Investment Philosophy and Process

Invesco Large Cap Core SMA
Separately Managed Accounts

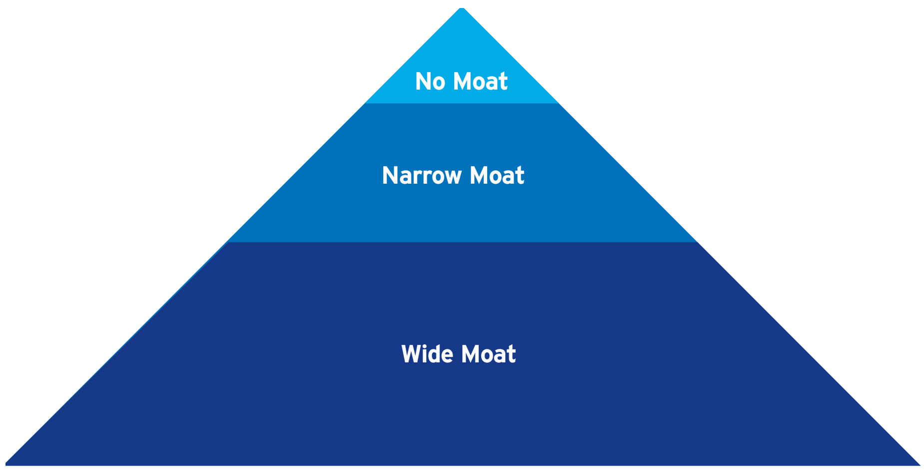
Objective
Seeks capital appreciation

Universe
Focus on larger-cap, US-based companies generally in the Russell 1000 Index

Team
+ Deep and experienced team
+ 10 sector specialists and 4 generalists, certain members alsohave portfolio managementresponsibilities
+ Stability with low turnover overtime

Philosophy

We believe building an "all weather" portfolio provides the greatest opportunity to outperform in most market environments. We also believe companies with sustainable competitive advantages (moats) that are priced at reasonable valuations have the greatest opportunity for long-term value creation.



Process

The team employs a fundamental, bottom-up investment process that includes idea generation, fundamental research, valuation analysis, and portfolio construction.

Investment Process Overview

Step 1: Build "Farm Team" of Investment Candidates
Maintain list of ideas that appear to be mispriced

Step 2: Fundamental Research and Valuation Analysis
Determine strength of business model (moat), upside price potential and downside risk

Step 3: High Conviction Portfolio Management
Typically hold 50-75 positions based on expected return and conviction within a disciplined risk managementframework

At a Glance

Process:

+ Seeks to be an "all weather" portfolio that may outperform the S&P 500® Index in most market environments.
+ Focus on stock selection while minimizing relative sector, factor, and macro exposures versus the S&P 500 Index

Step 1

Build "Farm Team" of Investment Candidates

We Maintain list of ideas that appear mispriced based on fundamentals and valuation. We focus on identifying companies with strong business models that appear to have a fundamental catalyst for future value creation (i.e., pricing power, market share gains, increased volumes, improving profitability). Ideas are primarily sourced by the ongoing research done by the team's sector specialists and supplemented with quantitative tools.

Step 2

Fundamental Research

Our research focuses on determining the strength of the business model and the quality of the management team. The strength of the business model is assessed by analyzing the ecosystem of customers, competitors, suppliers, and industry trends. The team then assigns companies as wide moat (sustainable competitive advantage), narrow moat, or no moat. In addition, the team reviews the company's financial health and flexibility, and management's execution track record.

Once we have fully vetted the company's ecosystem, business model and management team, we project whether the current competitive position will improve, hold, or weaken and what the key drivers of our assumptions include. In doing this, we focus on projected changes to pricing power, volumes, margins, market share and profitability.

Valuation

Upside and downside price targets are established from key investment assumptions and relevant valuation metrics, which vary dependent on industry (typically DCF, P/E, FCF Yield, EV/EBITDA). The fair value of a company is derived from probability-weighted scenarios that includes the upside and downside price targets. We seek both an attractive expected return and a favorable upside to downside ratio.

Step 3

Portfolio Construction

The investment team constructs a well-diversified portfolio from the bottom-up, typically comprised of 50-75 stocks. All portfolio holdings are ranked by their expected return and the team adjusts the ranking based on its level of conviction. The stocks with the highest expected returns and conviction are made the largest positions by active weight. Typically, the average active position size upon initial purchase is 0.5%-1.0% and is limited to 3% active weight at purchase; however, a stock position may appreciate to a maximum size of 5% active weight.

The team fine-tunes position sizes based on changes to expected return and overall portfolio-level considerations including the following:

+ Sector weights typically within +/- 5% of the benchmark (maximum of 10%)
+ Factor exposures typically within +/- 20 bps of the benchmark

At a Glance

Construction and Risk Management:
+ Approximately 50-75 holdings
+ Maximum individual position size 5% active weight vs. S&P 500 Index
+ Sector weights typically within +/- 5% of the S&P 500 Index

Sell Discipline

Holdings may be trimmed or exited due to various fundamental and quantitative factors noted below:

Trim
+ Valuation — stock price nears price target; lower expected return
+ Risk control — position exceeds desired or allowable weighting
+ Style purity — fine tuning to minimize unintended bets

Sell
+ Valuation — stock reaches upside target price
+ Fundamentals — Business outlook deteriorates or competitive advantage (moat) erodes
+ Execution — management team fails to execute effectively or misallocates capital
+ Competition for capital — new investment ideas offer more attractive risk/reward potential

Discounted cash flow (DCF) is a valuation method used to estimate the value of an investment based on its future cash flows.

Price-to-earnings (P/E) is equal to a stock's market capitalization divided by its after-tax earnings over a 12-month period. 12-month forward and trailing P/E are calculated using weighted harmonic averaging, which helps avoid extreme results that may occur due to small relative numbers in the denominator. It doesn't exclude extreme values; instead, it reduces the effect of outliers on the aggregate calculation. Relative P/E is a measure that compares the current P/E ratio to the past P/E ratios.

Free cash flow yield (FCF yield) is a financial solvency ratio that compares the free cash flow per share a company is expected to earn against its market value per share. The ratio is calculated by taking the free cash flow per share divided by the current share price.

The EBITDA/EV multiple is a financial valuation ratio that measures a company's return on investment (ROI). "EBITDA" is an acronym that stands for earnings before interest, taxes, depreciation, and amortization. Enterprise value (EV) is a measure of the economic value of a company. EV is calculated as the market capitalization plus debt, preferred stock, and minority interest, minus cash.

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