

Invesco Strategic ETF Portfolios

Q4 2024

Key takeaways

- 1** Despite volatility, most domestic equity indices produced positive results for the fourth quarter on the back of presidential election results and a congressional shake-up.
- 2** All eleven of the Invesco Strategic ETF Portfolios produced a negative return, and all of the portfolios underperformed their custom benchmarks for the quarter on a net of fees basis.
- 3** Alternatives were a positive contributor to holistic portfolio performance, driven in part by managed futures strategies, whereas fixed income lagged, hindered by weaker performance in emerging markets bonds.

What this model does

The Invesco Strategic ETF Portfolios utilize strategic long-term asset class allocations to produce diversified, low-cost portfolios that aim to outperform the benchmark throughout a full market cycle. With multiple risk levels in the suite, there are a range of potential solutions to suit an investor's risk profile and return objective.

Market Overview

The stock market ended 2024 on a high note, with various broad indices hitting record highs during the quarter, driven by robust economic growth, expanding earnings, and the Federal Reserve's interest rate cuts. November's US election and congressional outcome provided an additional boost to stocks; however, momentum slowed in December when the Fed tempered expectations for further rate cuts. Bonds faced challenges for the quarter, with yields rising steadily in October and again post-election. Real estate sentiment took a hit given the impact of rising interest rates on the sector. Commodities experienced mixed outcomes, with oil prices declining due to reduced global demand, while gold prices fell.

U.S. Equity

U.S. equities continued their upward trajectory in the fourth quarter, capping off a strong year for the market. The presidential election results and the resulting political shift, which saw the Republican party gain control of Congress, provided support to equities. The consumer discretionary, communication services, and financial sectors had a robust quarter, whereas both materials and healthcare were the largest detractors. Growth stocks outperformed value stocks, while dividend stocks fell despite a strong overall year. Persistent inflation concerns led to a hawkish announcement from the Federal Reserve which triggered a December market sell-off.

International Equity

International equities had a turbulent fourth quarter, with Eurozone markets declining amid recession fears and political instability. Emerging market indices fell in US dollar terms and marginally underperformed developed markets, driven by concerns over proposed tariffs, particularly affecting China. Brazilian equities were the weakest among emerging markets, while South Korean equities experienced losses due to political turmoil. In contrast, Singaporean and Taiwanese markets ended the quarter positively, buoyed by investor enthusiasm around artificial intelligence implementation. The Bank of Japan maintained a cautious stance, opting not to raise interest rates at its December policy meeting amidst ongoing global uncertainties.

Fixed Income

Bond markets endured significant volatility in the final quarter of 2024, influenced by central bank action and stickier than expected inflation readings. U.S. treasury yields rose due to concerns over potentially inflationary fiscal policies following Donald Trump's election. The Federal Reserve implemented its third consecutive rate cut in December, but signaled fewer cuts ahead due to persistent inflation worries. High yield bonds outperformed investment grade assets as spreads tightened further, while longer-term assets struggled, driven by yield volatility. The European Central Bank reduced rates for the quarter and emerging market local currency bond returns were dented due to a rising dollar.

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. An investment cannot be made directly in an index.



Portfolio performance for the quarter

- Using the Invesco Strategic ETF 60/40 Portfolio as a proxy for performance across the suite, the portfolio returned -1.03% (-1.78% net-of-fees) for the quarter while its custom benchmark (consisting of the 48% MSCI ACWI All Cap Index-NR (USD)/30% Bloomberg US Aggregate Bond Index-TR/12% Russell 3000 Index-GR (USD)/4% Bloomberg US Corporate High Yield Index-TR/4% Bloomberg Short Treasury Index-TR (USD)/2% J.P. Morgan EMBI Global Diversified Index-TR (USD)) returned -1.17%.
- From a macro asset class perspective, performance for the quarter was driven by mixed returns amongst major asset classes, with alternatives providing the most robust performance, while fixed income weighed on portfolio performance.
- Within equities, the best performing fund was the Invesco S&P 500 Top 50 ETF. Conversely, the Vanguard FTSE Developed Markets ETF was the worst performing fund.
- Within fixed income, exposure to the Invesco Senior Loan ETF provided the largest returns. Conversely, the Invesco Emerging Markets Sovereign Debt ETF was the biggest laggard.
- Within the alternative asset portion of our portfolio, the WisdomTree Managed Futures Strategy Fund posted a positive return for the quarter.

