

# Invesco Investment Grade Corporate Bond SMA First quarter

Fact Sheet: Separately Managed Accounts  
Mar. 31, 2023



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## Portfolio management team

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### 23-member team

Average of 16 years

Experience spread throughout global financial centers

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The main objective of the strategy is to provide current income with potential capital appreciation for total return, while seeking to outperform the Bloomberg U.S. Credit Index over a complete market cycle.

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## Current portfolio positioning

Similar to recent history, markets have experienced notable volatility to start 2023. The beginning of the quarter saw a robust labor market and continued deceleration in the consumer price index (CPI) as February's 6% year-over-year increase in the CPI was the lowest annualized gain since September 2021. However, the defining moment of the period saw markets rattled by bank failures from two US regional banks (Silicon Valley Bank and Signature Bank) and a major European bank (Credit Suisse). Bank regulators and government bodies were quick to fully guarantee deposits at the two failed US banks and find Credit Suisse a merger partner in UBS, which helped curb the crisis. Unlike 2008, this does not appear to be a systemic credit issue in the banking sector.

Even with these struggles from financial names, the Federal Reserve (Fed) hiked rates by 50 basis points over the quarter but removed the "ongoing increases" language in the March meeting. This may indicate that the Fed sees the end of the tightening cycle and is moving toward a more data-dependent approach to policy. Chair Powell and Federal Open Market Committee members have conveyed they still believe the economy is on solid footing and do not expect rate cuts in 2023, but markets have seen a strong rally in Treasuries and a significant increase in the probability of easing policy by year-end.

The US investment grade corporate sector outperformed duration-matched Treasuries, generating 0.20% of excess return for the quarter and 3.50% on a total return basis. Two out of three primary corporate fixed income sectors posted negative excess returns for the quarter: financials -0.39% and utilities -0.08%, while industrials were up 0.58%. Corporate bonds with 1- to 3-year maturities underperformed while securities with longer-dated maturities generated positive excess returns.

All primary fixed income sectors and corporate subsectors posted positive returns on a total return basis. Excess returns across credit ratings were all slightly positive, with AAA at 0.56% versus AA at 0.22%, A at 0.09% and BBB at 0.29%. The US high yield corporate bond market, as measured by the Bloomberg US Corporate High Yield Index, posted a total return of 3.57% for the quarter.

The Invesco Investment Grade Corporate Bond SMA underperformed its benchmark for the quarter, despite having positive total returns overall. The avoidance of taxable municipal and emerging market securities in conjunction with the security selection in the consumer noncyclical subsector boosted relative performance. While returns from an underweight duration and yield curve position contributed positively on a total return basis, excess returns were a drag on portfolio performance. In addition, security selection within the overall US investment grade corporate sector, specifically within financial institutions, detracted from relative performance for the period.

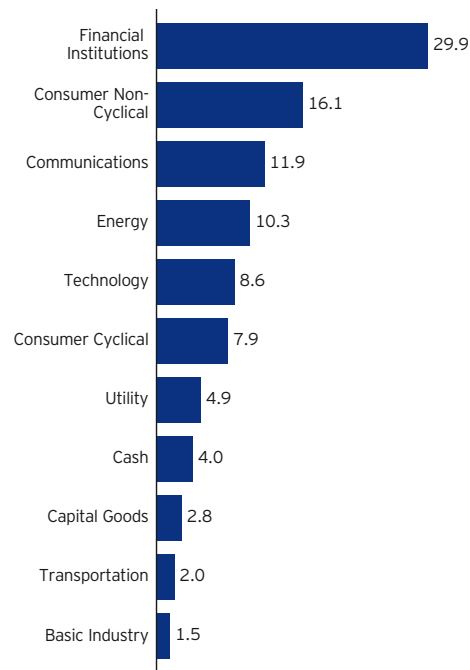
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### Sector weightings (%)

