

Invesco Strategic Active Portfolios

Q2 2024

Key takeaways

- 1** Most global equity markets showed resilience in the second quarter, despite higher interest rates and uneven performance in domestic markets characterized by narrow breadth.
- 2** Most of the Invesco Strategic Active Portfolios produced a negative return, and all of the portfolios underperformed their custom benchmarks for the quarter on a net of fees basis.
- 3** Equities were a positive contributor to holistic portfolio performance, driven in part by large high growth securities, whereas alternatives lagged, hindered by weak performance in global real estate.

What this model does

The Invesco Strategic Active Portfolios utilize strategic long-term asset class allocations to produce diversified 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, with pockets of strength in the U.S. and emerging markets. Domestic equity performance was driven by continued excitement regarding artificial intelligence and improving inflation prospects, leading to gains in large-cap technology stocks. Developed market equities lagged emerging markets, despite the U.K. hitting new highs. Emerging market performance was driven by gains in Taiwan and India, with strong returns in China as well. Commodities had mixed results, with oil retreating, while copper and gold prices increased during the quarter. Fixed income displayed improvement from the first quarter, with most investment styles producing modest gains.

US equity

Domestic equities continued to build on their success from the first quarter, with returns being driven by large-cap growth stocks amid continued enthusiasm regarding artificial intelligence. This secular focused performance led to a wide dispersion of returns, with growth outperforming value and large-caps outperforming small-caps. Despite the positive return of the S&P 500, market breadth was weak, with only four sectors finishing in positive territory. Sector returns were led by the growth-oriented segments of technology and communication services, whereas more cyclical areas such as basic materials, industrials, and energy lagged.

International equity

Eurozone shares moved lower, despite the European Central Bank (ECB) cutting interest rates in early June. Sticky inflation and the fallout from EU and French elections surprised markets to the downside. However, U.K. equities fared better as the FTSE 100 delivered all-time highs following a decade of underperformance. Japanese equities gave back gains made in the first quarter, as a falling Yen weighed on import costs and consumer spending. In Asia-ex Japan, Chinese efforts to support real estate propelled local markets, while investor demand for new technologies drove Taiwanese shares higher. Indian markets rose, buoyed by exuberance about the country's economic prospects.

Fixed income

Renewed U.S. inflation concerns in April forced global bond investors to reassess timelines of prospective interest rate cuts. However, softer labor market data and encouraging inflation prints delivered more palatable news for those gauging central banks' next steps. High yield bonds in the U.S. and Europe outperformed government bonds, driven by tighter credit spreads. U.S. Treasury yields peaked in April before easing, while French spreads widened due to election news. Most central banks maintained cautious stances, while the ECB cut rates in June. Emerging markets faced challenges with rising yields and political uncertainties.

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. An investment cannot be made directly in an index.



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Portfolio performance for the quarter

- Using the Invesco Strategic Active 60/40 Portfolio as a proxy for performance across the suite, the portfolio returned 0.72% (-0.03% net-of-fees) for the quarter and underperformed its custom benchmark (consisting of the 60% MSCI ACWI Index-NR (USD)/40% Bloomberg US Aggregate Bond Index-TR), which returned 1.76%.
- From a macro asset class standpoint, performance for the quarter was driven by mixed returns amongst major asset classes, with equities providing the most robust performance, while alternatives weighed on portfolio performance.
- Within equities, the Invesco Capital Appreciation Fund was the best performer. Conversely, the Invesco International Small-Mid Company Fund was the weakest performer.
- Within fixed income, exposure to the Invesco Floating Rate ESG Fund provided the largest returns. Conversely, the Invesco International Bond Fund was the biggest laggard.
- Within the alternative asset portion of our portfolio, the Invesco Macro Allocation Strategy Fund posted the higher return, despite its negative performance. Conversely, the Invesco Global Real Estate Income Fund was the weaker performer.

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Holdings and characteristics

Portfolio holdings (%)

Underlying fund	Ticker	20/80	40/60	60/40	80/20	100/0
US Equity		13.1	31.1	46.6	64.6	77.1
Invesco Capital Appreciation Fund	OTCYX	6.5	10.5	17.0	22.4	26.9
Invesco Discovery Mid Cap Growth Fund	OEGYX	0.0	2.3	3.3	4.5	5.5
Invesco Diversified Dividend Fund	LCEYX	4.5	11.1	17.1	23.1	27.1
Invesco Global Fund	OGLYX	0.0	5.0	6.0	10.0	12.0
Invesco Main Street Small Cap Fund	OSCYX	2.0	2.3	3.3	4.5	5.6
International Equity		4.0	6.1	10.5	12.5	15.0
Invesco Developing Markets Fund	ODVYX	2.0	4.0	6.5	8.0	10.0
Invesco International Small-Mid Company Fund	OSMYX	0.0	0.0	2.0	2.0	2.5
Invesco Oppenheimer International Growth Fund	OIGYX	2.0	2.0	2.0	2.5	2.5
Fixed Income		74.9	54.9	34.9	15.0	0.0
Invesco Conservative Income	ICIYX	2.0	2.0	0.0	0.0	0.0
Invesco Core Bond Fund	OPBYX	40.4	29.9	19.4	9.5	0.0
Invesco Core Plus Bond Fund	CPBYX	23.0	17.5	11.5	5.5	0.0
Invesco Floating Rate ESG Fund	AFRYX	5.5	2.5	2.0	0.0	0.0
Invesco International Bond Fund	OIBYX	4.0	3.0	2.0	0.0	0.0
Alternative		6.0	6.0	6.0	6.0	6.0
Invesco Global Real Estate Income Fund	ASRYX	2.0	2.0	2.0	2.0	2.0
Invesco Macro Allocation Strategy Fund	GMSHX	4.0	4.0	4.0	4.0	4.0
Cash		1.9	1.9	2.0	2.0	2.0
Total		100.0	100.0	100.0	100.0	100.0

