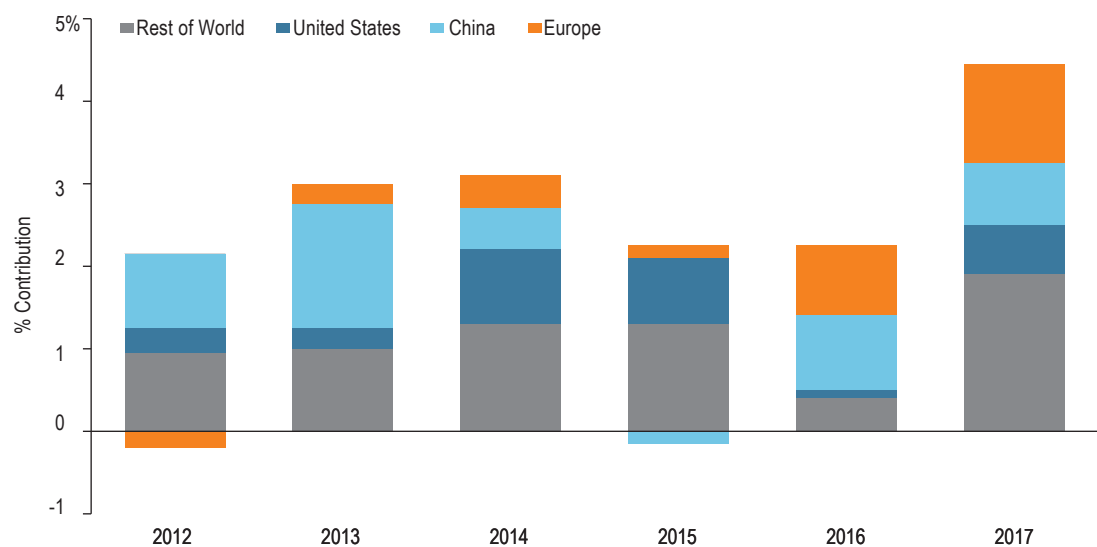
The rest of the world still has its own positive economic backdrop. The International Monetary Fund (IMF) 2018 projects that 185 of 190 national economies will grow next year. When was the last time the world experienced economic growth in 185 nations? Never. The previous best year for broad-based economic growth was 2007, with 181 of 190 economies growing; the worst was 2009, when 91 of 190 countries were contracting.

We focus on the big three economies to point out that it really matters if the U.S. Congress passes tax cuts and other pro-business legislation. It matters that Europe not only is growing but has outgrown the U.S. two years in a row. It matters if China successfully transitions to a consumer economy, reforms its debt excesses and continues to achieve its >6% economic growth.

Figure 2 illustrates imports — a good proxy for the health of the global economy — and tells a great story. A five-quarter earnings recession began in 2015, which extended into a near market crash in 2016. China experienced negative import growth in 2015, Europe barely contributed that same year and the U.S. had almost no growth going into 2016. Compare this to 2017 when all three were experiencing simultaneous import growth — again a proxy for economic growth but the clearest illustration depicting accurate economic activity in the big three.

**Figure 2. Europe Had the Fastest Import Growth of the Big Three in 2017**

Contributions to Real Growth of Imports



Source: International Monetary Fund, *World Economic Outlook*, November 2017.

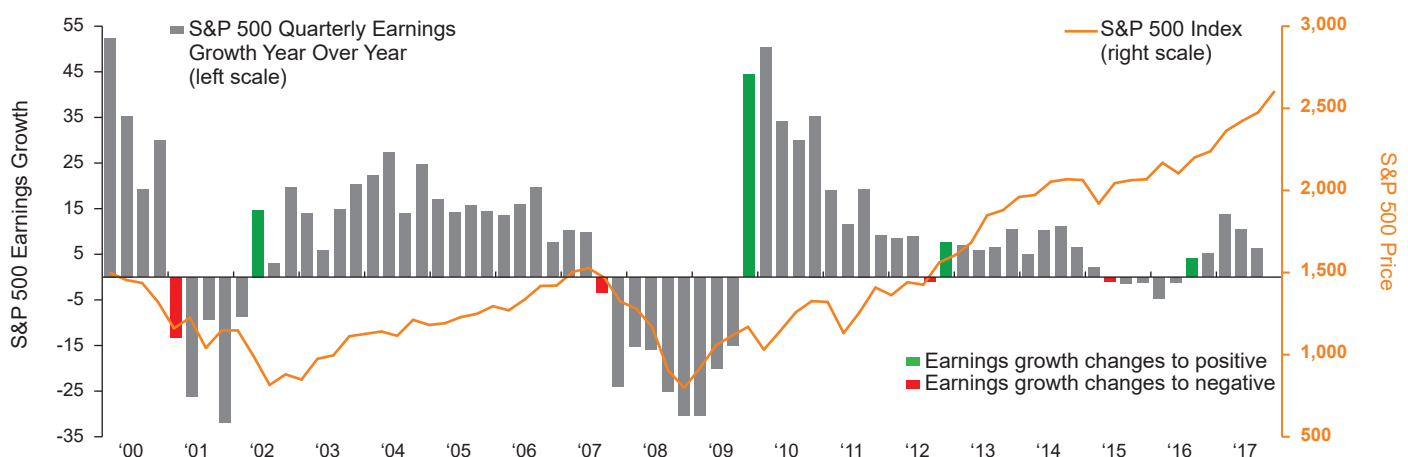
## Remember Your ABCs — The Basics Lead to Growth

