Invesco

Invesco Dynamic Active/Passive 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 five of the Invesco Dynamic Active Passive Portfolios produced a positive return, although 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 mid-cap growth securities, whereas fixed income lagged, hindered by weak performance in long government bonds.**

What this model does

The Invesco Dynamic Active/Passive Portfolios strategically blend long-term asset class allocations with tactical short-term perspectives to produce diversified portfolios that adapt throughout full market cycles. 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.

For more information, please visit Invesco.com/us

Portfolio performance for the quarter

- Using the Invesco Dynamic Active/Passive 60/40 Portfolio as a proxy for performance across the suite, the portfolio returned 4.28% (3.51% 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 4.54%.
- From a macro asset class perspective, performance for the quarter was driven by positive returns in all major asset classes, with equities providing the most robust performance, while fixed income lagged the other asset classes.
- Within equities, the best performing fund was the Invesco Discovery Mid Cap Growth Fund. Conversely, the Vanguard Total International Stock ETF was the weakest performer.
- Within fixed income, exposure to the MFS Emerging Markets Debt Fund provided the largest returns. Conversely, the SPDR Portfolio Long Term Treasury ETF was the biggest laggard.
- Within the alternative asset portion of our portfolio, both the iShares Global Infrastructure ETF and the IQ Merger Arbitrage ETF had positive returns. The iShares Global Infrastructure ETF led the performance, whereas the IQ Merger Arbitrage ETF was a relative underperformer.

Past performance is not indicative of future results. As with any investment vehicle there is always the potential for gains as well as the possibilities of losses.

Holdings and characteristics

Portfolio holdings (%)

Underlying fund	Ticker	20	40	60	80	100
US Equity		**12.4**	**27.2**	**41.9**	**56.2**	**66.8**
Invesco Discovery Mid Cap Growth Fund	OEGYX	2.1	2.0	3.5	4.0	7.0
Invesco Main Street Small Cap Fund	OSCYX	2.1	2.1	2.6	2.6	3.6
Invesco Russell 1000 Dynamic Multifactor ETF	OMFL	2.6	5.2	10.9	12.3	19.9
SPDR S&P 400 Mid Cap Value ETF	MDYV	0.0	0.0	0.0	2.0	2.0
Vanguard Total Stock Market ETF	VTI	5.6	17.9	24.9	35.3	34.3
International Equity		**5.0**	**10.2**	**15.6**	**20.9**	**25.1**
Invesco Developing Markets Fund	ODVYX	3.1	6.1	9.2	12.3	14.9
Invesco Oppenheimer International Growth Fund	OIGYX	1.9	4.1	6.4	8.6	10.2
Fixed Income		**74.5**	**54.3**	**34.2**	**14.8**	**0.0**
Invesco Core Bond Fund	OPBYX	10.1	0.0	0.0	0.0	0.0
Invesco Equal Weight 0-30 Year Treasury ETF	GOVI	13.1	13.2	7.6	3.4	0.0
Invesco Floating Rate ESG Fund	AFRYX	5.2	3.8	2.4	2.0	0.0
Invesco Total Return Bond ETF	GTO	5.4	0.0	0.0	0.0	0.0
Invesco Ultra Short Duration ETF	GSY	6.9	5.4	2.4	0.0	0.0
iShares Broad USD High Yield Corporate Bond ETF	USHY	21.3	19.5	13.3	6.4	0.0
MFS Emerging Markets Debt Fund	MEDIX	12.5	12.4	8.5	3.0	0.0
Alternative		**6.1**	**6.0**	**5.9**	**6.0**	**5.9**
IQ Merger Arbitrage ETF	MNA	3.0	2.0	1.9	0.0	0.0
iShares Global Infrastructure ETF	IGF	3.1	4.0	4.0	3.5	3.5
iShares Global REIT ETF	REET	0.0	0.0	0.0	2.5	2.4
Cash		**2.1**	**2.1**	**2.1**	**2.2**	**2.2**
Total		**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Portfolio characteristics

	20	40	60	80	100
% ETFs	59.74	64.49	59.24	57.51	54.18
% Mutual funds	38.26	33.51	38.76	40.49	43.82
Weighted average expenses (%)	0.40	0.39	0.44	0.44	0.48
Total number of holdings (excluding cash)	15	13	13	13	9

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	40	60	80	100
3-month	“Pure” Gross Return	1.51	2.89	4.28	5.60	7.09
	Net Return	0.76	2.13	3.51	4.82	6.30
	Benchmark Return	0.97	2.75	4.54	6.36	8.20
1-year	“Pure” Gross Return	6.95	10.02	13.33	16.28	19.01
	Net Return	3.80	6.79	10.01	12.88	15.54
	Benchmark Return	5.77	9.96	14.26	18.68	23.22
3-year	“Pure” Gross Return	-0.53	0.44	1.88	2.93	3.98
	Net Return	-3.47	-2.53	-1.14	-0.11	0.91
	Benchmark Return	-0.48	1.46	3.34	5.18	6.96
5-year	“Pure” Gross Return	1.78	3.87	6.08	8.03	9.75
	Net Return	-1.22	0.80	2.95	4.85	6.52
	Benchmark Return	2.23	4.53	6.75	8.88	10.92
Since inception (9/30/18)	“Pure” Gross Return	2.00	3.75	5.61	7.19	8.50
	Net Return	-1.01	0.68	2.50	4.03	5.31
	Benchmark Return	2.66	4.50	6.26	7.91	9.45

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.