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Holdings and characteristics

Portfolio holdings (%)

| Underlying fund | Ticker | 0/100 | 10/90 | 20/80 | 30/70 | 40/60 | 50/50 | 60/40 | 70/30 | 80/20 | 90/10 | 100/0 |
|---|--------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| US Equity | | 0.0 | 8.5 | 15.2 | 21.8 | 28.6 | 35.3 | 42.2 | 49.4 | 55.5 | 62.0 | 67.9 |
| Invesco Nasdaq 100 ETF | QQQM | 0.0 | 0.0 | 2.6 | 4.3 | 5.9 | 6.7 | 8.5 | 9.6 | 11.6 | 12.9 | 14.2 |
| Invesco Russell 1000 Dynamic Multifactor ETF | OMFL | 0.0 | 3.9 | 4.5 | 6.4 | 8.4 | 10.6 | 12.5 | 14.9 | 16.3 | 18.3 | 20.0 |
| Invesco S&P 500 Top 50 ETF | XLG | 0.0 | 2.6 | 3.1 | 4.3 | 5.6 | 7.1 | 8.3 | 10.0 | 10.9 | 12.3 | 13.4 |
| iShares Core S&P Mid-Cap ETF | IJH | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2.0 | 2.1 | 2.6 | 2.6 | 2.7 | 3.0 |
| JPMorgan Market Expansion Enhanced Equity ETF | JMEE | 0.0 | 2.0 | 2.1 | 2.3 | 2.6 | 1.9 | 2.0 | 2.6 | 2.6 | 2.8 | 3.1 |
| SPDR Portfolio S&P 500 Value ETF | SPYV | 0.0 | 0.0 | 2.9 | 4.5 | 6.1 | 7.0 | 8.8 | 9.7 | 11.5 | 13.0 | 14.2 |
| International Equity | | 0.0 | 4.0 | 6.9 | 9.9 | 12.9 | 15.7 | 18.9 | 21.6 | 24.4 | 27.9 | 30.2 |
| Invesco International Developed Dynamic Multifactor ETF | IMFL | 0.0 | 2.0 | 2.8 | 4.0 | 4.2 | 5.2 | 6.2 | 7.3 | 8.4 | 10.3 | 11.1 |
| Vanguard FTSE All-World ex-US Small-Cap ETF | VSS | 0.0 | 0.0 | 0.0 | 0.0 | 1.9 | 2.1 | 2.6 | 2.8 | 3.2 | 3.8 | 4.1 |
| Vanguard FTSE Developed Markets ETF | VEA | 0.0 | 0.0 | 2.1 | 3.4 | 3.9 | 4.8 | 5.9 | 6.5 | 7.0 | 7.3 | 8.0 |
| Vanguard FTSE Emerging Markets ETF | VWO | 0.0 | 2.0 | 2.0 | 2.5 | 2.9 | 3.6 | 4.2 | 5.0 | 5.8 | 6.5 | 7.0 |
| Fixed Income | | 98.0 | 81.8 | 71.8 | 61.8 | 51.7 | 42.3 | 31.9 | 22.3 | 18.0 | 8.1 | 0.0 |
| Invesco Emerging Markets Sovereign Debt ETF | PCY | 2.5 | 2.3 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Invesco Equal Weight 0-30 Year Treasury ETF | GOVI | 16.1 | 14.5 | 12.5 | 11.0 | 9.5 | 9.4 | 9.0 | 5.1 | 4.7 | 2.6 | 0.0 |
| Invesco Senior Loan ETF | BKLN | 5.8 | 5.0 | 4.2 | 3.6 | 3.0 | 2.6 | 2.0 | 2.3 | 2.0 | 0.0 | 0.0 |
| Invesco Total Return Bond ETF | GTO | 30.0 | 24.1 | 21.0 | 17.0 | 12.9 | 8.8 | 4.6 | 6.6 | 4.2 | 3.5 | 0.0 |
| Invesco Variable Rate Investment Grade ETF | VRIG | 11.0 | 9.2 | 8.1 | 7.0 | 5.9 | 5.8 | 5.5 | 0.0 | 0.0 | 0.0 | 0.0 |
| iShares Core U.S. Aggregate Bond ETF | AGG | 17.8 | 14.0 | 13.2 | 11.4 | 10.1 | 6.5 | 3.2 | 3.3 | 2.9 | 0.0 | 0.0 |
| iShares Fallen Angels USD Bd ETF | FALN | 4.0 | 3.4 | 2.9 | 2.9 | 2.6 | 2.5 | 2.0 | 2.1 | 2.0 | 2.0 | 0.0 |
| Janus Henderson AAA CLO ETF | JAAA | 10.8 | 9.3 | 7.9 | 6.9 | 5.7 | 4.7 | 3.6 | 2.9 | 2.2 | 0.0 | 0.0 |
| Alternative | | 0.0 | 3.7 | 4.2 | 4.5 | 4.6 | 4.7 | 4.8 | 4.8 | 0.0 | 0.0 | 0.0 |
| WisdomTree Managed Futures Strategy Fund | WTMF | 0.0 | 3.7 | 4.2 | 4.5 | 4.6 | 4.7 | 4.8 | 4.8 | 0.0 | 0.0 | 0.0 |
| Cash | | 2.1 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Total | | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Portfolio characteristics