In the past year there has been a major sea change in the U.S. economic outlook. This change reflects improved confidence in the economy, a major deregulatory push and a decidedly pro-business predisposition. We see the impact in what we call the “ABCs,” the fundamental building blocks of the market:

- A**= Accelerating corporate earnings
- B**= Broadening manufacturing
- C**= Consumers, the game-changers

A — in our view, earnings are stomping on the gas pedal	B — manufacturing is broadening, with 95% of the world's PMIs in expansion	C — Consumers are the “game changers” and no matter how you slice it, they got game
<ul style="list-style-type: none"> <li>■ Earnings are expected to accelerate 12% in 2018 on economic growth and tax cuts</li> <li>■ Energy, financials and industrials, aka value stocks, should see a bigger impact from tax cuts</li> <li>■ Technology again will post double-digit growth</li> </ul>	<ul style="list-style-type: none"> <li>■ Sharp upturn of industrial production despite hurricane disruption</li> <li>■ Manufacturing PMIs are at highest levels in two years (Figure 4)</li> <li>■ Consistently strong durable goods and factory orders, with steep climbs in nondefense capital goods shipments and nondefense capital goods orders</li> </ul>	<ul style="list-style-type: none"> <li>■ Household wealth of \$97 trillion — an all-time high</li> <li>■ Job openings over six million — an all-time high</li> <li>■ Consumer confidence — highest since 2000</li> </ul>
<ul style="list-style-type: none"> <li>■ Energy and materials will grow even faster than technology; metals and mining is a bright spot</li> </ul>		<ul style="list-style-type: none"> <li>■ New home sales — highest in 10 years</li> </ul>
<ul style="list-style-type: none"> <li>■ Financials will double their earnings growth of 2017</li> </ul>		<ul style="list-style-type: none"> <li>■ Unemployment rate — lowest since 2000</li> </ul>
<ul style="list-style-type: none"> <li>■ Consumer discretionary will be the upside surprise and grow triple the rate of 2017</li> </ul>		<ul style="list-style-type: none"> <li>■ Retail sales — an all-time high and record-breaking Black Friday and Cyber Monday</li> <li>■ Auto sales — another &gt;\$17 billion year</li> </ul>
<ul style="list-style-type: none"> <li>■ Anticipate another two years of continued earnings growth</li> </ul>		<ul style="list-style-type: none"> <li>■ Add in nascent wage gains and the game gets better</li> </ul>

**Figure 3. Corporate Earnings Growth is a Barometer of Global Economic Health, Which We Expect to Accelerate in 2018**



Source: FactSet, Voya Investment Management. Earnings per share (EPS) is the portion of a company’s profit allocated to each outstanding share of common stock. The S&P 500 index is a gauge of the U.S. stock market that includes 500 leading companies in major industries of the U.S. economy. **Past performance is no guarantee of future results.** Indices are unmanaged and not available for direct investment.

Stock top picks:  
financial, consumer  
discretionary and  
technology

The ABCs are the fundamentals to watch in 2018. Each is diverse and important on its own merits, but when taken in concert they send a powerful message to the markets. In reviewing the acceleration of expected corporate earnings for 2018, it's hard to find a cloud on the horizon. The S&P 500 is expected to see double-digit earnings growth but the sunny skies don't end there.

**Figure 4. Manufacturing PMIs are at Their Highest Levels in Two Years — by Far**

	November 2017	November 2016	May 2016
Eurozone	60.1	53.7	51.5
U.S.	58.2	53.2	51.3
China	50.8	50.9	50.1
Germany	62.5	54.3	52.1
France	57.7	51.7	48.4
Australia	56.3	55.4	51.0
Taiwan	56.3	54.7	48.5
World	54.0	52.1	50.0
Japan	53.6	51.3	47.7
Brazil	53.5	46.2	41.6

Source: Bloomberg as of 11/30/17. Readings above 50 indicate expansion, readings below 50 indicate contraction.

