

# Invesco Diversified Dividend SMA Fourth quarter

Fact Sheet: Separately Managed Accounts  
Dec. 31, 2023



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## Portfolio management team

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### Peter Santoro, CFA

Senior Portfolio Manager  
Industry since 1996  
B.S., Amherst College

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### Craig Leopold, CFA

Portfolio Manager  
Industry since 1991  
B.B.A., Adelphi University  
M.B.A., Fordham University

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### Caroline Le Feuvre

Portfolio Manager  
Industry since 2006  
University of Virginia, B.S.  
Stanford University, M.B.A.

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### Chris McMeans, CFA

Portfolio Manager  
Industry since 1999  
B.A., University of Texas  
M.B.A., University of Houston

A foundation for investors' portfolios, focused on dividend-paying stocks. Using fundamental research, the team employs a total return approach that seeks to deliver appreciation, income and preservation over a full market cycle.

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## Current portfolio positioning

US equity markets posted strong gains in the fourth quarter as investors anticipated a possible end to Federal Reserve (Fed) interest-rate hikes. Inflation slowed during the quarter as indicated by the Consumer Price Index 12-month headline inflation rate, which fell from 3.7% in September to 3.1% in November, significantly below its 2022 peak. Robust consumer spending contributed to a higher-than-expected estimate for third-quarter gross domestic product (GDP) growth, according to the third estimate released by the Bureau of Economic Analysis. The Fed kept the federal funds rate steady at its mid-December meeting and signaled three rate cuts for 2024. Chairman Powell noted that "our policy rate is likely at or near its peak for this tightening cycle." His comment prompted a sharp decline in the 10-year US Treasury yield, which fell to 3.88% at the end of December, down from a high of nearly 5% early in October. Stocks also rallied on Powell's remarks. The S&P 500 Index returned 11.69% for the fourth quarter. Within the index, real estate and information technology (IT) had the largest gains, while energy was the only sector to decline. Value underperformed growth for the quarter, with the Russell 1000 Value Index returning 9.50%, compared to 14.16% for the Russell 1000 Growth Index.

The portfolio outperformed the Russell 1000 Value Index during the quarter. Sector performance within the Russell 1000 Value Index was mostly positive. Energy was the only sector to post a loss for the quarter, while real estate, financials and IT posted the largest gains. The financials sector was the largest

positive contributor to the portfolio's absolute performance while energy was the only detractor from absolute return. Good stock selection in financials and IT added the most to relative return for the quarter. Stock selection in consumer discretionary detracted the most from relative return.

During the fourth quarter, the team took advantage of market volatility by initiating several new positions and exiting a few positions as well. While sector exposure versus the Russell 1000 Value Index remains generally balanced, the largest overweight positions were in the consumer staples and health care sectors. The largest underweight positions were in the industrials and real estate sectors as of quarter-end.

Though the market is at a crossroads due to macroeconomic events, including high interest rates, inflation, geopolitical risk and disappointing GDP growth in China, the driving principles of our investment process remain rooted in a total return approach that seeks to deliver appreciation, income and preservation over a full market cycle. No matter the backdrop, we focus on companies generating attractive free cash flow, and we analyze their drivers and ability to support future dividend growth, as well as their balance sheet strength and flexibility. We continue to emphasize the growth and sustainability of a company's dividend as we believe companies with these characteristics have historically outperformed over a full market cycle.

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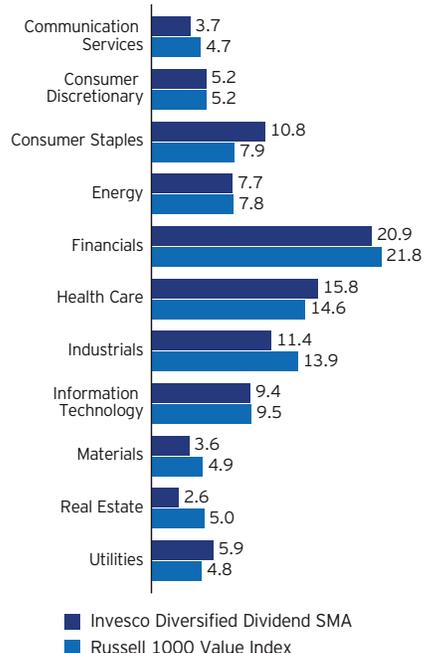
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The GIPS® Composite Report is located on the last page.

