Invesco Pinnacle Series: MF Plus Portfolios

Q1 2023

Key takeaways

1. **The first quarter of 2023 showed financial markets shake off turmoil in the banking industry and bounce back from a dismal 2022, with stocks and bonds both moving higher**

2. **All Pinnacle MF Plus portfolios produced positive returns for the period, but underperformed the benchmark**

3. **While style selection detracted from performance for the quarter, asset allocation choices and manager selection contributed positively to overall returns**

What this model does

Seeks to maintain target risk levels while seeking to achieve higher risk-adjusted returns via broad diversification across investment styles and asset classes, including alternatives.

Market environment

- Markets managed to shake off the collective pessimism dominating sentiment at the turn of the year, delivering a positive first quarter across most asset classes and geographies. Particularly impressive was the market's ability to move past what, at one stage, looked a little like a financial meltdown. The swift collapse of Silicon Valley Bank followed by the shotgun wedding of UBS and Credit Suisse drew immediate parallels with the onset of the Great Financial Crisis, leaving many investors to fear the worst. Thankfully, the panic was short-lived, likely curtailed by US central bank policy designed to ease banking liquidity as well as reassuring comments from the UK and European central banks.

US equity

- US equity markets delivered gains in the first quarter despite significant volatility. A January rally gave way to a February selloff as higher than expected inflation, a tight labor market and solid economic growth indicated that Federal Reserve (Fed) policy would remain hawkish for the foreseeable future, increasing the risk of a deeper recession. The largest shock came in March, with the failure of Silicon Valley Bank and Signature Bank, which prompted steep losses in the banking sector. Despite the turmoil, equities were surprisingly resilient, with the S&P 500 Index returning 7.50% for the quarter. Within the index, growth-oriented sectors such as technology and communication services led, while financials and energy lagged.

International equity

- Global equities posted gains in the first quarter on improved economic prospects and positive market sentiment as markets anticipated that the end of monetary policy tightening would happen soon. Eurozone stocks posted strong gains for the period as did UK equities. Though they lagged international developed equities, emerging market equities also delivered gains for the quarter. China outperformed the index, as its economy has rebounded since reopening after ending its zero-COVID policy last year.

Fixed income

- Fixed income had a strong quarter, as yields generally declined while still remaining elevated. The 2-year US Treasury yield rose to a high of 5.05% in early March before falling back to just above 4% by quarter-end. Ten-year government bonds experienced a significant drop in their yields during the quarter as well. The Fed continued its campaign to fight inflation during the quarter but raised rates by just 0.25% in February and March, a slower pace than in 2022.

Portfolio performance for the quarter

- Using Pinnacle MF Plus 60/40 model as a proxy for performance across the suite, the portfolio produced a return of 4.83% on a gross-of-fees basis (4.44% net-of-fees) over the quarter and underperformed its custom benchmark (consisting of 60% MSCI ACWI Index/40% Bloomberg US Aggregate Index[1]) which returned 5.62%.
- From an asset class standpoint, equity, fixed income and alternatives exposures produced positive absolute returns, with equities providing the largest absolute contribution to return overall. However, on a relative basis, fixed income and equities both underperformed the benchmark.
- Within equities, the top contributor to performance for the period was Invesco Global Fund (OGLYX) followed by Invesco Capital Appreciation Fund (OTCYX)
- Our manager selection within international markets (Invesco Developing Markets Fund, ticker ODVYX, and Invesco Global Fund, OGLYX) contributed positively to total return
- Within fixed income, investment grade US bonds were top contributors while international bonds lagged all other fixed income sub-asset classes
- The top contributor to performance for the period was Invesco Global Fund (OGLYX) followed by Invesco Capital Appreciation Fund (OTCYX)
- The largest relative detractors from performance were Invesco Macro Allocation Strategy Fund (GMSHX) followed by Invesco Diversified Dividend Fund (LCEYX)

Holdings and characteristics

Portfolio holdings (%)

Underlying fund	Ticker	20	40	60	80	Equity
US Equity		**15.2**	**33.1**	**50.8**	**66.7**	**78.3**
Invesco Capital Appreciation Fund Class Y	OTCYX	3.4	7.0	10.4	16.9	22.3
Invesco Discovery Mid Cap Growth Fund Y	OEGYX	1.3	2.8	4.7	7.3	8.4
Invesco Diversified Dividend Fund Class Y	LCEYX	4.8	10.6	16.3	19.4	22.2
Invesco Global Fund Class Y	OGLYX	4.2	9.1	13.9	15.1	15.0
Invesco Main Street Small Cap Fund Class Y	OSCYX	1.5	3.5	5.5	8.0	10.4
International equity		**2.0**	**4.2**	**6.4**	**10.5**	**13.8**
Invesco Developing Markets Fund Class Y	ODVYX	1.0	2.9	3.4	4.6	5.6
Invesco International Equity Fund Class Y	QIVYX	1.0	1.3	2.0	3.7	5.2
Invesco International Small-Mid Company Fund Class Y	OSMYX	0.0	0.0	1.0	2.2	3.1
Fixed income		**74.9**	**54.8**	**34.8**	**15.0**	**0.0**
Invesco Core Plus Bond Fund Class Y	CPBYX	26.0	23.4	17.4	9.0	0.0
Invesco Corporate Bond Fund Class Y	ACCHX	24.0	14.1	8.0	3.0	0.0
Invesco Floating Rate ESG Fund Class Y	AFRYX	5.8	2.5	1.5	0.0	0.0
Invesco Income Fund Class Y	AGVYX	14.2	11.3	6.0	2.0	0.0
Invesco International Bond Fund Class Y	OIBYX	5.0	3.5	2.0	1.0	0.0
Alternatives		**6.0**	**6.0**	**6.0**	**6.0**	**6.0**
Invesco Global Real Estate Income Fund Class Y	ASRYX	2.0	2.0	2.0	2.0	2.0
Invesco Macro Allocation Strategy Fund Class Y	GMSHX	4.0	4.0	4.0	4.0	4.0
Cash		**1.9**	**1.9**	**1.9**	**1.9**	**1.9**
Total		**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Portfolio characteristics

