

# Invesco Strategic ETF Tax-Aware Portfolios

## Q1 2024

### Key takeaways

- 1 **Global equity investors celebrated continued robust economic data, but stickier inflation and a less dovish tone from the Federal Reserve put a dent in fixed income's fourth quarter rally.**
- 2 **All of the Invesco Strategic ETF Tax-Aware produced a positive return over the past year, although all of the portfolios underperformed their custom benchmarks on a net of fees basis.**
- 3 **Equities were a positive contributor to holistic portfolio performance, driven in part by large-cap securities, whereas fixed income lagged, hindered by weak performance in ultra-short duration municipal bonds.**

#### What this model does

The Invesco Strategic ETF Tax-Aware Portfolios utilize strategic long-term asset class allocations to produce diversified, low-cost, and tax-sensitive portfolios that aim to outperform the benchmark throughout a full market cycle. With multiple risk levels in the suite, there are a range of potential solutions to suit an investor's risk profile and return objective.

#### Market environment

Global equity returns were mostly positive for the quarter, driven by sustained prospects of monetary easing, a stronger than expected U.S. economy, and continued excitement regarding artificial intelligence. U.S. markets continued their rally, posting another quarter of double-digit performance despite concentrated sources of return. Emerging market returns were outpaced by developed markets, which were propelled by Japan reaching all-time highs during the quarter. Commodities also performed well, with both oil and gold ending the quarter near recent highs. Fixed income was the relative outlier, as the outlook for rate cuts softened, impairing the asset class performance on a relative basis.

#### US equity

Domestic equities started the quarter on solid footing, with most investment styles posting solid returns for the quarter. Domestic returns were led by large cap equities, with the top five contributors producing nearly half of the total gains in the S&P 500 for the quarter. Growth equities outperformed their value counterparts once again, but the performance dispersion was much less severe than previous quarters. Sector performance was also robust, led by communication services and energy. Real estate was the only sector to produce a negative return, as uneven economic outlooks and further increases in U.S. 10-year yields tempered investor appetite.

#### International equity

International markets displayed resilience during the first quarter, with various global indices reaching new highs. Japan led all developed equity markets, bolstered by unprecedented wage growth and positive corporate earnings revisions. Europe ex-U.K. markets fared well despite underperforming the U.S. and Japan, as improved business activity and cheaper valuations increased the relative attraction of the region. U.K. equities rose, albeit less so than its European counterparts, on the back of a resurgence in the energy sector. Emerging markets continued to struggle relative to developed markets, as profit taking in Brazil led to negative returns and investors remained concerned about Chinese growth prospects.

#### Fixed income

After a roaring fourth quarter for fixed income investments, the first quarter of 2024 was generally disappointing. Wavering sentiment regarding prospective Federal Reserve cuts, driven by stickier than expected inflation, caused the U.S. 10-year yield to oscillate and finish the quarter higher than it started. As yields rose, longer duration bond indices fell, whereas emerging market bond, high yield, and bank loan indices posted positive returns for the quarter. In global markets, the Bank of Japan increased rates into positive territory for the first time in nearly two decades, while the Swiss National Bank became the first major developed central bank to cut rates.

Past performance is not indicative of future results. An investment cannot be directly in an index. See the last page for additional important information.



For more information, please visit [Invesco.com/us](https://www.invesco.com/us)

## Portfolio performance for the year

- Using the Invesco Strategic ETF Tax-Aware 60/40 Portfolio as a proxy for performance across the suite, the portfolio returned 14.12% for the trailing year (10.78% net of fees) and underperformed its custom benchmark (consisting of the 60% MSCI ACWI Index-NR (USD)/40% Bloomberg Municipal Bond Index-TR), which returned 14.87%.
- From a macro asset class standpoint, performance for the year was driven by positive returns in both major asset classes, with equities providing the most robust performance, while fixed income lagged.
- Within equities, the SPDR Portfolio S&P 500 ETF was the best performer. Conversely, the Invesco NASDAQ 100 ETF produced the weakest results within the asset class, due to its limited tenure within the portfolio for the year.
- Within fixed income, exposure to the Invesco Senior Loan ETF provided the largest returns. Conversely, the JPMorgan Ultra-Short Municipal Income ETF was the weakest performer.

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.

