



# Invesco Strategic ETF Tax Aware Portfolios

February 7, 2024

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## Investment Strategy

The portfolios are designed using strategic long-term asset class allocations. With multiple risk levels in each suite, there are a range of potential solutions to suit an investor's risk profile and return objective.

- Maintain target risk levels while potentially providing higher risk-adjusted returns versus the benchmark
- Broad diversification across asset classes and investment factors
- Exposure to high credit quality tax-exempt investments



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## Portfolio positioning and commentary

After one of the worst performances on record in 2022, stocks and bonds bounced back in 2023, quieting growing worries about the prospects of popular balanced investment strategies. This backdrop has provided us with a great opportunity to rebalance our Model Portfolios in early 2024. These changes are largely driven by changes to our long-term asset allocation views, as well as a thorough review of the underlying holdings in the portfolios.

**The result of this strategic shift means the following for the Invesco Strategic ETF Tax-Aware Portfolios:**

### US equity

- Within US equities, remove Invesco S&P 500 Low Volatility ETF (ticker: SPLV) and Invesco S&P 500 Quality ETF (ticker: SPHQ) in an effort to consolidate the number of tickers with large cap US equity exposure
- The Invesco S&P 500 Pure Value ETF (ticker: RPV) and Invesco S&P 500 Pure Growth ETF (ticker: RPG) were replaced by SPDR Portfolio S&P 500 Value ETF (ticker: SPYV) and Invesco NASDAQ 100 ETF (ticker: QQQM), to align more cleanly with our value and growth views, in addition to lower expense ratios
- While our longer-term views on US small and mid-cap stocks remain favorable, we shift some weight to large cap US stocks to manage tracking error versus our benchmarks

### International developed and emerging markets equity

- The iShares International Equity Factor ETF (ticker: INTF) and JPMorgan Diversified Return EMkts Eq ETF (ticker: JPEM) were both removed due to lackluster performance and replaced by the lower cost Vanguard FTSE Developed Markets ETF (ticker: VEA) and Vanguard FTSE Emerging Markets ETF (ticker: VWO)
- From a strategic asset allocation standpoint, the Models slightly increased allocation to emerging markets relative international developed, as our long-term risk and return expectations continue to look more favorable for emerging markets

### Fixed income

- The VanEck High Yield Muni ETF (ticker: HYD) was removed and replaced with First Trust Municipal High Income ETF (ticker: FMHI)
- The iShares Short-Term National Muni Bond ETF (ticker: SUB) was removed and replaced with JPMorgan Ultra-Short Municipal Inc ETF (ticker: JMST) given our preference for strong active management in the short duration municipal bond category