Invesco Worldwide claims compliance with the Global Investment Performance Standards (GIPS®)

1. Invesco Worldwide claims compliance with the Global Investment Performance Standards (GIPS®). Invesco Worldwide has been independently verified for the periods 1st January 2003 through 31st December 2022. The verification reports are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.
2. For purposes of compliance with Global Investment Performance Standards (GIPS®), "Invesco Worldwide" refers collectively to all direct or indirect subsidiaries of Invesco Ltd. that provide discretionary investment advice with the exception of the following entities: Invesco Investment Management Ltd., Invesco Investment Advisers LLC, Invesco Asset Management Australia (Holdings) Ltd., Invesco Global Real Estate Asia Pacific, Inc., IRE (Cayman) Ltd., Invesco Senior Secured Management, Inc., Invesco Private Capital, Inc., and Invesco Capital Management LLC. Invesco Great Wall Fund Management Company Limited is compliant with GIPS but is not part of Invesco Worldwide.
3. Composite information for Invesco Dynamic Active/Passive Portfolio Wrap Composites is representative of Invesco Dynamic Active/Passive 20/80 Portfolio Wrap Composite, Invesco Dynamic Active/Passive 40/60 Portfolio Wrap Composite, Invesco Dynamic Active/Passive 60/40 Portfolio Wrap Composite, Invesco Dynamic Active/Passive 80/20 Portfolio Wrap Composite, and Invesco Dynamic Active/Passive 100/0 Portfolio Wrap Composite. Invesco Dynamic Active/Passive Portfolio Wrap Composites include all discretionary accounts styled after the corresponding Invesco Dynamic Active/Passive Model Portfolio. The portfolios seek to achieve higher risk-adjusted returns within predefined levels of risk, over a full market cycle, by accessing both strategic and dynamic asset class allocations through exchange-traded funds and mutual funds, with varying Equity to Fixed Income strategic targets and may include dynamic overlays. The portfolios offer broad diversification across asset and sub-asset classes, investment factors, and investment managers. They are designed to deliver increased investment flexibility and customization to achieve specific investor outcomes. For periods beginning December 1, 2023, the composite is composed of 100% non-fee paying discretionary wrap accounts. Prior to December 1, 2023, the composite was 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 Dynamic Active/Passive Portfolio Institutional Composites noted above. The composites are managed in comparison to, not duplication of, the respective 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, 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 Dynamic Active/Passive Portfolios use the MSCI All Country World Index (ACWI) Net Return (NR) or an Invesco Hybrid Multi-Asset Custom Index. The Invesco Hybrid Multi-Asset 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: Hybrid Plus Multi-Manager SMA Wrap Composite to the Invesco Dynamic Active/Passive 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.
10. Prior to September 1, 2019, performance represents results achieved by the respective investment team while it was part of OpenheimersFunds, Inc.

Investments have varying degrees of 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.

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.

Mutual Fund Risk Considerations: Mutual funds are subject to investment risks, including possible loss of the principal amount invested. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost.

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.

FOR PUBLIC USE
NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

Important information
All material presented is compiled from sources believed to be reliable and current, but accuracy cannot be guaranteed. This is not to be construed as an offer to buy or sell any financial instruments and should not be relied upon as the sole factor in an investment making decision. As with all investments there are associated inherent risks. This should not be considered a recommendation to purchase any investment product. This does not constitute a recommendation of any investment strategy for a particular investor. Investors should consult a financial professional before making any investment decisions if they are uncertain whether an investment is suitable for them. Please obtain and review all financial material carefully before investing. The portfolios are actively managed. Portfolio holdings and characteristics are subject to change. The opinions expressed are based on current market conditions and are subject to change without notice. These opinions may differ from those of other Invesco investment professionals.
Invesco Advisers, Inc. is the investment adviser for the separately managed accounts; it provides investment advisory services to individual and institutional clients and does not sell securities. It is an indirect, wholly owned subsidiary of Invesco Ltd.
The Investment Advisers Act of 1940 requires investment advisory firms, such as Invesco Advisers, Inc., to file and keep current with the Securities and Exchange Commission a registration statement of Form ADV. Part II of Form ADV contains information about the background and business practices of Invesco Advisers, Inc. Under the Commission's rules, we are required to offer to make available annually Part II of Form ADV to our clients along with our privacy policy. Accordingly, if you would like to receive a copy of this material, please write to Invesco Advisers, Inc., Managed Accounts Operations Department, 11 Greenway Plaza, Suite 1000, Houston, Texas 77046. For more complete information about our separately managed portfolio, please contact your financial professional.