**S&P 500 EPS Forecast = \$150**

**S&P 500 Price Forecast: \$150 x 19.3 P/E = \$2900**

We expect the S&P 500 price will increase in-line with corporate earnings growth in 2018. The financial sector will benefit from rising rates, corporate earnings and cheap valuations and will lead the pack in 2018. Domestically-oriented consumer discretionary stocks will be a huge beneficiary of corporate tax cuts. Although tech companies pay the lowest corporate taxes, global growth will lead them higher.

## Pro-Business Back in Vogue

The biggest tax cut in 30 years, if enacted, will immediately increase earnings growth. Businesses are reacting to the pro-business signal from Washington. While tax cuts dominate the headlines, the Trump administration is stealthily rolling back regulations, making it easier to do business in the U.S. Already more than 469 regulations have been erased and 391 more have been put on hold, resulting in approximately \$100 billion in savings to business in 2017. These initiatives have stirred the animal spirits and we expect that in 2018 the effect will accelerate. GDP has already ticked up and job growth is trending higher. The crux of the tax bill is not individual rates but rather the large and small business tax cuts.

The biggest beneficiaries of pro-growth Washington policies on the margin will be small businesses due to the current lack of options to shelter income. Small business has always felt the full brunt of its own individual tax rates damaging its capital wherewithal. But U.S. consumers will handsomely benefit from Washington with higher job creation and capital spending. There is still some wrangling to go as the administration hashes out a number of issues — notably deductions for state and local taxes and mortgage interest and potential triggers for automatic tax triggers — but the basic provisions are as follows:

- Corporate Rate: drops from 35% to 21% in 2018
- Pass-through Firms (sole proprietorships, partnerships, S-Corps): tax cut but less generous than corporate one
- Individual Rate: seven brackets with emphasis on lower income families benefiting

All businesses will benefit from the corporate tax cuts and this will increase revenue to states. There is deep concern about the deductibility of state and local taxes (SALT). Capping the SALT deduction will rein in the disequilibrium in state spending, leveling the playing field.

## Changing of the Guard

Federal Reserve Chair Janet Yellen surpassed expectations in guiding the economy post-recession, but Yellen's commitment to jump in if things go south may be doing more harm than good and widens the disconnect between economic reality and central bank policy. Incoming Fed Chair Jerome Powell may be Yellen 2.0, but for now looks to add a pro-business tilt with a desire to reduce regulations.

Does a flattening yield curve portend recession? No. In our view, the long end of the yield curve is more indicative of what is going on in Europe and Japan: ultra-accommodative policies are attracting local investors to U.S. bonds and their comparatively higher yields.

What happened to inflation? The lack of inflation has been confounding the Fed. But when it comes to inflation, is it possible that we are asking the wrong question. Reports suggests that the 'natural state' for inflation is a flat, average inflation rate. Inflation appears to settle around 2% in the absence of the need to adjust to major problems (say, a war spiking oil prices). This rate is partly a function of a globalizing U.S. economy where outsourcing, capital investment and import competition combine to keep inflation in check. Certainly, unconventional monetary policies have been ineffective in sustaining inflation.

It is pro-business policies that spur economic growth and reflation, aka "good inflation." The reflation component is not due to rising wages but to rising productivity. Rising productivity is a function of capital investment or more machines per worker. These pro-business policies include tax cuts, deregulation and other actions that encourage risk-taking by the private economy.

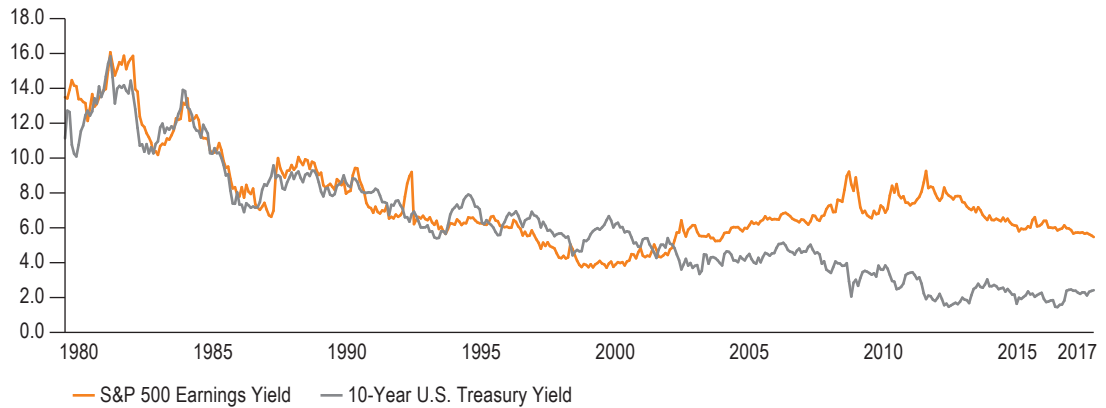
U.S. small- and mid-cap stocks will beat U.S. large caps in 2018