| | 0/100 | 10/90 | 20/80 | 30/70 | 40/60 | 50/50 | 60/40 | 70/30 | 80/20 | 90/10 | 100/0 |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| % ETFs | 98 | 98 | 98 | 98 | 98 | 98 | 98 | 98 | 98 | 98 | 98 |
| Weighted average expenses (%) | 0.25 | 0.26 | 0.25 | 0.24 | 0.23 | 0.23 | 0.22 | 0.21 | 0.18 | 0.18 | 0.17 |
| Total number of holdings (excluding cash) | 8 | 14 | 17 | 17 | 18 | 19 | 19 | 17 | 16 | 13 | 10 |

Source: Invesco, as of December 31, 2024. Holdings are subject to change and are not buy/sell recommendations. Totals may not equal 100% due to rounding. The model portfolio expense ratio is a weighted average net expense ratio of the underlying holdings. The expenses do not include transaction costs, as regular brokerage commissions apply. The table above reflects all recommended securities in the strategy and their allocation as of the date of this document. Where cash is shown, it is for the model level. It does not include possible amounts held within each underlying fund.

Composite performance

Standardized performance (%) as of December 31, 2024

| Period | | 0/100 | 10/90 | 20/80 | 30/70 | 40/60 | 50/50 | 60/40 | 70/30 | 80/20 | 90/10 | 100/0 |
|----------------------------------|----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 3-month | "Pure" Gross Return* | -2.07 | -1.70 | -1.59 | -1.46 | -1.31 | -1.18 | -1.03 | -0.82 | -0.90 | -0.81 | -0.60 |
| | Net Return | -2.81 | -2.44 | -2.33 | -2.20 | -2.05 | -1.93 | -1.78 | -1.57 | -1.64 | -1.56 | -1.35 |
| | Benchmark Return | -2.27 | -2.08 | -1.89 | -1.71 | -1.52 | -1.34 | -1.17 | -0.99 | -0.81 | -0.64 | -0.47 |
| 1-year | "Pure" Gross Return* | 2.95 | 4.56 | 5.49 | 6.40 | 7.18 | 8.51 | 9.51 | 10.63 | 11.42 | 12.44 | 13.51 |
| | Net Return | -0.09 | 1.48 | 2.39 | 3.26 | 4.03 | 5.32 | 6.29 | 7.38 | 8.15 | 9.15 | 10.18 |
| | Benchmark Return | 2.08 | 3.63 | 5.20 | 6.78 | 8.37 | 9.96 | 11.57 | 13.19 | 14.82 | 16.46 | 18.10 |
| 3-year | "Pure" Gross Return* | -0.23 | 0.48 | 0.63 | 0.91 | 1.11 | 1.62 | 2.07 | 2.61 | 3.09 | 3.80 | 4.33 |
| | Net Return | -3.18 | -2.50 | -2.34 | -2.08 | -1.88 | -1.38 | -0.95 | -0.42 | 0.05 | 0.73 | 1.25 |
| | Benchmark Return | -2.14 | -1.30 | -0.47 | 0.34 | 1.14 | 1.93 | 2.70 | 3.45 | 4.19 | 4.91 | 5.62 |
| 5-year | "Pure" Gross Return* | 0.88 | 2.12 | 2.94 | 3.76 | 4.47 | 5.40 | 6.20 | 6.99 | 7.75 | 8.69 | 9.32 |
| | Net Return | -2.10 | -0.90 | -0.10 | 0.70 | 1.38 | 2.30 | 3.07 | 3.84 | 4.58 | 5.49 | 6.10 |
| | Benchmark Return | -0.16 | 0.97 | 2.08 | 3.18 | 4.25 | 5.30 | 6.33 | 7.33 | 8.30 | 9.25 | 10.18 |
| Since inception (9/27/17) | "Pure" Gross Return* | 1.67 | 2.73 | 3.55 | 4.29 | 4.93 | 5.73 | 6.40 | 7.10 | 7.80 | 8.54 | 9.13 |
| | Net Return | -1.33 | -0.30 | 0.50 | 1.22 | 1.83 | 2.61 | 3.26 | 3.94 | 4.63 | 5.35 | 5.92 |
| | Benchmark Return | 1.10 | 2.06 | 3.00 | 3.92 | 4.82 | 5.71 | 6.57 | 7.41 | 8.23 | 9.02 | 9.79 |

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. Returns for greater than one year are annualized.