### Sector weightings (% of total net assets)

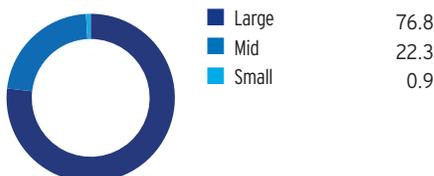


### Portfolio characteristics

	Portfolio	Russell 1000 Value Index
Number of Holdings	73	848
Weighted Average 12-Month Forward EPS Growth	7.33%	7.80%
Weighted Average Long-Term EPS Growth	8.60%	6.62%
Weighted Average Return on Equity	19.66%	15.41%
Weighted Average Long-Term Debt to Capital	43.85%	43.54%
Weighted Harmonic Average 12-Month Forward P/E	15.93	15.26
Weighted Harmonic Average 12-Month Trailing P/E	17.81	16.05
Weighted Average Price/Book	3.11	2.50
Weighted Average Dividend Yield (Trailing 12 Months)	2.50%	2.32%
Weighted Average Market Cap (\$M)	\$208,893	\$139,002
Median Market Cap (\$M)	\$102,534	\$13,006
Turnover (TTM)	39.13%	N/A

Portfolio characteristics are based on a representative account of the strategy and are subject to change.

### Market capitalization breakdown (%)



### Asset allocation

	6/30/23	9/30/23	12/31/23
Stocks	96.73%	95.63%	97.09%
Cash/Other	3.27%	4.37%	2.91%

### Quarterly returns

Period	"Pure" gross return* (%)	Net return (%)	Russell 1000® Value Index Total Return (%)
YTD	9.87	6.64	11.46
4Q23	9.86	9.06	9.50
3Q23	-3.14	-4.14	-3.16
2Q23	3.90	3.13	4.07
1Q23	-0.34	-1.09	1.01

### Annualized compound returns

Period	"Pure" gross return* (%)	Net return (%)	Russell 1000® Value Index Total Return (%)
1 Year	9.87	6.64	11.46
3 Year	9.07	5.87	8.86
5 Year	10.19	6.95	10.91
Since Inception (1/1/16)	8.57	5.37	9.41

Returns less than one year are not annualized.

\* "Pure" gross of fees returns do not reflect the deduction of trading costs or any other expenses, and are supplemental to net returns. See note 5 on page 4.

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All data as of Dec. 31, 2023

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**Sample portfolio****Top 10 holdings**

Ticker	Security	Sector	% of total net assets
1. CVX	Chevron Corp	Energy	2.81
2. JNJ	Johnson & Johnson	Health Care	2.74
3. COP	ConocoPhillips	Energy	2.55
4. MRK	Merck & Co Inc	Health Care	2.54
5. WMT	Walmart Inc	Consumer Staples	2.49
6. MSFT	Microsoft Corp	Information Technology	2.20
7. PM	Philip Morris International Inc	Consumer Staples	2.19
8. V	Visa Inc	Financials	2.02
9. MCD	McDonald's Corp	Consumer Discretionary	2.00
10. MS	Morgan Stanley	Financials	1.96

**Other sample holdings**

CMCSA	Comcast Corp	Communication Services
DTEGY	Deutsche Telekom AG	Communication Services
EA	Electronic Arts Inc	Communication Services
LOW	Lowe's Cos Inc	Consumer Discretionary
SBUX	Starbucks Corp	Consumer Discretionary
TJX	TJX Cos Inc/The	Consumer Discretionary
CL	Colgate-Palmolive Co	Consumer Staples
STZ	Constellation Brands Inc	Consumer Staples
LRLCY	L'Oreal SA	Consumer Staples
NSRGY	Nestle SA	Consumer Staples
SYT	Sysco Corp	Consumer Staples
TGT	Target Corp	Consumer Staples
ENB	Enbridge Inc	Energy
MRO	Marathon Oil Corp	Energy
PXD	Pioneer Natural Resources Co	Energy
AXP	American Express Co	Financials
AIG	American International Group Inc	Financials
BLK	BlackRock Inc	Financials
SCHW	Charles Schwab Corp/The	Financials
CME	CME Group Inc	Financials
FITB	Fifth Third Bancorp	Financials
HIG	Hartford Financial Services Group Inc/The	Financials
JPM	JPMorgan Chase & Co	Financials

