Voya Ultra Short Income ETF (VUSI)

Higher income potential than cash

Anuranjan Sharma
Portfolio Manager

Rajen Jadav , CFA
Portfolio Manager

Sean Banai , CFA
Portfolio Manager

Vinay Viralam , CFA
Portfolio Manager

Read our Fund Fact Sheet

Strategy overview

Active management approach to invest in a diversified mix of short duration securities in the pursuit of a yield and total return advantage over traditional cash investments.

Key takeaways

- The combination of resilient growth and stubbornly above-target inflation put upward pressure on Treasury yields. The selloff in rates eventually bled over to credit and drove spreads modestly wider. Artificial intelligence remained a dominant theme, supporting growth via corporate earnings, while sustaining capital expenditure and further reinforcing inflationary pressures.
- **Based on NAV net-of-fees performance, the Voya Ultra Short Income ETF underperformed its benchmark the ICE Bank of America U.S. Dollar Three-Month Deposit Offered Rate Constant Maturity Index (the Index) during the quarter.**
- We expect the U.S. Federal Reserve to deliver two additional rate hikes, largely reversing last year's insurance cuts rather than beginning a prolonged tightening cycle. Longer term, inflation should moderate gradually, but AI-related demand and geopolitical risks could keep it closer to 3% than the Fed's 2% target.

Portfolio review

A range of developments during the third quarter of 2026 underscored the resilience of economic growth while reinforcing concerns that inflation would remain elevated: the labor market appeared to have rebounded from the weakness in 2025, inflation proved more persistent than expected, geopolitical disruptions tied to Iran continued, and artificial intelligence remained an increasingly powerful influence on both economic activity and capital markets. Despite concerns that higher energy prices and elevated interest rates would slow growth, the U.S. economy remained remarkably resilient. Payroll growth continued throughout the quarter, unemployment remained relatively low, and broader economic activity held up better than many anticipated. At the same time, wage growth remained relatively subdued, helping mitigate the risk of a classic wage-price spiral even as labor supply remained structurally constrained.

An investor should consider the investment objectives, risks, charges and expenses of the Fund(s) carefully before investing. For a free copy of the Fund's prospectus or summary prospectus, which contains this and other information, visit www.voyaetfs.com or call (800) 334-3444. Please read all materials carefully before investing.

VOYA Investment Management

Inflation remained the dominant macroeconomic challenge. Headline measures were heavily influenced by the war in Iran and ongoing disruptions to energy markets, which periodically pushed oil prices higher and renewed concerns about commodity-driven inflation. Yet the more important development for fixed income investors was the persistence of underlying inflation pressures. While shelter inflation continued to moderate and wage growth remained contained, strong demand associated with resilient economic growth coupled with the continuing AI investment boom kept core inflation stubbornly elevated. Massive capital expenditures in data centers, power infrastructure, semiconductors, and related supply chains supported growth but also increased demand for labor, energy and other materials. As a result, markets increasingly converged around the view that inflation was likely to remain closer to 3% than the Fed's 2% target.

Expectations for monetary policy evolved alongside these dynamics. From the outset, Fed Chair Kevin Warsh sought to reinforce the institution's credibility by emphasizing the Fed's commitment to restoring inflation to its 2% target. And despite reducing the degree of forward guidance provided to markets, Warsh's speeches repeatedly generated outsized moves across the Treasury curve, including in a notably hawkish message at Jackson Hole. There, he acknowledged improvements in inflation data but argued they were insufficient to establish confidence that inflation was sustainably returning to target. Markets interpreted the speech as a clear signal that additional tightening was likely, leading rate-hike expectations to rise sharply. By their September meeting, markets had largely priced in a hike, and the Fed ultimately delivered one.

The front end of the Treasury curve reflected these shifting expectations, resulting in higher short-dated yields. The long end faced a broader set of influences. Resilient growth, sticky inflation, persistent fiscal deficits, and the financing demands associated with the AI investment cycle all contributed to upward pressure on longer-term yields. The move in yields caught the attention of Treasury Secretary Bessent, who announced an increase in the size of Treasury buybacks. However, even after the increase, the size of the program was ultimately to small relative to the size of the Treasury market to materially influence the direction of yields. By quarter-end, yields across the curve sat near the highest levels seen in years.

For most of the quarter, credit markets proved remarkably resilient. Within corporate credit, investment grade spreads remained near historically compressed levels despite heavy issuance related to AI-related investments. High yield and senior loans benefited from healthy corporate earnings and manageable default activity, although AI-related disruption risks remained an area of focus in select software and technology-adjacent sectors. Within securitized markets, commercial mortgage-backed securities (CMBS) fundamental factors continued to improve, although higher rates and heavy issuance created a headwind. Non-agency residential mortgage-backed securities (RMBS) continued to be supported by a resilient housing market and generally stable collateral performance, however prepayment activity remained muted. Agency mortgage-backed securities (MBS) was the outlier, as the sector continued to face headwinds from elevated rate volatility. All this being said, the selloff in rates eventually bled over to credit, leading spreads to widen modestly in the final days of the quarter. As a result, most fixed income sectors delivered negative results, on both a total and excess return basis.

Based on NAV net-of-fees performance, the Voya Ultra Short Income ETF underperformed the Index during the quarter. Underperformance was driven by the fund's duration posture and sector allocation, particularly the exposure to agency MBS. Security selection contributed led by selection within agency MBS, due to our allocation to collateralized mortgage obligation (CMO) positions.