"Pure" gross of fees returns reflect the deduction of trading costs but do not reflect any other expenses, outside of the operational expenses, and are supplemental to net returns. See note 4 on the following page.

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3. Composite information for Invesco Strategic ETF Portfolio Wrap Composites is representative of Invesco Strategic ETF 0/100 Portfolio Wrap Composite, Invesco Strategic ETF 10/90 Portfolio Wrap Composite, Invesco Strategic ETF 20/80 Portfolio Wrap Composite, Invesco Strategic ETF 30/70 Portfolio Wrap Composite, Invesco Strategic ETF 40/60 Portfolio Wrap Composite, Invesco Strategic ETF 50/50 Portfolio Wrap Composite, Invesco Strategic ETF 60/40 Portfolio Wrap Composite, Invesco Strategic ETF 70/30 Portfolio, Invesco Strategic ETF 80/20 Portfolio Wrap Composite, Invesco Strategic ETF 90/10 Portfolio Wrap Composite, and Invesco Strategic ETF 100/0 Portfolio Wrap Composite. The Invesco Strategic ETF Portfolio Wrap Composites include all discretionary accounts styled after the corresponding Invesco Strategic ETF Model Portfolio. The portfolios seek to achieve higher risk-adjusted returns within predefined levels of risk, over a full market cycle, by accessing strategic asset class allocations through cost-effective exchanged-traded funds for each portfolio. The portfolios offer broad diversification across asset and sub-asset classes, and investment factors. They are also designed to deliver increased investment flexibility and customization to achieve specific investor outcomes. For periods beginning June 1, 2024, the composite is composed of 100% non-fee paying discretionary wrap accounts. Prior to June 1, 2024, the composite was composed of 100% non-fee paying discretionary institutional accounts. The historical performance results are for the eleven allocations in the Invesco Strategic ETF Portfolio Institutional Composites. The composites are managed in comparison to, not duplication of, the representative benchmarks. The composites were created in October 2017.
4. "Pure" gross of fees returns reflect the deduction of trading costs but do not reflect any other expenses, outside of the operational expenses, and are supplemental to net returns. Performance results are presented both net and gross of total wrap fees. For periods beginning March 1, 2024, the net returns reflect the deduction of the maximum total wrap fee, which is currently 3.00% per annum or 0.250% monthly, from the "pure" gross return. For periods from March 1, 2021 through February 29, 2024, the net returns reflect the deduction of the maximum total wrap fee of 1.50% per annum or 0.125% monthly, from the "pure" gross return. Prior to March 1, 2021, the net returns reflect the deduction of the maximum total wrap fee of 2.00% per annum or 0.1667% monthly, from the "pure" gross return. Effective March 1, 2024, the model fee has been retroactively changed for all periods since inception to 3.00%. A model fee is the highest wrap fee a client could pay (3.00% annually as charged by the program sponsor). 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. All returns are expressed in U.S. dollars and are gross of nonreclaimable withholding tax, if applicable.
5. The Invesco Multi-Asset Custom Indexes are comprised of an allocation of MSCI All Country World Index (ACWI) Net Return and Bloomberg U.S. Aggregate Total Return Index Unhedged, in percentages consistent with the equity and fixed income allocation of each representative portfolio and is rebalanced daily. The MSCI ACWI captures large and mid-cap securities exhibiting overall growth style characteristics across Developed Markets countries and Emerging Markets countries. The Bloomberg U.S. Aggregate Index covers U.S. investment-grade fixed-rate bonds with component for government and corporate securities, mortgage-pass throughs, and asset-backed securities. The benchmarks are used for comparative purposes only and generally reflect the risk or investment style of the products. For comparison purposes the indexes are fully invested, which includes the reinvestment of income. The returns for the indexes do not include any transaction costs, management fees or other costs.
6. In September 2023 the composite changed names from the Invesco Pinnacle Series: Smart Beta SMA Wrap Composites to the Invesco Strategic ETF Portfolio Wrap Composite.
7. 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.
8. To receive a composite report that adheres to the GIPS standards, and/or to receive a complete list and description of the firm's composites, please write to Invesco Advisers, Inc., PMAR – NA Performance, pmarperformancenaretail@invesco.com, 11 Greenway Plaza, Suite 1000, Houston, Texas 77046.
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Source: Invesco, Bloomberg L.P. and FactSet as of December 31, 2024.

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