**Other sample holdings (continued)**

MTB	M&T Bank Corp	Financials
PNC	PNC Financial Services Group Inc/The	Financials
SPGI	S&P Global Inc	Financials
STT	State Street Corp	Financials
WFC	Wells Fargo & Co	Financials
AZN	AstraZeneca PLC	Health Care
BDX	Becton Dickinson & Co	Health Care
CVS	CVS Health Corp	Health Care
MDT	Medtronic PLC	Health Care
SYK	Stryker Corp	Health Care
TMO	Thermo Fisher Scientific Inc	Health Care
ZBH	Zimmer Biomet Holdings Inc	Health Care
ABBV	ABB Ltd	Industrials
ADP	Automatic Data Processing Inc	Industrials
CAT	Caterpillar Inc	Industrials
GE	General Electric Co	Industrials
HUBB	Hubbell Inc	Industrials
NOC	Northrop Grumman Corp	Industrials
PH	Parker-Hannifin Corp	Industrials
TT	Trane Technologies PLC	Industrials
UNP	Union Pacific Corp	Industrials
UPS	United Parcel Service Inc	Industrials
ACN	Accenture PLC	Information Technology
ADI	Analog Devices Inc	Information Technology
AVGO	Broadcom Inc	Information Technology
INTU	Intuit Inc	Information Technology
LRCX	Lam Research Corp	Information Technology
TEL	TE Connectivity Ltd	Information Technology
CRH	CRH PLC	Materials
DD	DuPont de Nemours Inc	Materials
PPG	PPG Industries Inc	Materials
PLD	Prologis Inc	Real Estate
WY	Weyerhaeuser Co	Real Estate
AEE	Ameren Corp	Utilities
AEP	American Electric Power Co Inc	Utilities
ETR	Entergy Corp	Utilities
PPL	PPL Corp	Utilities
PEG	Public Service Enterprise Group Inc	Utilities
WEC	WEC Energy Group Inc	Utilities

This table illustrates the composition of a model portfolio as of the date listed and should not be considered as a recommendation to purchase or sell a particular security; additionally, there is no assurance that the securities purchased remain in the portfolio or that securities sold have not been repurchased. Past performance does not guarantee future results. Holdings may vary depending on program sponsor restrictions or specific client guidelines. Top 10 holdings and percentages are listed above and represent 23% of total holdings. **To obtain a list of all recommendations made by Invesco Advisers, Inc. in this investment style during the last year, please contact Invesco Advisers, Inc. at 800 349 0953.**

**Top quarterly contributors to /detractors from performance**

Top 5 contributors	Average weight (%)	Top 5 detractors	Average weight (%)
Prologis, Inc.	1.16	Chevron Corp.	2.98
Microsoft Corp.	2.23	Becton, Dickinson and Co.	1.91
PNC Financial Services Group, Inc.	1.41	Marathon Oil Corp.	1.00
CRH public limited Co.	1.00	Exxon Mobil Corp.	0.31
Charles Schwab Co.	1.29	ConocoPhillips Co.	2.75

For more information on the calculation methodology and a complete list of each holding's contribution to the overall account's performance during this time period, please contact Invesco Advisers, Inc. at 800 349 0953. The holdings identified do not represent all of the securities purchased, sold or recommended for advisory clients. Past performance is not a guarantee of future results. Top 5 contributors and detractors are sorted and shown in order of the security's contribution to, or deduction from, the overall performance of the portfolio for the quarter. The average weight is also shown for each of these top 5 holdings.

