# Invesco Balanced-Risk Allocation - USD

**Key facts**

| | |
|---|---|
| Benchmark | Bloomberg US Treasury Bellwethers 3 Months Total Return Index |
| Secondary Benchmark | Custom Invesco Balanced Risk Allocation Benchmark |
| Inception | 9/30/2008 |
| Total composite assets[1] | $2.3 billion |

**Available investment vehicles**

| | |
|---|---|
| Separate account | $250 million minimum |
| Commingled fund | $500,000 minimum |

**Management team**

Mark Ahnrud, John Burrello, Christopher Devine, Scott Hixon, Christian Ulrich, Scott Wolle

**Target risk allocation (%)**

| | Marginal Risk[2] | Risk contribution |
|---|---|---|
| Defense | 1.87 | 22.02 |
| Growth | 3.83 | 45.10 |
| Real Return | 2.80 | 32.88 |
| Total (As Of 03/31/24) | 8.50 | 100.00 |

## Investment objective

The strategy seeks to provide total return with a low-to-moderate correlation to traditional financial market indexes.

## Investment strategy

Invesco Balanced-Risk Allocation is a total return strategy that seeks to generate consistent returns in various market environments by investing in multiple asset classes to provide investors with broad economic diversification. The strategy utilizes a long-only, risk-balanced investment process with an adaptive tactical element to participate meaningfully during periods of economic strength and to mitigate downside risk during periods of economic stress.

## First quarter summary

- The strategy outperformed both the primary cash benchmark and the secondary balanced benchmark, in gross returns, for the quarter. The strategy slightly underperformed the secondary benchmark on a net basis.
- Strategic exposure to the growth macro factor contributed to results, with gains in all markets in which the strategy invests.
- Strategic exposure to the defensive macro factor detracted from results due to the decreased likelihood of imminent rate cuts.

## Performance (%)

| | Quarter | Year to date | Since Inception |
|---|---|---|---|
| Invesco Balanced-Risk Allocation - USD (gross) | 5.04 | 5.04 | 7.32 |
| Invesco Balanced-Risk Allocation - USD (net) | 4.92 | 4.92 | 6.84 |
| Bloomberg US Treasury Bellwethers 3 Months Total Return Index | 1.30 | 1.30 | 0.97 |
| Custom Invesco Balanced Risk Allocation Benchmark | 4.96 | 4.96 | 6.94 |

*Gross of fee returns are before deduction of management and custodial fees but after trading commissions. Net returns will be lower. Past performance is not a guarantee of future results. All performance is through Mar 31, 2024 and returns for periods greater than 12 months are annualized.*

## Market overview

Global asset class performance diverged in the first quarter after the “everything rally” that ended 2023. Better-than-expected global economic growth, strong labor markets and hotter-than-anticipated inflation readings led investors to reassess the timing and magnitude of prospective rate cuts. Disinflation continued in most developed economies, with some experiencing more progress than others. Against this backdrop, equities rose and bonds declined. Signs of economic green shoots in China and Europe, along with the dovish forward guidance from central banks, helped drive commodities to a gain in the first quarter.

[1]Total composite assets shown above include accounts that are reflected in the GIPS® composite performance.

[2]Risk represents ex-ante standard deviation. Ex-ante standard deviation measures the range of total returns and identifies the spread of fluctuations over a defined, forward-looking period of time. The risk level derived from each underlying asset determines how much the asset will contribute from a dollar-weight standpoint.

Note: The strategy rebalances monthly to better adapt to prevailing market conditions. Growth represents cap-weighted equity beta and long put options. Defensive represents bonds and equity factor premia. Real Return represents commodities.

## Performance highlights

Strategic exposure to the growth macro factor contributed to results, with gains in all markets in which the strategy invests. Japanese equities were the top contributor with the Nikkei 225 Index surpassing its previous high set over 34 years ago. Japanese equities have benefited from a weaker yen, which has boosted export-heavy sectors. European equities rose as investors became increasingly optimistic that the European Central Bank may cut rates following a rate cut by the Swiss National Bank during the quarter. US small-cap equities outperformed their large-cap counterparts as better-than-expected economic data bolstered investor risk appetite and expanded performance beyond the narrow list of mega-cap companies that had been dominating equity performance. UK equities advanced, with recent data suggesting that despite having gone into a mild technical recession at the end of 2023, economic conditions have begun to stabilize. Emerging market equities produced small gains as Chinese equities lost modest ground during the quarter. Exposure to defensive put options detracted from results as equity markets broadly rose.

Strategic exposure to the defensive macro factor detracted from results due to the decreased likelihood of imminent rate cuts. Stronger-than-expected growth combined with mixed inflation data dampened expectations of imminent policy easing while raising the prospect that longer-term rates would remain elevated. Government bonds broadly sold off as a result of these developments.  Exposure to defensive factor premia contributed to performance as factors performed in line with their base indexes.

Strategic exposure to the real return macro factor contributed to results for the quarter. Energy exposure was the largest contributor due to gains in refined products, including gasoline, gasoil and heating oil. Precious metals also provided gains with gold outperforming silver. Gold recorded multiple all-time highs during March on the tail of dovish comments from Federal Reserve (Fed) Chairman Jay Powell. A March rally fell slightly short of allowing industrial metals to break even for the quarter. The sub-complex continues to see copper and aluminum trade in a choppy, range-bound pattern, with February experiencing another trip toward the low end of each respective range. Agriculture was set back by a large decline in February despite gains in January and March. A global oversupply of grains, including corn, wheat and soybeans, continues to hold back the sub-complex.

Tactical positioning added an additional boost with gains from overweights within equities and timely positioning within commodities outweighing minor losses within bonds.

