



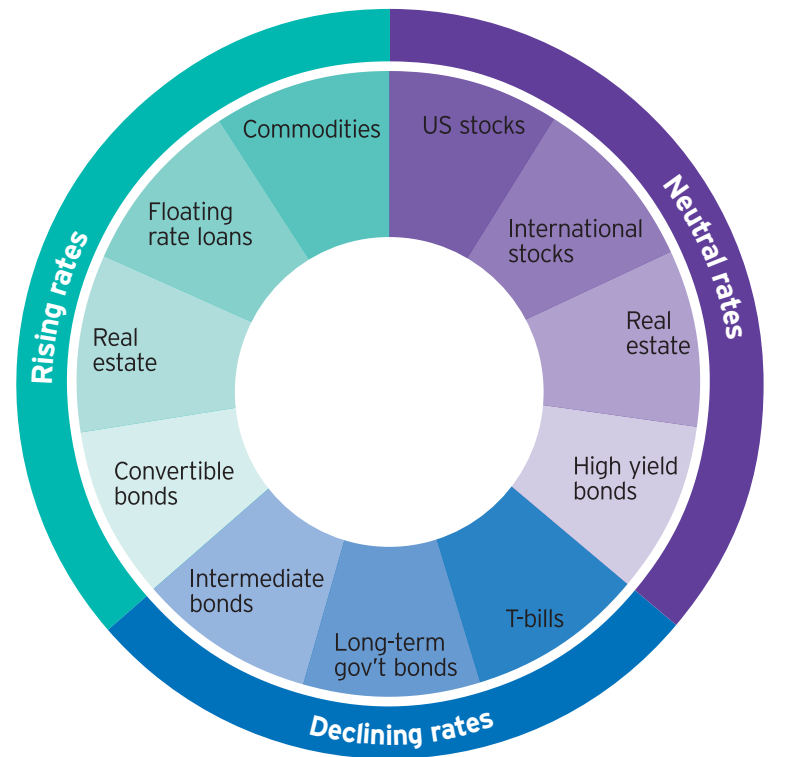
# Investing across market cycles

Diversification of assets

While no fund can guarantee positive performance, broad portfolio diversification helps provide exposure to areas of the market that may perform well in any given period. It also attempts to limit exposure to any one area of the market that may be underperforming.

True diversification means investing in a mix of assets that perform differently in various economic environments. The following tables both demonstrate why this is an important component of risk management. During periods of rising interest rates, if stocks fall worldwide, for example, other assets such as commodities may help buffer your portfolio until stocks recover.

**Investing in three types of interest rate environments<sup>1</sup>**  
Potential investment strategies



**Asset class returns during periods of rising interest rates<sup>2</sup>**

Rising rate Period 1 Jan. 1999- Dec. 2000	Rising rate Period 2 June 2003- June 2004	Rising rate Period 3 June 2005- June 2006	Rising rate Period 4 Jan. 2009- June 2009
Commodities 28.04	Real estate 29.06	Real estate 25.83	Floating rate 32.18
Convertible 15.97	Commodities 20.61	Commodities 18.40	Convertible 18.01
Real estate 12.50	US stocks 18.90	Convertible 11.93	Commodities 4.62
Intermediate bonds 5.22	Convertible 14.91	US stocks 8.08	US stocks 3.16
US stocks 4.89	Floating rate 7.63	Floating rate 6.24	Inflation 2.60
Floating rate index was not inception <sup>3</sup>	Inflation 3.11	Inflation 4.03	Intermediate bonds 1.90
Inflation 3.04	Intermediate bonds 0.11	Intermediate bonds -0.24	Real estate -12.75

Highest return (%) ↑  
↓ Lowest return (%)

1 There can be no guarantee an investment will be successful in any particular economic environment. Investments in the strategies listed are subject to certain risks. Investors should consider their own situation and risk tolerance before investing. Factor investing is an investment strategy in which securities are chosen based on certain characteristics and attributes that may explain differences in returns.  
2 **Commodities** by the Bloomberg Commodity Index; **convertibles** by the Lipper Convertible Securities Fund Index; **floating rate** by the S&P LSTA Leveraged Loan Index; **inflation** by the Consumer Price Index (CPI); **intermediate bonds** by the Bloomberg Barclays US Aggregate Bond Index; **real estate** by the Wilshire Real Estate Securities Index; and **stocks** are represented by the S&P 500 Index. The asset classes shown may have experienced intervals of underperformance during time periods referenced. Performance during all periods is cumulative and reflects reinvestment of dividends. Rising rates are defined as any period where interest rates, as represented by the 10-year Treasury rate, increased at least 1%.  
3 Inception of the Floating Rate Index was 2001. From 1999-2000 the floating rate asset class was the only asset class that provided meaningful returns above inflation.