## “The Lost Decade” Keeps Sentiment in Check

Face it. Two bear markets in the decade ending in 2009 freaked investors out. Valuation is cheap on several measures, the primary one being the Fed Model that compares earnings yield to U.S. Treasury yields. The premium received by owning equities remains near an all-time high despite a record bull market run (Figure 5).

**Figure 5. Earnings Yields of Stocks Remain Robust Compared to U.S. Treasury Yields**

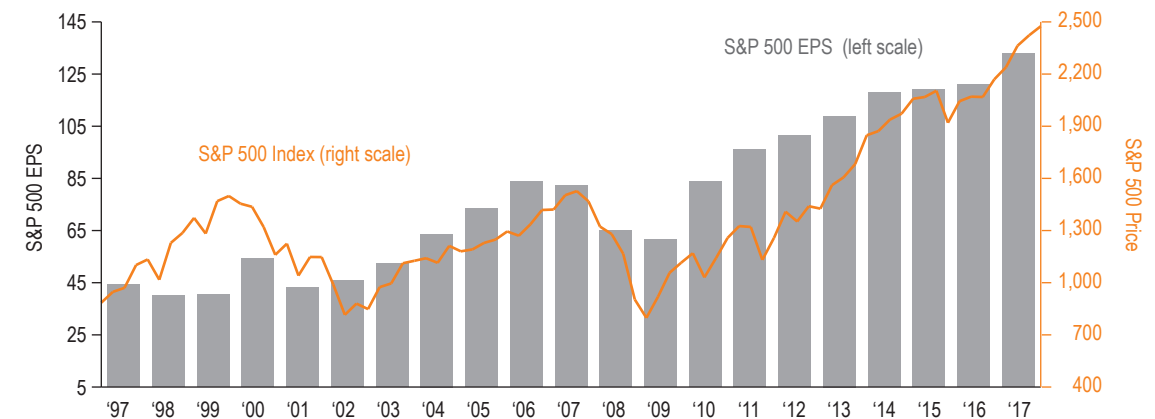
The Fed Model



Source: Standard & Poor’s, First Call, Reuters, Bloomberg, FactSet. Note: Earnings yield is the inverse of the price to earnings (P/E) ratio and is calculated as the sum of the reported next 12 months’ earnings estimates divided by market capitalization. The price-earnings ratio (P/E ratio) is the ratio for valuing a company that measures its current share price relative to its per-share earnings. The 10-year U.S. Treasury yield is used for bonds. **Past performance is no guarantee of future results. An investment cannot be made in an index.**

A 20-year comparison from 1997 through 2017 illustrates that markets potentially are cheap and may have room to run, as earnings have outpaced price levels (Figure 6).

**Figure 6. S&P 500 Earnings are Expected to Once Again Hit All-Time Highs in 2018**



Source: FactSet. Earnings per share (EPS) is the portion of a company’s profit allocated to each outstanding share of common stock. The S&P 500 Index is a gauge of the U.S. stock market, which includes 500 leading companies in major industries of the U.S. economy. **Past performance is no guarantee of future results.**

Compare that to the tech bubble years when disequilibrium was at its height. S&P 500 earnings per share were \$51.73 and on 12/31/1999 the index price level was 1469, more than 28 times earnings. In 1999 the P/E on the tech sector was 90, yet many of the internet startups were not even part of the S&P 500.

Equities remain cheap and under-owned despite bull market run



Investors are finally coming to the realization that the bull market is for real and the \$10 trillion on the sidelines is getting antsy. Bull markets don't end just because they are old. They typically end with a euphoric disconnect from fundamentals, aggressive Fed tightening or an economic recession which fells earnings. This bull market may become the longest in history, but the growth in the big three, coupled with the pro-growth Washington stance, could give the bull new zest. Typical late-inning indicators such as Fed rate hikes, peak level manufacturing PMIs and elevated valuations don't mean much when this is a double-header. In addition, there is still plenty of skepticism to keep euphoria at bay as investors slowly come to the realization that 2008 was so 10 years ago.