## Positioning and outlook

As we move into the second quarter, all eyes are on central banks as monetary policy continues to have an outsized impact on markets. Developed economies are proving to be more resilient than expected while disinflationary progress continues, albeit imperfectly. The Swiss National Bank is the first developed market central bank to cut rates, and investors are eager to see whether they’re the anomaly or the trendsetter and the implications on markets this year.

The strategy begins the second quarter with a slightly decreased tactical overweight in equities. In fixed income, our underweights to bonds strengthened with the exception of Japanese government bonds. In commodities, the strategy remains underweight, with only the energy sub-complex maintaining an aggregate overweight position.

The Custom Invesco Balanced Risk Allocation Style Index, created by Invesco, and is composed of the following indexes: MSCI World Index (60%) and Bloomberg U.S. Aggregate Index (40%). An investment cannot be made directly in an index.

Source: Invesco, S&P Dow Jones, Bloomberg L.P.
Invesco Advisers, Inc.

## Schedule of investment performance as of December 31, 2023

Composite inception since 9/30/2008

| | Gross rate of return (%) | Net rate of return (%) | Benchmark return (%) | Composite 3-Yr Ann St Dev (%) | Benchmark 3-Yr Ann St Dev (%) | Number of Portfolios | Composite Assets (USD Millions) | Percentage of Firm Assets (%) | Total Firm Assets (USD Billions) | Composite Dispersion (%) |
|---|---|---|---|---|---|---|---|---|---|---|
| 2023 | 7.33 | 6.85 | 5.15 | 10.41 | 0.67 | 2 | 2,285.41 | 0.25 | 900.15 | N/A |
| 2022 | -13.40 | -13.79 | 1.51 | 11.95 | 0.36 | 2 | 2,366.63 | 0.27 | 865.06 | N/A |
| 2021 | 11.15 | 10.65 | 0.04 | 8.86 | 0.33 | 2 | 2,711.57 | 0.28 | 975.05 | N/A |
| 2020 | 11.15 | 10.65 | 0.67 | 9.30 | 0.28 | 2 | 3,824.56 | 0.44 | 875.96 | N/A |
| 2019 | 16.15 | 15.63 | 2.30 | 5.70 | 0.20 | 2 | 4,470.07 | 0.54 | 825.87 | N/A |
| 2018 | -5.53 | -5.95 | 1.89 | 5.50 | 0.20 | 2 | 4,452.73 | 0.77 | 578.95 | N/A |
| 2017 | 11.01 | 10.51 | 0.87 | 5.53 | 0.12 | 2 | 5,185.04 | 0.79 | 660.32 | N/A |
| 2016 | 12.65 | 12.14 | 0.35 | 5.92 | 0.06 | 2 | 4,375.48 | 0.73 | 599.00 | N/A |
| 2015 | -3.19 | -3.62 | 0.07 | 6.32 | 0.03 | 2 | 3,577.10 | 0.62 | 575.06 | N/A |
| 2014 | 6.70 | 6.22 | 0.05 | 6.26 | 0.02 | 2 | 3,404.87 | 0.58 | 584.91 | N/A |

**Annualized compound rates of return ending December 31, 2023**

| | | | |
|---|---|---|---|
| 1 Year | 7.33 | 6.85 | 5.15 |
| 3 Year | 1.09 | 0.64 | 2.21 |
| 5 Year | 5.93 | 5.46 | 1.92 |
| 10 Year | 4.99 | 4.52 | 1.28 |
| Since Inception | 7.10 | 6.62 | 0.90 |

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The objective of the Balanced-Risk Allocation investment strategy is to outperform the index, Bloomberg U.S. Treasury 3-month Bellwether, by 6% over a rolling three to five year investment horizon. The strategy will strive to achieve this objective with a proprietary risk parity strategy that targets 8% portfolio risk and seeks to minimize the risk of large draw downs with a risk-balanced investment process. Portfolio risk is defined as the annualized standard deviation of the strategy's returns. The strategy is intended to target equity-like returns with bond-like risk.

The composite is benchmarked to the Bloomberg U.S. Treasury 3-month Bellwether index. During April 2009, the decision was made to retroactively change the Composite's benchmark from the Citigroup Treasury Bill-3 Month index to the Bloomberg U.S. Treasury 3-month Bellwether index. The benchmark was changed due to data availability. The benchmark is used for comparative purposes only. Investments made by the Firm for the portfolios it manages according to respective strategies may differ significantly in terms of security holdings, industry weightings, and asset allocation from those of the benchmark. Accordingly, investment results and volatility will differ from those of the benchmark.

As of May 31, 2010, the Composite minimum has been changed to $25 million. Prior to this date there was no Composite minimum.

The Balanced-Risk Allocation strategy invests primarily in, equity futures and options along with bond and commodity futures in different regions around the globe targeting equity-like returns with bond-like risk. The composite's notional value will generally not exceed 2 times capital.

Gross-of-fee performance results are presented before management and custodial fees but after all trading commissions and withholding taxes on dividends, interest and capital gains, when applicable. Net-of-fee performance results are calculated by subtracting the highest tier of our published fee schedule for the product from the monthly returns. The management fee schedule is as follows: 45 basis points on the first $100 million, 35 basis points thereafter.

Composite dispersion is measured by the standard deviation across asset-weighted portfolio gross-of-fee returns represented within the composite for the full year. It is considered not meaningful for composites with fewer than three portfolios during the entire year. The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36 months. The standard deviation is not presented when there is less than 36 months.

Valuations and portfolio total returns are computed and stated in U.S. Dollars. The Firm consistently values all portfolios each day on a trade date basis. Portfolio level returns are calculated as time-weighted total returns on daily basis. Accrual accounting is used for all interest and dividend income. Past performance is not an indication of future results.

The composite creation date is September 2008.

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

**Important information**

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