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The **Bloomberg Barclays U.S. Aggregate Bond Index** is an unmanaged index considered representative of the U.S. investment-grade, fixed-rate bond market. The **Bloomberg Commodity Index** is composed of futures contracts and reflects the returns on a fully collateralized investment in the Bloomberg Commodity Index (BCOM). This combines the returns of the BCOM with the returns on cash collateral invested in 13 week (3 Month) U.S. Treasury Bills. The **Lipper Convertible Securities Fund Index** is an unmanaged index considered representative of convertible securities funds tracked by Lipper. The **MSCI EAFE® Index** is an unmanaged index considered representative of stocks of Europe, Australasia and the Far East. The **Russell 1000® Growth Index** is an unmanaged index considered representative of large-cap growth stocks. The **Russell 1000® Value Index** is an unmanaged index considered representative of large-cap value stocks. The **Russell Midcap® Index** is an unmanaged index considered representative of mid-cap stocks. The **Russell 2000® Index** is an unmanaged index considered representative of small-cap stocks. The **S&P LSTA Leveraged Loan Index** is a market valued-weighted index designed to measure the performance of the US leveraged loan market based on market weightings, spread and interest payments. The **U.S. Consumer Price Index** Urban Consumer NSA Index represents a measure of change in consumer prices as determined by the US Bureau of Labor Statistics. **U.S. T-Bill 3 Month Index** is tracked by Lipper to provide performance for the three-month US Treasury bill. The **Wilshire Real Estate Securities Index** is designed to measure the real estate market without the limitations of appraisal-based indexes and instead use focused, publicly traded real estate, equity securities. The Russell 1000 Growth Index, Russell 1000 Value Index, Russell Midcap Index and Russell 2000 Index are trademarks/service marks of the Frank Russell Co. Russell® is a trademark of the Frank Russell Co.

Diversification does not guarantee a profit or eliminate the risk of loss.

### Historical calendar year asset class returns (%)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Best performers (%)	Large Cap Growth 33.16	Comm. 31.84	Real Estate 10.45	Comm. 25.91	Small Caps 47.25	Real Estate 34.83	Comm. 21.36	Real Estate 35.68	Comm. 16.23	Fixed Income 5.24	Mid Caps 40.48	Real Estate 29.12	Real Estate 8.56	Real Estate 17.55	Small Caps 38.82	Real Estate 31.53	Large Cap Growth 5.67	Small Caps 21.31	Large Cap Growth 30.21	Cash 1.93
	Int'l 26.96	Real Estate 30.71	Fixed Income 8.44	Fixed Income 10.25	Mid Caps 40.06	Int'l 20.25	Real Estate 13.82	Int'l 26.34	Large Cap Growth 11.81	Cash 1.37	Large Cap Growth 37.21	Small Caps 26.85	Fixed Income 7.84	Large Cap Value 17.51	Mid Caps 34.76	Large Cap Value 13.45	Real Estate 4.81	Large Cap Value 17.34	Int'l 25.03	Fixed Income 0.01
	Comm. 24.34	Fixed Income 11.63	Cash 3.43	Real Estate 2.66	Int'l 38.59	Mid Caps 20.22	Int'l 13.53	Large Cap Value 22.25	Int'l 11.17	Dvrsfd. Portfolio -30.17	Int'l 31.78	Mid Caps 25.48	Large Cap Growth 2.64	Int'l 17.32	Large Cap Growth 33.48	Mid Caps 13.22	Fixed Income 0.55	Mid Caps 13.80	Mid Caps 18.52	Large Cap Growth -1.51
	Small Caps 21.26	Mid Caps 8.25	Small Caps 2.49	Cash 1.60	Real Estate 37.08	Small Caps 18.33	Mid Caps 12.65	Small Caps 18.37	Fixed Income 6.97	Small Caps -33.79	Real Estate 29.20	Comm. 16.83	Large Cap Value 0.39	Mid Caps 17.28	Large Cap Value 32.53	Large Cap Growth 13.05	Cash 0.05	Comm. 11.77	Small Caps 14.65	Real Estate -4.80
	Mid Caps 18.23	Dvrsfd. Portfolio 7.69	Large Cap Value -5.59	Dvrsfd. Portfolio -5.36	Large Cap Value 30.03	Large Cap Value 16.49	Dvrsfd. Portfolio 9.59	Mid Caps 15.26	Dvrsfd. Portfolio 6.13	Comm. -35.65	Small Caps 27.17	Large Cap Growth 16.71	Cash 0.05	Small Caps 16.35	Int'l 22.78	Fixed Income 5.97	Int'l -0.81	Dvrsfd. Portfolio 9.28	Large Cap Value 13.66	Dvrsfd. Portfolio -6.62
	Dvrsfd. Portfolio 16.34	Large Cap Value 7.01	Mid Caps -5.62	Large Cap Value -15.52	Large Cap Growth 29.75	Dvrsfd. Portfolio 15.13	Large Cap Value 7.05	Dvrsfd. Portfolio 13.37	Mid Caps 5.60	Large Cap Value -36.85	Dvrsfd. Portfolio 22.65	Large Cap Value 15.51	Dvrsfd. Portfolio 0.02	Large Cap Growth 15.26	Dvrsfd. Portfolio 18.01	Small Caps 4.89	Mid Caps -2.44	Real Estate 7.62	Dvrsfd. Portfolio 13.44	Large Cap Value -8.27
	Large Cap Value 7.35	Cash 5.79	Dvrsfd. Portfolio -6.30	Int'l -15.94	Dvrsfd. Portfolio 27.63	Comm. 9.15	Large Cap Growth 5.26	Large Cap Growth 9.07	Cash 4.38	Large Cap Growth -38.44	Large Cap Value 19.69	Dvrsfd. Portfolio 15.11	Mid Caps -1.55	Dvrsfd. Portfolio 11.98	Real Estate 2.15	Dvrsfd. Portfolio 4.52	Large Cap Value -3.83	Large Cap Growth 7.08	Real Estate 4.84	Mid Caps -9.06
	Cash 4.63	Small Caps -3.02	Comm. -19.51	Mid Caps -16.18	Comm. 23.93	Large Cap Growth 6.30	Small Caps 4.55	Cash 4.71	Large Cap Value -0.17	Real Estate -39.83	Comm. 18.91	Int'l 7.75	Small Caps -4.18	Fixed Income 4.21	Cash 0.06	Cash 0.03	Dvrsfd. Portfolio -3.92	Fixed Income 2.65	Fixed Income 3.54	Small Caps -11.01
	Fixed Income -0.82	Int'l -14.17	Large Cap Growth -20.42	Small Caps -20.48	Fixed Income 4.10	Fixed Income 4.34	Cash 3.13	Fixed Income 4.33	Small Caps -1.57	Mid Caps -41.46	Fixed Income 5.93	Fixed Income 6.54	Int'l -12.14	Cash 0.09	Fixed Income -2.02	Int'l -4.90	Small Caps -4.41	Int'l 1.00	Comm. 1.70	Comm. -11.25
Worst performers (%)	Real Estate -3.17	Large Cap Growth -22.42	Int'l -21.44	Large Cap Growth -27.88	Cash 1.01	Cash 1.37	Fixed Income 2.43	Comm. 2.07	Real Estate -17.66	Int'l -43.38	Cash 0.15	Cash 0.14	Comm. -13.32	Comm. -1.06	Comm. -9.52	Comm. -17.01	Comm. -24.66	Cash 0.31	Cash 0.92	Int'l -13.79