## Changes to holdings (%)

Underlying fund	Ticker	0/100	10/90	20/80	30/70	40/60	50/50	60/40	70/30	80/20
<b>US Equity</b>		-	<b>-0.2</b>	-	-	<b>0.2</b>	<b>0.4</b>	<b>0.8</b>	<b>0.6</b>	<b>0.9</b>
Invesco Nasdaq 100 ETF	QQQM	-	-	3.0	2.0	3.4	4.7	5.0	5.8	6.7
Invesco Russell 1000 Dynamic Multifactor ETF	OMFL	-	2.0	5.0	4.5	7.0	7.3	8.7	10.3	11.8
Invesco Russell 2000 Dynamic Multifactor ETF	OMFS	-	-	-	-	-	-	0.1	-	-
Invesco S&P 500 Low Volatility ETF	SPLV	-	-	-	-2.0	-3.5	-2.3	-2.8	-3.5	-4.0
Invesco S&P 500 Pure Growth ETF	RPG	-	-	-2.0	-2.0	-2.3	-3.0	-3.5	-4.3	-4.5
Invesco S&P 500 Pure Value ETF	RPV	-	-	-2.0	-2.0	-2.0	-2.3	-2.8	-3.5	-4.0
Invesco S&P 500 Quality ETF	SPHQ	-	-	-2.0	-2.0	-2.0	-4.3	-5.0	-5.5	-6.5
iShares Core S&P Mid-Cap ETF	IJH	-	-	-	-	-	-	2.0	2.0	2.0
iShares Core S&P Small-Cap ETF	IJR	-	-	-1.3	-	-2.8	-3.5	-4.5	-5.5	-6.3
SPDR Portfolio S&P 500 ETF	SPLG	-	-2.2	-0.8	-0.5	-0.5	-	-0.5	-0.3	-
SPDR Portfolio S&P 500 Value ETF	SPYV	-	-	-	2.0	2.8	3.7	4.0	5.0	5.7
<b>International Equity</b>		-	<b>0.2</b>	-	-	<b>-0.2</b>	<b>-0.4</b>	<b>-0.8</b>	<b>-0.6</b>	<b>-0.9</b>
iShares International Equity Factor ETF	INTF	-	-	-	-	-2.5	-3.8	-4.0	-4.5	-5.3
JPMorgan Diversified Return Emerging Markets Equity ETF	JPEM	-	-	-	-	-2.0	-2.0	-3.0	-3.5	-4.0
Vanguard FTSE Developed Markets ETF	VEA	-	0.2	-	-	2.3	2.4	3.2	3.9	4.4
Vanguard FTSE Emerging Markets ETF	VWO	-	-	-	-	2.0	3.0	3.0	3.5	4.0
<b>Fixed Income</b>		-	-	-	-	-	-	-	-	-
First Trust Municipal High Income ETF	FMHI	14.2	12.3	10.9	9.3	7.8	6.1	4.8	3.0	2.0
Invesco National AMT-Free Municipal Bond ETF	PZA	-	-	-	-	-	-	-	0.7	0.3
Invesco Senior Loan ETF	BKLN	-	-	-	-	-	-	-	-	-
iShares Short-Term National Muni Bond ETF	SUB	-16.1	-14.3	-12.5	-10.7	-8.9	-7.1	-5.6	-3.7	-2.0
JPMorgan Ultra-Short Municipal Income ETF	JMST	8.0	7.5	6.5	5.7	4.8	4.0	3.2	2.0	2.0
VanEck High Yield Muni ETF	HYD	-6.1	-5.5	-4.9	-4.3	-3.7	-3.1	-2.5	-2.0	-2.3
Vanguard Tax-Exempt Bond Index ETF	VTEB	-	-	-	-	-	-	-	-	-
<b>Cash</b>		-	-	-	-	-	-	-	-	-

Source: Invesco as of February 7, 2024. A dash represents no allocation change.

## Portfolio holdings (%)

Underlying fund	Ticker	0/100	10/90	20/80	30/70	40/60	50/50	60/40	70/30	80/20
<b>US Equity</b>		<b>0.0</b>	<b>7.8</b>	<b>15.5</b>	<b>23.5</b>	<b>31.2</b>	<b>38.9</b>	<b>46.8</b>	<b>54.6</b>	<b>62.4</b>
Invesco Nasdaq 100 ETF	QQQM	0.0	0.0	3.0	2.0	3.4	4.7	5.0	5.8	6.7
Invesco Russell 1000 Dynamic Multifactor ETF	OMFL	0.0	2.0	5.0	6.5	9.0	11.0	13.2	15.3	17.5
Invesco Russell 2000 Dynamic Multifactor ETF	OMFS	0.0	0.0	0.0	2.0	2.0	2.0	2.3	2.5	3.0
iShares Core S&P Mid-Cap ETF	IJH	0.0	0.0	0.0	0.0	0.0	0.0	2.0	2.0	2.0
iShares Core S&P Small-Cap ETF	IJR	0.0	2.0	2.0	2.0	2.0	2.0	2.3	2.5	3.0
SPDR Portfolio S&P 500 ETF	SPLG	0.0	3.8	5.5	9.0	12.0	15.5	18.0	21.5	24.5
SPDR Portfolio S&P 500 Value ETF	SPYV	0.0	0.0	0.0	2.0	2.8	3.7	4.0	5.0	5.7
<b>International Equity</b>		<b>0.0</b>	<b>2.2</b>	<b>4.5</b>	<b>6.5</b>	<b>8.8</b>	<b>11.1</b>	<b>13.2</b>	<b>15.4</b>	<b>17.6</b>
Vanguard FTSE Developed Markets ETF	VEA	0.0	2.2	2.5	3.5	4.8	6.1	7.2	8.4	9.6
Vanguard FTSE Emerging Markets ETF	VWO	0.0	0.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0
<b>Fixed Income</b>		<b>98.0</b>	<b>88.0</b>	<b>78.0</b>	<b>68.0</b>	<b>58.0</b>	<b>48.0</b>	<b>38.0</b>	<b>28.0</b>	<b>18.0</b>
First Trust Municipal High Income ETF	FMHI	14.2	12.3	10.9	9.3	7.8	6.1	4.8	3.0	2.0
Invesco National AMT-Free Municipal Bond ETF	PZA	35.0	31.5	28.0	24.5	21.0	17.5	14.0	10.5	7.0
Invesco Senior Loan ETF	BKLN	5.8	5.2	4.6	4.1	3.5	2.9	2.0	2.0	0.0
JPMorgan Ultra-Short Municipal Income ETF	JMST	8.0	7.5	6.5	5.7	4.8	4.0	3.2	2.0	2.0
Vanguard Tax-Exempt Bond Index ETF	VTEB	35.0	31.5	28.0	24.5	21.0	17.5	14.0	10.5	7.0
<b>Cash</b>		<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>
<b>Total</b>		<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Invesco as of February 7, 2024.