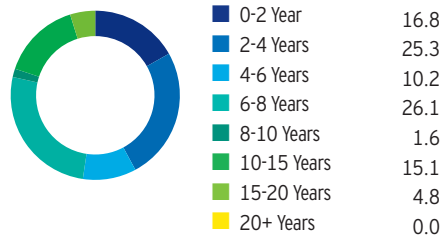


### Portfolio characteristics

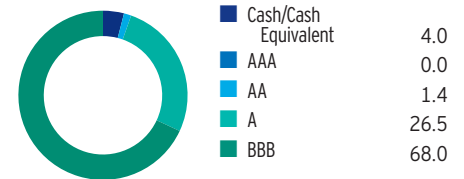
Portfolio characteristics	Portfolio
Number of Holdings	78
Yield-to-Worst (YTW)	5.27
Weighted Average Maturity (Years)	12.30
Modified Duration (Years)	6.41
Effective Duration (Years)	6.37

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

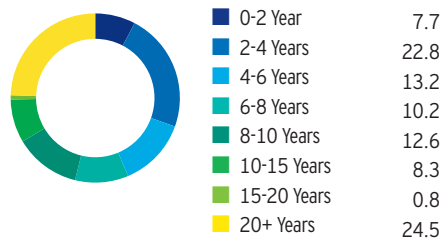
### Effective duration (%)



### Credit quality (%)



### Maturity (%)



Figures may not add up to 100% due to rounding. Cash and equivalents is deemed to have a 0% Maturity and Duration.

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All data as of Mar. 31, 2023

Source: Invesco ■ Ratings source: Standard & Poor's, Moody's or Fitch, as applicable. A credit rating is an assessment provided by a nationally recognized statistical rating organization (NRSRO) of the creditworthiness of an issuer with respect to debt obligations, including specific securities, money market instruments or other debts. Ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest); ratings are subject to change without notice. NR indicates the debtor was not rated, and should not be interpreted as indicating low quality. For more information on rating methodologies, please visit the following NRSRO website: [www.standardandpoors.com](http://www.standardandpoors.com) and select 'Understanding Ratings' under Rating Resources on the homepage; [www.moody.com](http://www.moody.com) and select 'Ratings Methodologies' under Research and Ratings on the homepage; [www.fitchratings.com](http://www.fitchratings.com) and select 'Ratings Definitions' on the homepage. ■ Weighted average maturity is a measure, as estimated by the portfolio managers, of the length of time the average security in a bond will mature or be redeemed by the issuer. It takes into account mortgage payments, puts, adjustable coupons and potential call dates. ■ Modified duration is a duration calculated which incorporates the expected duration-shortening effect of an issuer's embedded call provision. ■ Option adjusted duration is a measure, as estimated by the portfolio managers, of a bond portfolio's price sensitivity to changes in interest rates. It takes into account mortgage prepayments, puts, adjustable coupons and potential call dates.

**Sample portfolio**

<b>Top 10 holdings</b>			
<b>Security</b>	<b>Coupon</b>	<b>Maturity</b>	<b>Weight</b>
1. Broadcom Corp.	3.875	1/15/2027	2.01
2. Willian Cos Inc/The	5.650	3/15/2033	1.71
3. General Mills Inc.	4.950	3/29/2033	1.67
4. Centene Corp.	2.500	3/1/2031	1.67
5. Zoetis Inc.	4.500	11/13/2025	1.67
6. Lowes Inc.	5.150	7/1/2033	1.66
7. General Motors Financial Co. Inc.	5.250	3/1/2026	1.65
8. Home Depot Inc/The.	3.900	12/6/2028	1.64
9. Trane Technologies Luxembourg Finance SA	3.550	11/1/2024	1.63
10. Anheuser-Busch Inbev Finance Inc.	4.900	2/1/2046	1.62

