

# Invesco Moderate Growth Strategic Balanced SMA

## Third quarter

Fact Sheet: Separately Managed Accounts  
Sept. 30, 2019



### Portfolio management team

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Supported by the Invesco Investment Solutions Team

### Market overview

The third quarter saw modest stock market performance, following a strong first half for 2019. While global stocks returned a modest gain throughout the period, emerging market stocks posted a loss for the quarter. The global economy continued to show signs of weakness in the third quarter, as the US-China trade war continued to weigh on economic growth. Manufacturing data in particular showed signs of further deterioration. The effects of the ongoing trade war put pressure on the Chinese economy in the third quarter, with industrial production and retail sales both slowing. The United Kingdom and Germany both experienced very weak economic data, and there is a growing likelihood of both countries going into recession. The UK has been hurt by Brexit uncertainty while Germany is being negatively impacted in part by the US-China trade war. Japanese economic growth has also come under pressure from the US-China trade war, causing weakness in manufacturing.

**US Equities:** US economic growth slowed but remained solid in the third quarter, with the S&P 500 returning 1.7% for the third quarter. The US Treasury 2-year/10-year yield curve inverted during the month of August, heightening fears on Wall Street that the US economy is going into a recession. Despite investor concerns, US equities continued to outperform international equities as the US Dollar strengthened. Against this backdrop, US large cap

stocks were the leading performers followed by midcaps while small caps posted a negative return. Within the S&P 500, defensive sectors such as consumer staples, utilities and real estate were leading performers during the quarter while the energy, health care and materials sectors were the worst performers.

**International Equities:** International equities struggled to keep pace with US markets in the third quarter. The MSCI EAFE and MSCI EM benchmarks both lost 2% of returns driven by the strong US Dollar. Within international developed equities, Japan was the top performer, while Hong Kong lost 12% over the quarter as protests continued to shake the city.

**Fixed Income:** Fixed income asset classes posted solid returns in the second quarter. The US 10-year Treasury yield fell from more than 2% to below 1.5% during the course of the quarter on concerns about a global economic slowdown and the impact of the trade wars. The Fed cut rates twice in the third quarter and the ECB and other central banks eased as well, which helped keep rates low and global stocks positive for the period. Sovereign debt performed well, with Italian government bonds posting significant gains for the third quarter on optimism over the formation of a new, more European Union-friendly coalition government. Investors were more risk averse in the third quarter, with US Treasuries outperforming US high yield.

### Portfolio positioning

The Invesco Strategic Balanced SMAs consist of static long-term portfolios that offer access to smart beta<sup>1</sup> strategies diversified across global equity and US fixed income markets, targeting three levels of risk:

1. Smart beta exposure
  - Fundamentally weighted ETFs
  - Low volatility ETFs
2. Diversification across global equity and US fixed income markets
  - US large cap
  - US small cap
  - International developed markets
  - Emerging markets
  - US government treasuries and investment grade bonds
3. Targeted risk
  - Conservative - 40% equity/60% fixed income
  - Moderate - 60% equity/40% fixed income
  - Growth - 80% equity/20% fixed income

<sup>1</sup> Beta is a measure of risk representing how a security is expected to respond to general market movements. Smart Beta represents an alternative and selection index based methodology that seeks to outperform a benchmark or reduce portfolio risk, or both. Smart beta portfolios may underperform cap-weighted benchmarks and increase portfolio risk.