Portfolio characteristics

	20/80	40/60	60/40	80/20	100/0
% Mutual funds	98.07	98.13	98.02	98.01	98.05
Weighted average expenses (%)	0.58	0.62	0.68	0.72	0.76
Total number of holdings (excluding cash)	12	14	14	12	10

Source: Invesco, as of June 30, 2024. Holdings are subject to change and are not buy/sell recommendations. Totals may not equal 100% due to rounding. The model portfolio expense ratio is a weighted average net expense ratio of the underlying holdings. The table above reflects all recommended securities in the strategy and their allocation as of the date of this document. Where cash is shown, it is for the model level. It does not include possible amounts held within each underlying fund

Composite performance

Standardized performance (%) as of June 30, 2024

Period		20/80	40/60	60/40	80/20	100/0
3-month	Model Return	0.44	0.57	0.71	0.94	1.10
	Net Return	-0.28	-0.16	-0.03	0.20	0.36
	Benchmark Return	0.63	1.20	1.76	2.32	2.87
1-year	Model Return	7.56	10.04	12.20	15.09	17.06
	Net Return	4.31	6.84	9.10	12.03	13.93
	Benchmark Return	5.85	9.14	12.49	15.90	19.38
3-year	Model Return	-1.20	-0.27	0.64	1.21	1.83
	Net Return	-4.03	-3.07	-2.15	-1.39	-0.72
	Benchmark Return	-1.23	0.52	2.22	3.85	5.43
5-year	Model Return	2.02	3.83	5.47	6.67	7.72
	Net Return	-0.88	0.95	2.50	3.83	4.84
	Benchmark Return	1.74	4.11	6.41	8.63	10.76
Since inception (9/30/18)	Model Return	2.63	4.13	5.46	6.32	7.03
	Net Return	-0.31	1.21	2.47	3.45	4.13
	Benchmark Return	2.65	4.52	6.30	7.98	9.56

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.

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3. Composite information for Invesco Strategic Active 20/80 Portfolio Wrap Composites is representative of Invesco Strategic Active 20/80 Portfolio Wrap Composite, Invesco Strategic Active 40/60 Portfolio Wrap Composite, Invesco Strategic Active 60/40 Portfolio Wrap Composite, Invesco Strategic Active 80/20 Portfolio Wrap Composite and Invesco Strategic Active 100/0 Portfolio Wrap Composite. Invesco Strategic Active Portfolio Wrap Composites include all discretionary accounts styled after the corresponding Invesco Strategic Active Model Portfolio. Each target risk model portfolio attempts to provide long-term outperformance over its benchmark through a combination of top-down allocation decisions and effective selection of underlying funds. For all periods, the composites were composed of 100% non-fee paying discretionary institutional accounts. The historical performance results are those of the five predefined levels of risk in the Invesco Strategic Active Portfolio Institutional Composites noted above. The composites are managed in comparison to, not duplication of, the repetitive benchmarks. The composites were created in October 2018.
4. "Pure" gross of fees returns reflect the deduction of trading costs but do not reflect any other expenses and are supplemental to net returns. Net returns reflect the deduction of the maximum total wrap fee, which is currently 1.50% per annum or 0.125% monthly, from the "pure" gross return. A model fee is the highest wrap fee a client could pay (1.50% 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: 1.50% 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 Strategic Active Custom Indexes are comprised of a combination of the MSCI ACWI NR and Bloomberg U.S. Aggregate Total Return (TR) Index Unhedged, in percentages consistent with the equity, fixed income and alternative allocation of each representative portfolio and is rebalanced daily. The Bloomberg Global Aggregate Index (Unhedged USD) was being used prior to September 28, 2020. This change was made to switch the fixed income component of the custom benchmark to Bloomberg U.S. Aggregate Index (from Bloomberg Global Aggregate Index) due to the portfolios becoming more US-centric. The MSCI ACWI captures large and mid-cap securities exhibiting overall growth style characteristics across Developed Markets countries and Emerging Markets countries. The Bloomberg 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 Bloomberg Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers. The benchmarks are used for comparative purposes only and generally reflects the risk or investment style of the products. For comparison purposes the indexes are fully invested, which includes 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: MF Plus SMA Wrap Composite to the Invesco Strategic Active 20/80 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., Managed Investments Services Department, 11 Greenway Plaza, Suite 1000, Houston, Texas 77046

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Source: Invesco, Bloomberg L.P. and FactSet as of June 30, 2024.

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