## Holdings and characteristics

### Portfolio holdings (%)

Underlying fund	Ticker	20/80	30/70	40/60	50/50	60/40	70/30	80/20
<b>US Equity</b>		<b>16.0</b>	<b>24.7</b>	<b>32.2</b>	<b>40.1</b>	<b>48.1</b>	<b>55.6</b>	<b>63.7</b>
Invesco Nasdaq 100 ETF	QQQM	2.9	2.2	3.1	4.5	4.8	5.5	6.6
Invesco Russell 1000 Dynamic Multifactor ETF	OMFL	5.4	7.0	9.7	11.8	14.0	16.1	18.4
Invesco Russell 2000 Dynamic Multifactor ETF	OMFS	0.0	2.1	2.1	2.1	2.4	2.5	3.0
iShares Core S&P Mid-Cap ETF	IJH	0.0	0.0	0.0	0.0	2.4	2.3	2.2
iShares Core S&P Small-Cap ETF	IJR	2.1	2.0	2.2	2.1	2.3	2.5	3.2
SPDR Portfolio S&P 500 ETF	SPLG	5.6	9.3	12.2	15.8	18.1	21.6	24.5
SPDR Portfolio S&P 500 Value ETF	SPYV	0.0	2.1	2.9	3.8	4.1	5.1	5.8
<b>International Equity</b>		<b>4.6</b>	<b>6.6</b>	<b>9.0</b>	<b>11.2</b>	<b>13.2</b>	<b>15.4</b>	<b>17.4</b>
Vanguard FTSE Developed Markets ETF	VEA	2.5	3.6	4.9	6.2	7.3	8.5	9.6
Vanguard FTSE Emerging Markets ETF	VWO	2.1	3.0	4.1	5.0	5.9	6.9	7.8
<b>Fixed Income</b>		<b>76.7</b>	<b>66.3</b>	<b>56.5</b>	<b>46.3</b>	<b>36.4</b>	<b>26.7</b>	<b>16.7</b>
First Trust Municipal High Income ETF	FMHI	10.8	9.0	7.6	5.9	4.6	2.9	1.8
Invesco National AMT-Free Municipal Bond ETF	PZA	27.5	23.9	20.4	16.9	13.4	10.0	6.6
Invesco Senior Loan ETF	BKLN	4.5	3.9	3.4	2.8	1.9	1.9	0.0
JPMorgan Ultra-Short Municipal Income ETF	JMST	6.4	5.5	4.7	3.9	3.0	1.9	1.8
Vanguard Tax-Exempt Bond Index ETF	VTEB	27.5	24.0	20.4	16.8	13.5	10.0	6.5
<b>Cash</b>		<b>2.5</b>	<b>2.4</b>	<b>2.4</b>	<b>2.4</b>	<b>2.3</b>	<b>2.3</b>	<b>2.3</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>

### Portfolio characteristics

	20/80	30/70	40/60	50/50	60/40	70/30	80/20
% ETFs	97.50	97.60	97.60	97.60	97.70	97.70	97.70
Weighted average expenses (%)	0.23	0.22	0.20	0.19	0.17	0.15	0.13
Total number of holdings (excluding cash)	11	13	13	13	14	14	13

Source: Invesco, as of March 31, 2024. The table above reflects all recommended securities in the strategy and their allocation as of the date of this document. Holdings are subject to change and are not buy/sell recommendations. Totals 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. The model portfolio expense ratio is a weighted average net expense ratio of the underlying holdings.

## Composite performance

### Standardized performance (%) as of March 31, 2024

Period		20/80	30/70	40/60	50/50	60/40	70/30	80/20
3-month	"Pure" Gross Return	1.61	2.31	3.09	3.96	4.90	5.68	6.42
	Net Return	0.86	1.55	2.32	3.19	4.13	4.90	5.64
	Benchmark Return	1.29	2.14	2.99	3.84	4.70	5.57	6.44
1-year	"Pure" Gross Return	7.11	8.56	10.19	12.26	14.12	15.89	17.52
	Net Return	3.96	5.37	6.95	8.97	10.78	12.50	14.09
	Benchmark Return	6.94	8.88	10.85	12.85	14.87	16.92	18.99
3-year	"Pure" Gross Return	1.14	1.72	2.25	3.00	3.62	4.26	4.89
	Net Return	-1.85	-1.29	-0.77	-0.04	0.56	1.19	1.80
	Benchmark Return	1.17	1.95	2.71	3.45	4.18	4.90	5.60
5-year	"Pure" Gross Return	3.53	4.45	5.36	6.40	7.29	8.17	8.94
	Net Return	0.47	1.37	2.26	3.27	4.13	4.99	5.74
	Benchmark Return	3.62	4.61	5.58	6.52	7.45	8.35	9.23
Since Inception (7/30/18)	"Pure" Gross Return	3.65	4.40	5.16	6.02	6.76	7.51	8.16
	Net Return	0.59	1.32	2.06	2.90	3.61	4.34	4.98
	Benchmark Return	3.65	4.45	5.24	6.00	6.74	7.46	8.16

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. Returns for greater than one year are annualized.