Investors may want to buy equities until back to a "normal" allocation

## Not the Usual Suspects — Emerging Markets Regain Ground

Asia is the hot spot in the world economy, led by China, but this expansion is broad. Japan's multi-decade malaise looks to be healing under the massive stimulus programs. A favorable liquidity backdrop and weaker yen are likely to boost Japanese markets in 2018. Recently, Australia posted its best economic sentiment ever. But it is the emerging and developing markets that are expected to grow significantly faster than global averages: Vietnam 8.5%, Philippines 6.8%, India 7.3% and Cambodia 7.6%, to mention a few.

Emerging markets will again outperform the U.S. in 2018

Meanwhile, emerging Eastern Europe is getting a boost from countries like Poland, which just had its best GDP quarter in five years and is enjoying 2017 stock market returns in excess of 50%. The Czech Republic and Hungary also posted stock returns over 30%. Across the globe, South America's largest economy, Brazil, has emerged from recession and is back in growth mode. With the exception of Venezuela, the other South American economies also are gaining steam. In Argentina, sweeping economic reforms are encouraging and the stock market is up a whopping 70% year-to-date.

After lagging for years, emerging market earnings are expected to grow more than U.S. large caps, but with the added bonus of cheaper valuations, making them a compelling buy. We believe the strength of worldwide earnings will help insulate markets from political and geopolitical shocks and will drive stock prices even higher.

## Holler for the Dollar — The King of Global Currencies

One reason that currency forecasts are a formidable challenge is that they don't exhibit any form of cash flow to anchor their value. Bonds have coupon payments while equities have earnings or dividends as cash flows, which can be discounted to arrive at some present value for the asset. What factors can we rely on to forecast the direction of currencies? Below-trend productivity and high debt are negatives for the U.S. dollar, while high growth and high productivity are positives. Despite widespread skepticism, the U.S. economic growth trajectory has undergone a marked upward shift over the last year. We expect higher growth rates as the pro-business administration gains traction and the world economy gains speed. In addition, the U.S. is further along than other economic regions in the central bank normalization process. After multi-year declines, foreign country dollar-denominated debt is rising and at an all-time high, stoking dollar demand. Therefore, the dollar bias is upward.

- **Global rates** — gradually rising rates in U.S. and Canada, holding steady in Europe and Japan
- **Global currencies** — U.S. dollar strengthens vs. euro and yen; steady vs. pound
- **Investment grade corporates** — solid fundamentals and continued economic growth to drive spreads tighter
- **High yield corporates** — fundamentals across high yield remain attractive and default risk low
- **Emerging market debt** — remain constructive on EMD but country differentiation still is key

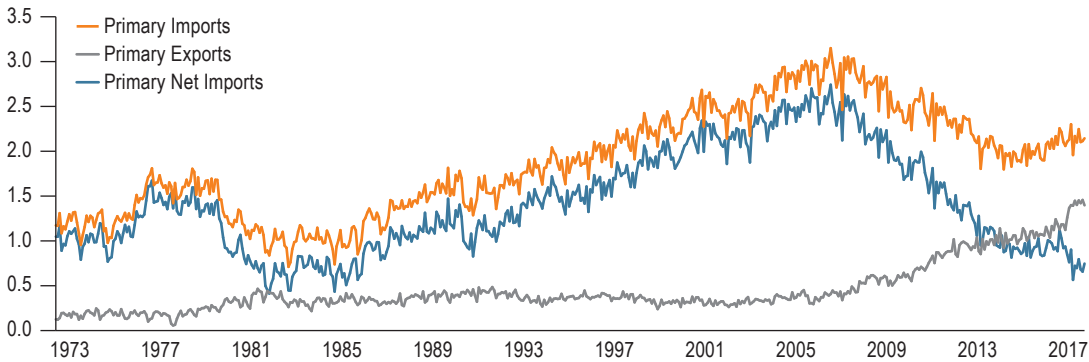
**Figure 7. Broad, Slow-Moving Tectonic Shifts Tend to Surprise the Markets but are Visible in 2018**