<b>Other sample holdings</b>			
Abbvie Inc.	4.450	5/14/2046	
Ally Financial Inc.	5.125	9/30/2024	
Altria Group Inc.	5.800	2/14/2039	
Amazon.com Inc.	2.500	6/3/2050	
American Express Inc.	4.420	8/3/2033	
Amgen Inc.	2.300	2/25/2031	
Amgen Inc.	5.250	3/2/2033	
Apple Inc.	2.650	2/8/2051	
AT&T Inc.	2.250	2/1/2032	
AT&T Inc.	4.750	5/15/2046	
Bank Of America Corp.	3.846	3/8/2037	
Bank Of America Corp.	3.593	7/21/2028	
Bank Of America Corp.	2.299	7/21/2032	
Bank of New York Mellon Corp.	4.625	12/31/2079	
BAT Capital Corp.	2.726	3/25/2031	
Berkshire Hathaway Energy Co.	4.500	2/1/2045	
Boeing Co/The	2.196	2/4/2026	
BP Capital Markets America Inc.	2.939	6/4/2051	
Canadian Pacific Railway Co.	2.450	12/2/2031	
Capital One Financial Corp.	3.800	1/31/2028	
Charles Schwab Corp.	5.375	12/31/2099	
Charter Communications Operating LLC	4.908	7/23/2025	
Cigna Corp.	4.900	12/15/2048	
Citigroup Inc.	4.450	9/29/2027	
Citigroup Inc.	4.650	7/30/2045	
Comcast Corp.	4.400	8/15/2035	
Comcast Corp.	3.950	10/15/2025	
Commonwealth Edison Co.	4.350	11/15/2045	

<b>Other sample holdings (continued)</b>		
CVS Health Corp.	2.125	9/15/2031
Dollar General Corp.	3.500	4/3/2030
Duke Energy Corp.	5.000	8/15/2052
Enbridge Inc.	3.700	7/15/2027
Energy Transfer Operating LP	4.200	4/15/2027
Enterprise Products Operating LLC	3.700	2/15/2026
EOG Resources Inc.	3.150	4/1/2025
Equinix Inc.	3.200	11/18/2029
Fifth Third Bancorp	4.337	4/25/2033
Glaxosmithkline Capital Inc.	3.875	5/15/2028
Goldman Sachs Group Inc/The	3.750	5/22/2025
Goldman Sachs Group Inc/The	2.383	7/21/2032
HCA Inc.	5.250	4/15/2025
Healthpeak Properties Inc.	3.500	7/15/2029
Intercontinental Exchange Inc.	4.950	6/15/2052
JPMorgan Chase & Co.	7.394	12/31/2079
JPMorgan Chase & Co.	3.540	5/1/2028
Kraft Heinz Foods Co.	4.625	1/30/2029
McDonalds Corp.	4.600	9/9/2032
Meta Platforms Inc.	3.850	8/15/2032
Micron Technology Inc.	4.185	2/15/2027
Morgan Stanley	3.950	4/23/2027
Morgan Stanley	2.484	9/16/2036
Oracle Corp.	6.900	11/9/2052
Oracle Corp.	2.950	5/15/2025
Paypal Holdings Inc.	2.650	10/1/2026
Physicians Realty LP	4.300	3/15/2027
Pioneer Natural Resources Co.	1.900	8/15/2030
Salesforce.com Inc.	2.900	7/15/2051
Sherwin-Williams Co.	4.500	6/1/2047
T-Mobile USA Inc.	2.550	2/15/2031
United Airlines Holdings Inc.	5.875	10/15/2027
Unitedhealth Group Inc.	3.750	7/15/2025
Unitedhealth Group Inc.	4.750	5/15/2052
Verizon Communications Inc.	2.625	8/15/2026
Verizon Communications Inc.	2.875	11/20/2050
Virginia Electric and Power Co.	4.625	5/15/2052
Walt Disney Co.	3.350	3/24/2025
Wells Fargo & Co.	3.900	12/31/2099

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. To obtain a list of all recommendations made by Invesco Managed Accounts, LLC. in this investment style during the last year, please contact Invesco Managed Accounts, LLC. at 866 769 2773.

**Quarterly returns**

<b>Period</b>	<b>Bloomberg Barclays U.S. Credit Index Total Return (%)</b>		
	<b>"Pure" gross return* (%)</b>	<b>Net return (%)</b>	<b>Total Return (%)</b>
1Q23	3.19	2.81	3.45

**Annualized compound returns**
**as of Mar. 31, 2023**

<b>Period</b>	<b>Bloomberg Barclays U.S. Credit Index Total Return (%)</b>		
	<b>"Pure" gross return* (%)</b>	<b>Net return (%)</b>	<b>Total Return (%)</b>
1 Year	-3.76	-5.20	-5.31
3 Year	0.54	-0.96	-0.70
5 Year	2.27	0.78	1.54
Since Inception (1/1/16)	2.74	1.03	2.37

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.