- Real Estate – Wilshire Real Estate Securities Index
- Large-Cap Value – Russell 1000® Value Index
- Diversified Portfolio – Hypothetical Equally Weighted Portfolio
- Mid Caps – Russell Midcap® Index
- International – MSCI EAFE Index
- Large-Cap Growth – Russell 1000® Growth Index
- Fixed Income – Bloomberg Barclays U.S. Aggregate Bond Index
- Small Caps – Russell 2000® Index
- Commodities (Comm.) – Bloomberg Commodity Index
- Cash – US 3 Month Treasury Bill Index

The table above is for informational purposes only and not representative of any Invesco product. The Diversified Portfolio is hypothetical and represents an equal weighting of each the asset classes referenced. Index and hypothetical portfolio returns reflect reinvestment of dividends and do not include sales charges, fees or expenses which would have reduced performance. Investments cannot be made directly into an index. Past performance is not a guarantee of future results.

**Small Cap Risk:** Investing in smaller companies involves risks not associated with investing in more established companies, such as business risk, stock price fluctuations and illiquidity. **Commodities Risk:** Commodities may subject an investor to greater volatility than traditional securities such as stocks and bonds and can fluctuate significantly based on weather, political, tax, and other regulatory and market developments. **Real Estate Risk:** Investments focused in a particular industry, such as real estate, are subject to greater risk, and are more greatly impacted by market volatility, than more diversified investments. **Growth Risk:** Growth stocks tend to be more sensitive to changes in their earnings and can be more volatile. **Value Risk:** Value stocks tend to be inexpensive relative to their earnings or assets compared to other types of stocks and may never realize their full value. **Foreign Risk:** The risks of investing in securities of foreign issuers can include fluctuations in foreign currencies, political and economic instability, and foreign taxation issues. **Fixed Income Risk:** Fixed-income investments are subject to credit risk of the issuer and the effects of changing interest rates. Interest rate risk refers to the risk that bond prices generally fall as interest rates rise and vice versa. An issuer may be unable to meet interest and/or principal payments, thereby causing its instruments to decrease in value and lowering the issuer's credit rating.

This does not constitute a recommendation of any investment strategy or product for a particular investor. Investors should consult a financial professional before making any investment decisions.

All information sourced to FactSet Research Systems Inc.; Bloomberg LP and Invesco unless otherwise noted.