Tectonic Shift	Global Perspectives 2018 Tectonic Shifts to Watch
<b>Water</b>	<p>The World Economic Forum from 2012 through 2017 cites “reckless use and abuse of water” as one of its top five global risks, with the “potential to seriously disrupt social stability, upend supply chains, imperil food and energy production, and generally make life miserable for billions of people.”</p> <p>The California drought continued its devastating impact in 2017 with massive fires in Northern California and Southern California, impacting over one million acres, countless residential and business properties, and causing billions of dollars in damage</p> <p>Water, which has been dubbed the “new oil” after the severe multi-year droughts in California, continues to be mismanaged in the United States and even worse around the world. We forecast more disruption in 2018 but also investing opportunities</p>
<b>Energy</b>	<p>A shift from being net importers to net exporters is driving a “golden era” of the U.S. energy business (Figure 8)</p> <p>In addition of oil exports, the U.S. has become one of the largest producer of liquid natural gas (LNG), causing a ripple effect through domestic port expansions and global agreements, which is likely to reduce European reliance on Russian energy</p> <p>Increased LNG exports may have a muted impact on U.S. GDP for now but will have a larger positive impact abroad as countries look to diversify fuel supplies and decrease emissions</p>
<b>Global Trade</b>	<p>Despite an increase in protectionist sentiment, global trade is up and the U.S. shipping industry is setting records for shipments abroad, strengthening the U.S. economy</p> <p>Ports in the U.S. are expanding infrastructure to support Europe’s “engine of global trade”</p> <p>The expansion of the Panama Canal is the poster child for global trade and has been a boon to the shipping industry, with a 22% surge last year as shipments from Asia to the U.S. have become significantly quicker and less expensive</p>
<b>Millennials</b>	<p>At 76 million strong, millennials have now surpassed baby boomers to become the largest generation in the U.S.</p> <p>Millennials continue to influence retail spending and demand fulfillment models, favoring mobile applications. Accordingly, Cyber Monday/Black Friday record-breaking sales were nearly 40% online</p> <p>An elevated interest in environmental, social and governance (ESG) investing is a hallmark of the millennial generation, which has been nicknamed “Generation SRI” (socially responsible investors). Millennials are the impetus behind the creation of many new investment funds and strategies</p> <p>Despite beliefs to the contrary millennials are eager to own homes, but on average are waiting eight years longer than older generations to purchase their first</p>
<b>Frontier Markets</b>	<p>Growth in emerging and developing markets is on average double that of developed economies because of their lower median age, rapidly expanding workforce and exponential productivity gains</p> <p>Emerging and developing market stock returns outperformed developed markets for the first time in five years, yet in our opinion still present compelling opportunities</p> <p>Vietnam is a compelling example of frontier opportunity. Its economic growth is on track to be one of the world’s fastest, monthly exports have risen over 20%, new factory construction and infrastructure projects are on the governments agenda. Vietnam is now only 11 years behind China in terms of GDP per capita</p>
<b>Technology</b>	<p>Cloud computing will be one of the great disrupters in 2018, enabling economic outsourcing accessible from anywhere on any device</p> <p>Estimates show that by 2020 there will be more than 10 million self-driving cars on the road, and over 250 million with smart car technology. This technology also is being tested in the trucking industry, unmanned aerial vehicles and remote controlled cargo ships</p> <p>Artificial Intelligence (AI) has the potential to add \$15.7 trillion to the economy by 2030. As of mid-2017, there were more than 2,500 AI companies globally. About 41% were located in the U.S. and 23% in China</p>

Source: Voya Investment Management. Forecasts are subject to change.

**Figure 8. The U.S. is the Swing Producer of Oil and is Shifting the Balance of Power away from OPEC**

U.S. Energy Exports and Imports, quadrillion BTUs



Source: Monthly Energy Review, November 2017, U.S. Energy Information Administration, data as of August 2017.

## Tail Risks: Low Probability, Big Impact

There are always geopolitical or systemic risks to rain on the parade. Here are a few of the more serious downside risks:

- Inflation shock: big 3 (U.S., China, eurozone) growth rates far exceeding expectations could set off an inflation shock, sending bond prices and equity prices plummeting
- Currency shock: global markets could be upended by unexpected or extreme currency instability in the big 3 economies, like the 2015 devaluation of the yuan, the 2014 U.S. dollar surge or the 2015 euro collapse
- Cyberattack disruptions: the very high profile attacks on U.S. and international companies do not show the pervasiveness and deep fear they have inspired across government and private industry. Currently, millions of automated hacking attempts occur daily across all sectors globally. The “Sheltered Harbor” project for consumer banks and the ESCC-Electricity Subsector Coordinating Council are two efforts to mitigate this risk
- North Korea threat: sabre rattling yes, military engagement is not likely. The worst case scenario is a severe degrading of relations between the U.S. and China and a negative impact on global trade