**Invesco Investment Grade Corporate Bond SMA Wrap composite as of Dec. 31, 2022**

Year	"Pure" gross return* (%)	Net return (%)	Benchmark 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	-12.87	-14.18	-15.26	0.00	8.76	8.93	12	6	865	100
2021	-0.80	-2.28	-1.08	N/A	6.98	6.58	<5	0.27	975	100
2020	9.51	8.02	9.35	N/A	6.86	6.41	<5	0.27	876	100
2019	14.80	13.11	13.80	N/A	3.72	3.53	<5	0.25	826	100
2018	-2.74	-4.18	-2.11	N/A	3.68	3.57	<5	0.22	579	100
2017	6.09	4.53	6.18	N/A	N/A	N/A	<5	0.22	660	100
2016	5.17	2.07	5.63	N/A	N/A	N/A	<5	0.21	599	100

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

Period	"Pure" gross return* (%)	Net return (%)	Benchmark Return (%)
1 Year	-12.87	-14.18	-15.26
3 Year	-1.81	-3.24	-2.86
5 Year	1.11	-0.37	0.42
Since Inception (12/31/15)	2.38	0.67	1.96

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.

- For purposes of compliance with Global Investment Performance Standards (GIPS®), "Invesco Worldwide" refers collectively to all direct or indirect subsidiaries of Invesco Ltd. that provide discretionary investment advice with the exception of the following entities: Invesco Investment Management Ltd., Invesco Investment Advisers LLC, Invesco Asset Management Australia (Holdings) Ltd., Invesco Global Real Estate Asia Pacific, Inc., IRE (Cayman) Ltd., Invesco Senior Secured Management, Inc., Invesco Private Capital, Inc., and Invesco Capital Management LLC. Invesco Great Wall Fund Management Company Limited is compliant with GIPS but is not part of Invesco Worldwide. Invesco Canada Ltd. was added to the firm effective December 31, 2021.
- 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 2021. The verification reports are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.
- A complete list and description of Firm composites, limited distribution pooled funds, broad distribution pooled funds and performance results is available upon request. Additional information regarding policies for calculating and reporting returns is available upon request. All returns are expressed in U.S. dollars and are gross of nonreclaimable withholding tax, if applicable.
- The Invesco Investment Grade Corporate Bond SMA Composite (formerly named Invesco Investment Grade Credit SMA Wrap Composite) includes all discretionary accounts styled after the Invesco Investment Grade Credit SMA Model Portfolio, which seeks to provide current income with potential capital appreciation for total return by investing primarily in corporate debt securities. For all periods, the composite was composed of 100% non-fee paying discretionary wrap accounts. The composite is managed in comparison to, not duplication of, the benchmark. The composite was created in January 2016.
- "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. For periods beginning January 1, 2017, the net returns reflect the deduction of the maximum total wrap fee, which is currently 1.50% per annum. On a monthly basis approximately 0.125% (based on the geometric calculation) is reduced 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). Prior to January 1, 2017, the net returns reflect the deduction of the maximum total wrap fee of 3.00% per annum or 0.25% monthly, from the "pure" gross return. 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.
- The Bloomberg U.S. Credit Index Total Return (TR) is an unmanaged index considered representative of publicly issued, SEC-registered U.S. corporate and specified foreign debentures and secured notes. The benchmark is used for comparative purposes only and generally reflects the risk or investment style of the product. For comparison purposes the index is fully invested, which includes the reinvestment of income. The returns for the index do not include any transaction costs, management fees or other costs.
- The dispersion of annual returns is measured by the equal-weighted standard deviation of account 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 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.
- Effective June 30, 2021, the composite name changed from the Invesco Investment Grade Credit SMA Wrap Composite to the Invesco Investment Grade Corporate Bond SMA Composite.

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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All data as of Mar. 31, 2023

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