

# Invesco Conservative Growth Strategic Balanced SMA Fourth quarter

Fact Sheet: Separately Managed Accounts  
Dec. 31, 2019



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## Portfolio management team

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Senior Portfolio Manager

Industry since 1993

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M.S., University of Houston

M.S., Johns Hopkins University

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### Jacob Borbidge, CFA, CAIA

Portfolio Manager

Industry since 2004

B.S., Lehigh University

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## Supported by the Invesco Investment Solutions

### Team

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## Market overview

Global markets produced positive performance during the final quarter of 2019, primarily driven by the easing of geopolitical risks and positive economic data. In the US, markets benefitted from positive unemployment data and easing trade tensions with China. Domestic markets were also boosted during the quarter when the US Federal Reserve (the Fed) lowered interest rates by 0.25%. International markets also performed well as both developed and emerging markets produced solid gains. Eurozone equities were supported by signs of better economic data from Germany and optimism surrounding the US and China trade deal. Japanese markets also rose on positive trade news as well as a weaker yen against the US dollar. Emerging markets posted a double-digit gain and outperformed their developed market counterparts. The strong performance was generally driven by positive trade news and the rise in crude oil prices.

**US Equities:** US equities produced solid gains during the fourth quarter, capping off one of the strongest years for the S&P 500 Index over the past decade. Markets generally rose during the period on positive economic data, the US Federal Reserve (the Fed) rate cut and an announcement that the US and China agreed upon phase one of a trade deal to be signed

in mid-January 2020. Manufacturing data remained positive during the quarter and unemployment fell to its lowest point since 1969. Against this backdrop, small cap stocks posted the largest gain for US markets- followed by large cap stocks which outperformed midcap stocks. Within the S&P 500, energy was the best performing sector and real estate was the worst.

**International Equities:** Emerging markets posted the strongest gains during the quarter; while international developed markets generally underperformed domestic markets. The MSCI Emerging Market Index outperformed both the S&P 500 Index and the MSCI World Index, primarily driven by the positive news around a US and China trade deal and rising oil prices as OPEC announced further production cuts.

**Fixed Income:** Fixed income asset classes also posted positive returns during the quarter on rising expectations for phase one of a trade deal between the US and China. Riskier fixed income asset classes generally outperformed as investors favored high yield bonds and U.S. corporates over government bonds. Convertible bonds and commodities also benefited from the upward trend in stock markets. Real estate was relative flat for the period.

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## 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 Investent Grade Defensive ETF	26.68
BAB	Invesco Taxable Municipal Bond ETF	16.43
IIGV	Invesco Investent Grade Value ETF	14.65
ISDX	Invesco RAFI Strategic Developed Ex US ETF	10.96
IUS	Invesco RAFI Strategic US ETF	9.82
IDLV	Invesco S&P International Developed Low Volatility ETF	5.96
SPLV	Invesco S&P 500 Low Volatility ETF	4.94
IUSS	Invesco RAFI Strategic US Small Co ETF	2.50
ISEM	Invesco RAFI Strategic Emerging Market ETF	2.43
EELV	Invesco S&P Emerging Markets Low Volatility ETF	1.65
XMLV	Invesco S&P MidCap Low Volatility ETF	1.42

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 Conservative Growth Balanced Custom Index Return (%)
4Q19	2.57	2.06	3.63
3Q19	0.67	0.17	1.40
2Q19	4.21	3.70	3.33
1Q19	6.14	5.62	6.59

**Annualized compound returns**

as of Dec. 31, 2019

Period	"Pure" gross return* (%)	Net return (%)	Invesco Conservative Growth Balanced Custom Index Return (%)
1 Year	14.22	11.98	15.74
3 Year	6.68	4.58	7.47
Since Inception (4/1/15)	4.83	2.38	5.22

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 Conservative Growth Strategic Balanced SMA Wrap composite**

Year	"Pure" gross return* (%)	Net return (%)	Invesco Conservative 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	-3.57	-5.49	-3.66	N/A	4.28	4.45	<5	0.02	579	0
2017	10.24	8.07	11.34	N/A	N/A	N/A	<5	0.02	660	0
2016	6.35	3.22	4.95	N/A	N/A	N/A	<5	0.02	599	0
2015**	-3.11	-5.28	-2.26	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 Conservative Growth Balanced Custom Index Return (%)
1 Year	-3.57	-5.49	-3.66
3 Year	4.17	1.78	4.03
Since Inception (4/1/15)	2.46	-0.04	2.58

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 Conservative Growth Strategic Balanced SMA Wrap Composite includes all discretionary accounts styled after the Invesco Conservative 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 40% Equity and 60% 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 Conservative 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 Conservative Growth Balanced Custom Index is comprised of 40% of the MSCI All Country World Index (ACWI) Net Return (NR) and 60% of the Bloomberg Barclays U.S. Aggregate Total Return (TR) Index Unhedged 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 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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