Current strategy and outlook

The U.S. economy continues to expand near trend, but the sources of growth are becoming narrower. AI investment, fiscal support, and spending by higher-income households remain durable tailwinds in the near term, but unsustainable in the long term. AI capital spending cannot grow at its current pace indefinitely, although strong hyperscaler balance sheets, committed projects and relatively rate-insensitive demand make a meaningful slowdown unlikely over the next several years. Fiscal deficits also appear unlikely to narrow soon, even as rising interest costs underscore that the current trajectory is unsustainable. Consumer spending is similarly bifurcated: wealth effects continue to support higher-income households, while cumulative inflation, borrowing costs, and slower real income growth are pressuring lower- and middle-income consumers.

AI remains one of the more interesting dynamics, given its impact on both the growth and inflation outlook. The buildout of AI capabilities should continue to support capital spending and corporate earnings. However, this demand is colliding with physical constraints in electricity, grid capacity, materials, specialized labor, and advanced chips. This imbalance also makes the economy less responsive to monetary policy: higher rates can restrain consumers, housing, and rate-sensitive businesses, but they cannot quickly expand power supply, accelerate chip production or reverse commodity and supply-chain disruptions.

The Fed's September rate increase therefore looks more like a recalibration than the start of an aggressive inflation-fighting campaign. The economy proved stronger, unemployment lower and inflation firmer than policymakers anticipated when they delivered 75 basis points (bp) of insurance cuts this time last year. Chair Warsh's hawkish Jackson Hole message and emphasis on the Fed's commitment to its 2% inflation target made some reversal of that accommodation likely. Our base case is for two additional 25 bp hikes, effectively removing those earlier cuts rather than pushing policy deeply restrictive.

Inflation should moderate at the margin as shelter pressures ease, wage growth normalizes and earlier tariff effects fade, but a quick return to 2% remains unlikely. Supply disruptions, geopolitical risks, elevated energy costs, and AI-related demand could keep inflation closer to 3%, while resilient spending among higher-income households adds another layer of persistence. Importantly, labor market dynamics and a slower pace of wage growth reduce the risk of a wage-price spiral that would typically force a prolonged tightening cycle. The more likely outcome is a cautious, data-dependent Fed that pauses between moves while assessing inflation, employment and financial conditions. Reduced forward guidance will keep markets sensitive to each economic release.

For fixed income investors, higher yields provide a more attractive starting point and helps to provide a meaningful cushion against volatility. Yields near their highest levels since the global financial crisis continue to attract income-oriented buyers, even as tight spreads argue against broad risk taking. We favor measured duration exposure, as the market has priced in more tightening than what we think the Fed will ultimately deliver. Within credit, carry is likely to drive returns rather than further spread compression. We remain selective in corporate credit, favoring higher-quality issuers, resilient balance sheets, and beneficiaries of infrastructure spending. Securitized credit also offers opportunities, particularly in mortgage credit and consumer asset-backed securities, although heavy issuance and pressure on lower-income borrowers warrant discipline. Overall, the combination of attractive income, uneven growth and elevated volatility supports a balanced approach built around quality, diversification, and downside mitigation.

The **ICE Bank of America U.S. Dollar Three-Month Deposit Offered Rate Constant Maturity** Index is designed to track the performance of a synthetic asset paying ICE Term SOFR to a stated maturity. The index is based on the assumed purchase at par of a synthetic instrument having exactly its stated maturity and with a coupon equal to that day's fixing rate. That issue is assumed to be sold the following business day (priced at a yield equal to the current day rate) and rolled into a new instrument. Effective October 1, 2022 theunderlying reference rate for this index was replaced from USD LIBOR to ICETerm SOFR.Index returns do not reflect fees, brokerage commissions, taxes or other expenses of investing. **Investors cannot invest directly in an index.**

All investing involves risks of fluctuating prices and the uncertainties of rates of return and yield inherent in investing. You could lose money on your investment and any of the following risks, among others, could affect investment performance. The following principal risks are presented in alphabetical order which does not imply order of importance or likelihood: Bank Instruments; Buy Back and Dollar Roll; Call; Collateralized Loan Obligations and Other Collateralized Obligations; Counterparty; Credit; Derivatives; Futures; Options; Swaps; Credit Default Swaps; Duration; Economic and Market; Environmental, Social, and Governance; ETF; Foreign (Non-U.S.) Investments/Developing and Emerging Markets; High Portfolio Turnover; Inflation; Inflation-Indexed Bonds; Interest Rate; Leveraging; Liquidity; Management; Models and Data; Mortgage- and/or Asset-Backed Securities; Municipal Securities; New Fund; Operational; Prepayment and Extension; Sovereign Debt; Structured Notes; TBA; U.S. Government and U.S. Agency Obligations. **Investors should consult the Fund's Prospectus and Statement of Additional Information for a more detailed discussion of the Fund's risks.**

Exchange Traded Funds (ETFs) are bought and sold through exchange trading at market price (not NAV), and are not individually redeemed from the fund. Shares may trade at a premium or discount to their NAV in the secondary market. Brokerage commissions will reduce returns.

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.

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. **Past Performance does not guarantee future results.**

Duration Risk. Duration is a measure of the price sensitivity of a debt security or portfolio to interest rate changes.

Distributed by Foreside Fund Services, LLC.

Launch and Structure Partner, Tidal Financial Group. The Voya® family of companies is not affiliated with Foreside Fund Services or Tidal Financial Group.

©2026 Voya Investments Management LLC • 200 Park Ave, New York, NY 10166 • All rights reserved.

Not FDIC Insured | May Lose Value | No Bank Guarantee | Not a Deposit
093026 • ex093027 • IM6069123

VOYA® Investment Management