## The Behavioral Investor and Gaming Diversification

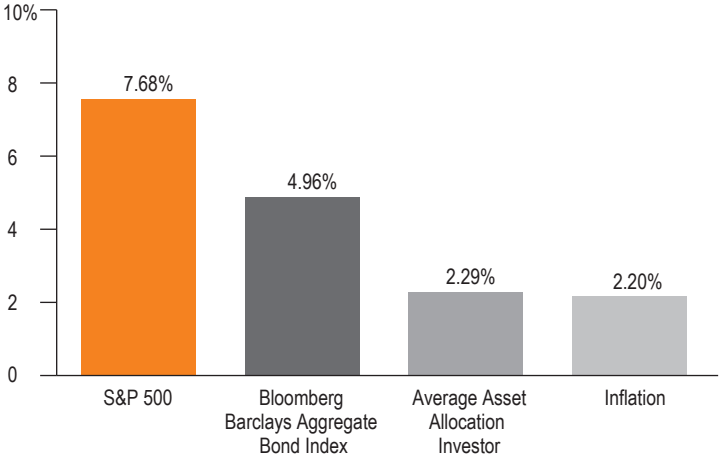
We refer to global diversification as the “tortoise” and U.S. home biased investing, such as concentrated in the S&P 500, as the “hare.” Just like in the fairy tale, the “hare” often races ahead but gets tired while the slow and steady “tortoise” wins the race. In real life that aptly describes the benefit of building a well-diversified global portfolio; that is, the powerful and relentless but sometimes unexciting tortoise.

Investors tend to respond to events as they are happening. For example, as tax reform moved forward, investors jockeyed for position, rotating in and out of stocks and sectors, trying to determine the biggest potential beneficiaries of the tax plan. After a powerful surge during the quarter, the technology sector subsequently took it on the chin because these companies generally have the lowest effective tax rates and therefore lower potential gains. On the other hand, the consumer, financial and healthcare industries generally pay higher tax rates. Value vs. growth also has been added to the mix with value expected to outperform growth. And bets are being made on small caps vs. large caps, with small caps expected to outperform due to their more domestic orientation and the limitation anticipated on pass-through tax rates. Although some businesses may be bigger winners than others, the winnings potentially will be widespread.

The other advantage of having a consistent, well-defined portfolio and investment process is to counter the emotional behaviors that tend to cause investors to sell at the worst time (low) or buy at the worst time (high). A study by research firm Dalbar, updated to the most recent 20 years, shows that the average of investors' asset-allocation returns falls significantly below the average market returns during this period (Figure 9). The Dalbar methodology suggests that investors' shortfall has less to do with popular disagreements owing to the "active-passive" debate, and more to do with behavioral errors caused by the emotions of the moment.

**Figure 9. Over the Past 20 Years, the Average Asset Allocation Investor Has Significantly Underperformed the Stock and Bond Markets**

Average Mutual Fund Investor Returns (January 1997 to December 2016)



Source: DALBAR, 2016 Quantitative Analysis of Investor Behavior (QAIB) using data from the Investment Company Institute (ICI), Standard & Poor's, Bloomberg Barclays Capital Indexes and proprietary sources to compare mutual fund investor returns to appropriate benchmarks. Covering the period from 01/01/96 to 12/31/16, the study utilizes monthly mutual fund sales, redemptions and exchanges as the measure of investor behavior. These behaviors reflect the "average investor," and the analysis calculates "average investor return" for various periods compared to respective indexes. The "average investor" refers to the universe of all mutual fund investors whose actions and financial results are restated to represent a single investor. This approach allows the entire universe of mutual fund investors to be used as the statistical sample, enhancing the reliability of the findings. **Past performance is no guarantee of future results. An investment cannot be made in an index.**

## Conclusion: Pro-Business is Good for the Economy and Markets

It started as a breath of fresh air, pro-business orientation for a change. This awakened the long slumbering animal spirits, generating a tentative breeze of optimism. An already good economy is getting better. And the fertile ground of economic growth is extending across the globe. Yet many investors, after years of false dawns, are reluctant to believe it. Make no mistake, the winds of change are already blowing. The year 2018 will be a pro-business inspired year of growth. Investors can ignore the transformation or build windmills to harness the opportunities with a broad, globally diversified portfolio.