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**Sample portfolio**

Ticker	Security	% of total net assets
IIGD	Invesco Investment Grade Defensive ETF	17.82
ISDX	Invesco RAFI Strategic Developed Ex US ETF	16.39
IUS	Invesco RAFI Strategic US ETF	14.60
BAB	Invesco Taxable Municipal Bond ETF	10.81
IIGV	Invesco Investment Grade Value ETF	9.63
IDLV	Invesco S&P International Developed Low Volatility ETF	9.22
SPLV	Invesco S&P 500 Low Volatility ETF	7.36
IUSS	Invesco RAFI Strategic US Small Co ETF	3.70
ISEM	Invesco RAFI Strategic Emerging Market ETF	3.47
EELV	Invesco S&P Emerging Markets Low Volatility ETF	2.41
XMLV	Invesco S&P MidCap Low Volatility ETF	2.23

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 Advisers, Inc. in this investment style during the last year, please contact Invesco Advisers, Inc. at 800 349 0953.**

**Quarterly returns**

Period	"Pure" gross return* (%)	Net return (%)	Invesco Moderate Growth Balanced Custom Index Return (%)
YTD	12.41	10.75	13.22
3Q19	-0.25	-0.75	0.94
2Q19	4.84	4.32	3.43
1Q19	7.49	6.97	8.44

**Annualized compound returns**

as of Sep. 30, 2019

Period	"Pure" gross return* (%)	Net return (%)	Invesco Moderate Growth Balanced Custom Index Return (%)
1 Year	6.32	4.22	5.11
3 Year	6.40	4.21	7.10
Since Inception (4/1/15)	5.18	2.70	5.44

Returns less than one year are not annualized.

\* "Pure" gross of fees returns reflect the deduction of trading costs but do not reflect any other expenses, and are supplemental to net returns. See note 5 on page 3.

**Invesco Moderate Growth Strategic Balanced SMA Wrap composite**

Year	"Pure" gross return* (%)	Net return (%)	Invesco Moderate Growth Balanced Custom Index 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
2018	-5.02	-6.92	-5.55	N/A	5.74	6.38	<5	0.02	579	0
2017	13.35	11.13	15.42	N/A	N/A	N/A	<5	0.02	660	0
2016	8.05	4.87	6.00	N/A	N/A	N/A	<5	0.02	599	0
2015**	-4.02	-6.17	-2.97	N/A	N/A	N/A	<5	0.01	575	0

**Annualized compound returns as of Dec. 31, 2018**

Period	"Pure" gross return* (%)	Net return (%)	Invesco Moderate Growth Balanced Custom Index Return (%)
1 Year	-5.02	-6.92	-5.55
3 Year	5.17	2.75	4.94
Since Inception (4/1/15)	2.98	0.47	3.10

Returns less than one year are not annualized.

\* "Pure" gross of fees returns reflect the deduction of trading costs but do not reflect any other expenses, and are supplemental to net returns. See note 5.

\*\* Returns are for the period from April 1, 2015 (inception) through December 31, 2015.

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- 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 January 1, 2003 through December 31, 2018. The legacy firms that constitute Invesco Worldwide have been verified since 2001 or earlier. The verification reports are available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.
- A complete list and description of Firm composites 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 Moderate Growth Strategic Balanced SMA Wrap Composite includes all discretionary accounts styled after the Invesco Moderate Growth Strategic Balanced SMA Model Portfolio, which seeks broad diversification across asset classes and investment factors through smart beta exchange-traded funds. It offers strategic, long-term allocations between equity and fixed income that are pre-set and weighted in proportion to the appropriate level of risk. The strategy targets 60% Equity and 40% Fixed Income. For all periods, the composite was composed of 100% non-fee paying discretionary institutional accounts. The historical performance results are those of the Invesco Moderate Growth Strategic Balanced SMA Institutional Composite. The composite is managed in comparison to, not duplication of, the benchmark. The composite was created in April 2015.
- "Pure" gross of fees returns reflect the deduction of trading costs but do not reflect 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 2.00% per annum or 0.1667% monthly, from the "pure" gross return. A model fee is the highest wrap fee a client could pay (2.00% 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: 2.00% on total assets. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size.
- The Invesco Moderate Growth Balanced Custom Index is comprised of 60% of the MSCI All Country World Index (ACWI) Net Return (NR) and 40% of the Bloomberg Barclays US Aggregate Total Return (TR) Index Unhedged and is rebalanced daily. The Bloomberg Barclays 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 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.

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 Sept. 30, 2019

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