"Pure" gross of fees returns reflect the deduction of trading costs but do not reflect any other expenses, outside of the operational expenses, and are supplemental to net returns. See note 4 on the following page.

The Strategic ETF Tax-Aware 0/100 and 10/90 portfolios do not have a GIPS approved track record and have been omitted from our annual commentary.

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3. Composite information for Invesco Strategic ETF Tax Aware Portfolio Wrap Composites is representative of Invesco Strategic ETF Tax Aware 20/80 Portfolio Wrap Composite, Invesco Strategic ETF Tax Aware 30/70 Portfolio Wrap Composite, Invesco Strategic ETF Tax Aware 40/60 Portfolio Wrap Composite, Invesco Strategic ETF Tax Aware 50/50 Portfolio Wrap Composite, Invesco Strategic ETF Tax Aware 60/40 Portfolio Wrap Composite, Invesco Strategic ETF Tax Aware 70/30 Portfolio Wrap Composite, and Invesco Strategic ETF Tax Aware 80/20 Portfolio Wrap Composite. The Invesco Strategic ETF Tax Aware Portfolio Wrap Composites include all discretionary accounts styled after the corresponding Invesco Strategic ETF Tax Aware Model Portfolio. The portfolios seek to achieve higher risk-adjusted returns within predefined levels of risk, over a full market cycle, by accessing strategic asset class allocations through cost-effective exchange-traded funds, which targets a percentage of Equity and Fixed Income. The portfolios offer broad diversification across asset and sub-asset classes, and investment factors. They are also designed to deliver increased investment flexibility and customization to achieve specific investor outcomes and provide exposure to tax-exempt income with high credit quality. For all periods, the composites were composed of 100% non-fee paying discretionary institutional accounts. The historical performance results are for the seven allocations in the Invesco Strategic ETF Tax Aware Portfolio Institutional Composites. The composites are managed in comparison to, not duplication of the respective benchmarks. The composites were created in October 2017.
4. "Pure" gross of fees returns reflect the deduction of trading costs but do not reflect any other expenses, outside of the operational expenses, and are supplemental to net returns. Performance results are presented both net and gross of total wrap fees. For periods beginning March 1, 2024, the net returns reflect the deduction of the maximum total wrap fee, which is currently 3.00% per annum or 0.250% monthly, from the "pure" gross return. Prior to March 1, 2024, the net returns reflect the deduction of the maximum total wrap fee of 1.50% per annum or 0.125% monthly, from the "pure" gross return. Effective March 1, 2024, the model fee has been retroactively changed for all periods since inception to 3.00%. A model fee is the highest wrap fee a client could pay (3.00% annually as charged by the program sponsor). 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: 3.00% on total assets. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. All returns are expressed in U.S. dollars and are gross of nonreclaimable withholding tax, if applicable.
5. The Invesco Multi-Asset Tax Aware Custom Indexes are comprised of an allocation of the MSCI All Country World Index (ACWI) Net Return (NR) and Bloomberg Municipal Bond Total Return (TR) Index Unhedged, in percentages consistent with the equity and fixed income allocation of each representative portfolio and are 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 Municipal Bond Index covers the USD-denominated long-term tax-exempt bond market. The benchmarks are used for comparative purposes only and generally reflect the risk or investment style of the products. For comparison purposes the indexes are fully invested, which include the reinvestment of income. The returns for the indexes do not include any transaction costs, management fees or other costs.
6. In September 2023 the composite changed names from the Invesco Pinnacle Series: Total Beta Tax Aware SMA Wrap Composite to the Invesco Strategic ETF Tax Aware Portfolio Wrap Composite.
7. The following are available on request: \* Policies for valuing investments, calculating performance, and preparing GIPS reports; \* List of composite descriptions; \* List of limited distribution pooled fund descriptions; \* List of broad distribution pooled funds.
8. To receive a composite report that adheres to the GIPS standards, and/or to receive a complete list and description of the firm's composites, please write to Invesco Advisers, Inc., SMA Front Office Operations, SMAFOOProdReg@invesco.com, 11 Greenway Plaza, Suite 1000, Houston, Texas 77046.
9. 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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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.

Sources: Invesco, FactSet, and Morningstar as of March 31, 2024.

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