Source: Invesco, as of February 7, 2024. This table illustrates the composition of model portfolios 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. Holdings may vary depending on program sponsor restrictions or specific client guidelines. Holdings 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. 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.

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## Glossary

**Active Management** - Active funds are directly managed by a manager, or team of managers, seeking to beat market returns.

**Credit Rating** - Refers to the quality of a company's credit, as determined and assigned by a recognised credit ratings agency.

**Duration** – A bond's price sensitivity to changes in interest rates.

**Factor** - An investment approach in which securities are grouped into categories, and portfolio allocation is based on selection among "factors" rather than among individual securities. These targeted factors, such as low volatility, momentum, or quality give investors a set of tools to tailor exposures.

**Spread** – The difference between the quoted rate of return on different debt instruments which often have varying maturities, credit ratings, and risk.

**Spread Duration** – A bond's price sensitivity to changes in spreads.

**Style** - An investment approach in which securities are grouped into categories, and portfolio allocation is based on selection among "styles" rather than among individual securities.

**Strategic Asset Allocation** – An asset allocation that is constructed on the basis of long-term asset class forecasts with targets to maintain a set combination of asset classes.

**Tactical Asset Allocation** - An asset allocation that is constructed on the basis of shorter-term asset class forecasts seeking to capitalize on changing market prices.

**Tracking Error** – The volatility of portfolio's returns versus benchmark returns. Also known as active risk.

There can be no assurance that any investment process or strategy will achieve its investment objective.

Asset allocation and diversification do not guarantee a profit or eliminate the risk of loss.

All investing involves risk. Some of the risks involved with equities include the possibility that the value of the stocks may fluctuate in response to events specific to the companies or markets, as well as economic, political or social events in the U.S. or abroad. Bonds are subject to interest rate, inflation, and credit risks. Investments in high-yield bonds may be subject to greater market fluctuations and risk of loss of income and principal than securities in higher rated categories. Investments in foreign securities (including ADRs) involve special risks, including foreign currency risk and the possibility of substantial volatility due to adverse political, economic, or other developments. These risks are magnified for investments made in emerging markets. Investments in a certain industry or sector may pose additional risk due to lack of diversification and sector concentration. Investments in real estate securities can be subject to fluctuations in the value of the underlying properties, the effect of economic conditions on real estate values, changes in interest rates, and risk related to renting properties, such as rental defaults. There are special risks associated with an investment in commodities, including market price fluctuations, regulatory changes, interest rate changes, credit risk, economic changes, and the impact of adverse political or financial factors. **ETF Risk Considerations:** ETFs are subject to certain risks that may affect the price, yield, total return and ability to meet its investment objectives, including general market risks; a particular asset class risk; the fact the funds in the ETF are typically passively managed; concentrations in a particular industry or region and; market trading risks (e.g., a lack of market liquidity and trading at prices at or above their NAV). ETF shares may trade at a premium or discount to NAV. ETFs may be subject to management fees, transaction costs or expenses.

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