	20	40	60	80	Equity
% Mutual funds	98.09	98.09	98.06	98.11	98.05
Weighted average expenses (%)	0.63	0.66	0.69	0.73	0.77
Total number of holdings (excluding cash)	14	14	15	14	10

Source: Invesco, as of March 31, 2023. Holdings are subject to change and are not buy/sell recommendations. Totals may not equal 100% due to rounding. Where Cash is shown, it is for the model level. It does not include possible amounts held within each underlying fund. 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.

1 See page 3 for index definitions

Model performance

Standardized performance (%) as of March 31, 2023

Period		20	40	60	80	Equity
3-month	"Pure" Gross Return*	3.01	3.95	4.83	5.82	6.48
	Net Return	2.63	3.57	4.44	5.43	6.09
	Benchmark Return	3.86	4.75	5.62	6.47	7.31
1-year	"Pure" Gross Return*	-6.08	-6.53	-6.98	-7.79	-8.16
	Net Return	-7.48	-7.93	-8.38	-9.18	-9.54
	Benchmark Return	-5.08	-5.50	-6.03	-6.68	-7.44
3-year	"Pure" Gross Return*	3.90	6.39	8.56	10.72	12.26
	Net Return	2.36	4.82	6.96	9.09	10.60
	Benchmark Return	0.74	4.38	8.04	11.70	15.36
Since inception (10/1/18)	"Pure" Gross Return*	1.58	2.74	3.61	3.98	4.25
	Net Return	0.07	1.21	2.07	2.43	2.70
	Benchmark Return	1.98	3.33	4.55	5.65	6.60

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.

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3. Composite information for Invesco Pinnacle Series: MF Plus SMA Wrap Composites is representative of Invesco Pinnacle Series: MF Plus 20 SMA Wrap Composite, Invesco Pinnacle Series: MF Plus 40 SMA Wrap Composite, Invesco Pinnacle Series: MF Plus 60 SMA Wrap Composite, Invesco Pinnacle Series: MF Plus 80 SMA Wrap Composite and Invesco Pinnacle Series: MF Plus Equity SMA Wrap Composite. Invesco Pinnacle Series: MF Plus SMA Wrap Composites include all discretionary accounts styled after the corresponding Invesco Pinnacle Series: MF Plus Model Portfolio. Each target risk model portfolio attempts to provide long-term outperformance over its benchmark through a combination of top-down allocation decisions and effective selection of underlying funds. For all periods, the composites were composed of 100% non-fee paying discretionary institutional accounts. The historical performance results are those of the five predefined levels of risk in the Invesco Pinnacle Series: MF Plus SMA Institutional Composites noted above. The composites are managed in comparison to, not duplication of, the repetitive benchmarks. The composites were created in October 2018.
4. "Pure" gross of fees returns reflect the deduction of trading costs but do not reflect any other expenses and are supplemental to net returns. Net returns reflect the deduction of the maximum total wrap fee, which is currently 1.50% per annum or 0.125% monthly, from the "pure" gross return. A model fee is the highest wrap fee a client could pay (1.50% 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: 1.50% 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 MF Plus Custom Indexes are comprised of a combination of the MSCI ACWI NR and Bloomberg U.S. Aggregate Total Return (TR) Index Unhedged, in percentages consistent with the equity, fixed income and alternative allocation of each representative portfolio and is rebalanced daily. The Bloomberg Global Aggregate Index (Unhedged USD) was being used prior to September 28, 2020. This change was made to switch the fixed income component of the custom benchmark to Bloomberg U.S. Aggregate Index (from Bloomberg Global Aggregate Index) due to the portfolios becoming more US-centric. 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 Bloomberg Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers. The benchmarks are used for comparative purposes only and generally reflects 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. 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.
7. Prior to Sept. 1, 2019, performance represents results achieved by the respective investment team while it was part of Oppenheimer Funds, Inc.
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., Managed Investments Services Department, 11 Greenway Plaza, Suite 1000, Houston, Texas 77046.

Source: Invesco, as of March 31, 2023.

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