Figure 10. Effective Diversification Casts a Wide Net across Global Equity and Fixed Income

Index	Wgt	Nov 17	2017 YTD	2016	2015	2014	2013	2012	2011	2010	2009	2008	3 years	5 years	10 years	15 years
<b>Equity</b>																
S&P 500	10%	3.1	20.5	12.0	1.4	14.9	32.4	16.0	2.1	15.1	26.5	-37.0	10.9	15.7	8.3	9.4
S&P Midcap	10%	3.7	16.0	20.7	-2.2	10.3	33.5	17.9	-1.7	26.6	37.4	-36.2	11.4	15.5	9.9	11.7
S&P Smallcap	10%	3.5	13.8	26.6	-2.0	5.5	41.3	16.3	1.0	26.3	25.6	-31.1	13.3	16.9	10.4	12.1
Global REITs	10%	2.8	9.9	5.0	0.1	16.5	4.4	28.7	-5.8	20.4	38.3	-47.7	5.1	7.7	3.4	10.4
EAFE	10%	1.1	23.6	1.5	-0.4	-4.0	23.3	17.9	-11.7	8.2	32.5	-43.1	6.5	8.7	2.0	8.2
Emerging Mkts	10%	0.2	32.9	11.6	-14.6	-2.4	-2.3	18.6	-18.2	19.2	79.0	-53.2	6.5	5.0	1.7	12.2
Average		2.4	19.4	12.9	-3.0	6.8	22.1	19.2	-5.7	19.3	39.9	-41.4	8.9	11.6	6.0	10.6
<b>Fixed Income</b>																
Corporate	10%	-0.1	5.5	6.1	-0.7	6.7	-1.5	9.8	8.1	9.0	18.7	-4.9	3.6	3.3	5.6	5.5
U.S. Treasury 20+	10%	0.8	7.0	1.4	-1.6	25.1	-13.9	3.4	33.8	9.4	-21.4	33.7	3.3	2.8	6.4	6.6
Global Aggregate	10%	1.1	7.0	2.1	-3.2	0.2	-2.6	4.3	5.6	5.5	6.9	4.8	1.7	0.7	3.0	4.5
High Yield	10%	-0.3	7.2	17.1	-4.5	2.3	7.4	15.8	5.0	15.1	58.2	-26.2	5.7	6.0	8.0	9.1
Average		0.4	6.7	6.7	-2.5	8.6	-2.6	8.3	13.2	9.8	15.6	1.9	3.6	3.2	5.8	6.4
<b>Overall Average</b>		<b>1.6</b>	<b>14.3</b>	<b>10.4</b>	<b>-2.8</b>	<b>7.5</b>	<b>12.2</b>	<b>14.9</b>	<b>1.8</b>	<b>15.5</b>	<b>30.2</b>	<b>-24.1</b>	<b>6.8</b>	<b>8.2</b>	<b>5.9</b>	<b>9.0</b>

Source: FactSet, FTSE NAREIT, Voya Investment Management. Data are percent total returns as of November 30, 2017. The Overall Average model allocation includes 10 asset classes, equally weighted: S&P 500, S&P 400 Midcap, S&P 600 Smallcap, MSCI U.S. REIT Index/FTSE EPRA REIT Index, MSCI EAFE Index, MSCI BRIC Index, Bloomberg Barclays U.S. Corporate Bonds, Bloomberg Barclays U.S. Treasury Bonds, Bloomberg Barclays Global Aggregate Bonds, Bloomberg Barclays U.S. High Yield Bonds. Returns are annualized for periods longer than one year. **Past performance is no guarantee of future results. An investment cannot be made in an index.**





### General Investment Risks:

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.

**Domestic Equity:** Exposure to financial and market risks that accompany investments in equities. Markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market or economic developments. Small cap stocks may be more volatile and less liquid than stocks of larger more established companies.

**Fixed Income:** Exposure to financial, market, prepayment, credit and interest rate risks. The value of an investment in a fund is not guaranteed and will fluctuate. Higher yielding bonds are subject to greater volatility and credit risks. A fund may invest in securities guaranteed by the U.S. Government as to timely payments of interest and principal, but a fund's shares are not insured or guaranteed. Bonds have fixed principal and return if held to maturity, but may fluctuate in the interim. Generally, when interest rates rise, bond prices fall. Bonds with longer maturities tend to be more sensitive to changes in interest rates.

**International:** In addition to the general risks of investing in equities and fixed income securities, investing in foreign securities poses special risks, including currency fluctuation, economic and political risks not found in investments that are solely domestic. Risks of foreign investing are generally intensified for investments in emerging markets.

**REITS:** Real Estate Investment Trusts may be sensitive to factors such as changes in real estate values and property taxes, interest rates, cash flow of underlying real estate assets, supply and demand, and the management skill and credit-worthiness of the issuer. REITs may also be affected by tax and regulatory requirements.

**Non-Diversified Strategies:** Due to the concentrated nature of non-diversified and sector funds, they may experience greater volatility than funds with a broader investment selection/strategy.

Diversification does not guarantee a profit or ensure against loss. **Past performance is no guarantee of future results.**

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