**Invesco Diversified Dividend SMA Wrap composite as of Dec. 31, 2022**

Year	"Pure" gross return* (%)	Net return (%)	Russell 1000® Value Index total return (%)	Composite dispersion (%)	Composite 3-year annualized standard deviation (%)	Benchmark 3-year annualized standard deviation (%)	Number of accounts	Composite assets (\$ millions)	Total firm assets (\$ billions)	% wrap assets
2022	-0.41	-3.36	-7.54	0.35	18.56	21.55	80	49	865	100.00
2021	18.60	15.14	25.16	0.31	16.34	19.33	85	68	975	99.74
2020	0.58	-2.40	2.80	0.62	16.29	19.90	112	77	876	99.81
2019	24.48	20.86	26.54	0.28	9.35	12.02	106	80	826	99.81
2018	-6.91	-9.68	-8.27	0.26	8.72	10.98	83	49	579	99.76
2017	9.07	5.86	13.66	0.18	N/A	N/A	69	53	660	99.76
2016	17.00	13.58	17.34	N/A	N/A	N/A	33	30	599	99.61

**Annualized compound returns as of Dec. 31, 2022**

Period	"Pure" gross return* (%)	Net return (%)	Russell 1000® Value Index Total Return (%)
1 Year	-0.41	-3.36	-7.54
3 Year	5.91	2.79	5.96
5 Year	6.60	3.46	6.67
Since Inception (1/1/16)	8.38	5.19	9.12

Returns less than one year are not annualized.

\* "Pure" gross of fees returns do not reflect the deduction of trading costs or any other expenses, and are supplemental to net returns. See note 5.

- Invesco Worldwide claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Invesco Worldwide has been independently verified for the periods 1st January 2003 through 31st December 2022. The verification reports are available upon request.  
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- For periods beginning August 1, 2022, the Invesco Diversified Dividend SMA Wrap Composite includes all discretionary, fee-paying wrap accounts styled after the Invesco Diversified Dividend SMA Model Portfolio, which targets long term growth of capital and, secondarily, current income. For periods beginning July 1, 2016, through July 31, 2022, the Invesco Diversified Dividend SMA Wrap Composite included all discretionary, fee-paying wrap and non-fee-paying institutional accounts. For all periods prior to July 1, 2016, the Invesco Diversified Dividend SMA Wrap Composite was composed of 100% non-fee paying discretionary institutional accounts. The historical performance results are those of the Invesco Diversified Dividend SMA Institutional Composite. The composite is managed in comparison to, not duplication of the benchmark. The composite was created in January 2016.
- The Russell 1000 Value Index is an unmanaged index considered representative of large-cap value stocks.
- "Pure" gross of fees returns do not reflect the deduction of trading costs or any other expenses and are supplemental to net returns. Performance results are presented both net and gross of total wrap fees. Net returns reflect the deduction of the maximum total wrap fee, which is currently 3.00% per annum or 0.25% monthly, from the "pure" gross return. A total wrap fee a client could pay (3.00% annually as charged by the program sponsor, inclusive up to a maximum investment advisory fee of 0.75%). The total wrap fee includes all charges for trading costs, portfolio management, custody and other administrative fees. The standard wrap fee schedule currently in effect is as follows: 3.00% on total assets. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size.
- Effective March 2022, the portfolio management team replaced Robert Botard with Craig Leopold. This does not represent a strategy change that warrants a new composite.
- The dispersion of annual "pure" gross returns is measured by the equal-weighted standard deviation of account's "pure" gross returns included in the composite for the full year. For periods with five or fewer accounts included for the entire year, dispersion is not presented as it is not considered meaningful. The three-year annualized ex-post standard deviation measures the variability of the monthly "pure" gross returns of the composite and the benchmark over the preceding 36 months. The standard deviation is not presented where there is less than 36 months of performance history. Past performance is not indicative of future results. As with any investment vehicle there is always the potential for gains as well as the possibility of losses.
- All returns are expressed in U.S. dollars and are gross of nonreclaimable withholding tax, if applicable.
- The following are available on request:
  - \* Policies for valuing investments, calculating performance and preparing GIPS reports
  - \* List of composite descriptions
  - \* List of limited distribution pooled fund descriptions
  - \* List of broad distribution pooled funds

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All data as of Dec. 31, 2023

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