

# Invesco Growth and Income SMA

## Third quarter

Fact Sheet: Separately Managed Accounts  
Sept. 30, 2019



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### Portfolio management team

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#### Thomas Bastian, CFA

Senior Portfolio Manager  
Industry since 1997  
B.A., St. John's University  
M.B.A., University of Michigan

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#### Brian Jurkash

Portfolio Manager  
Industry since 2000  
B.B.A., Stephen F. Austin State University  
M.B.A., University of Houston

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#### Sergio Marcheli

Portfolio Manager  
Industry since 1995  
B.B.A., University of Houston  
M.B.A., University of St. Thomas

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#### Matthew Titus, CFA

Portfolio Manager  
Industry since 2002  
B.S., Luther College  
M.B.A., Ohio State University

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### Current portfolio positioning

Macro issues that concerned investors in the second quarter carried over into the third quarter. The US-China trade conflict worried investors and stifled business investment, even as the Federal Reserve (Fed) cut interest rates by 0.25% in both July and September. This environment, combined with evidence of slowing global economic growth, fueled volatility in August. The US Treasury yield curve inverted several times, raising fears of a US recession. As a result, August saw increased risk aversion, with investors crowding into asset classes perceived as safe havens, such as US Treasuries and gold. However, the Fed's accommodative tone provided some support for risk assets. Oil prices briefly spiked in September after a drone attack on Saudi Arabia's oil fields caused a supply shock. Prices retreated a bit after the US announced it would tap the national oil reserves to alleviate the supply shortage. Despite increased volatility, US equity markets delivered generally positive results, with the S&P 500 Index returning 1.67%.

In the third quarter, the Growth and Income portfolio underperformed the Russell 1000 Value Index. Within the index, utilities and real estate had the strongest performance for the quarter, while energy, health care, materials and industrials posted declines.

Security selection in the information technology sector was the largest detractor from relative performance, due primarily to **Cisco Systems**, which faced headwinds from US-China trade uncertainty. An overweight in energy also detracted from relative returns, as it was the weakest sector within the index for the quarter. The portfolio's underweights in real estate and utilities also detracted from relative performance, as these sectors performed well as interest rates declined during the quarter.

Stock selection in the health care sector was the largest contributor to the portfolio's relative return, particularly due to strong performance from **CVS Health**, **Zimmer Biomet** and **Medtronic**. The portfolio also benefited from underexposure to a number of pharmaceuticals stocks that underperformed. The portfolio's cable holdings in the communication services sector also helped performance during the quarter.

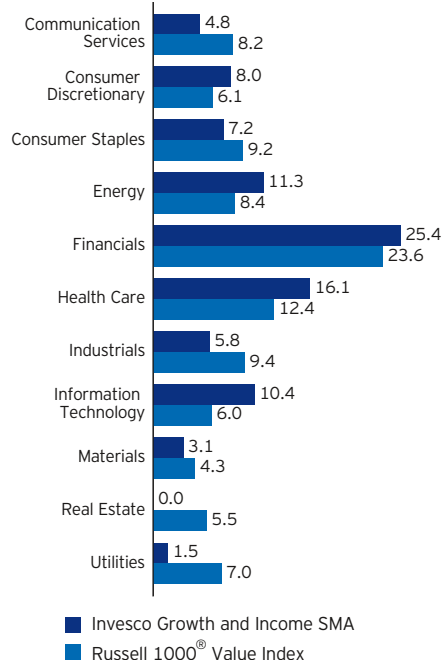
During the quarter, the team took profits in financials and trimmed exposure to energy, and this activity reduced the portfolio's overweights in these sectors. The team added a new position in utilities. At quarter-end, the portfolio's largest relative overweights were in information technology and health care, and the largest underweights were in utilities and real estate.

We expect market volatility to continue for the foreseeable future, given the potential for a slowing global economy, geopolitical tensions and uncertainty regarding US trade policy. As always, we seek to invest in companies with attractive valuations and strong fundamentals, qualities that we believe will ultimately be reflected in those companies' stock prices.

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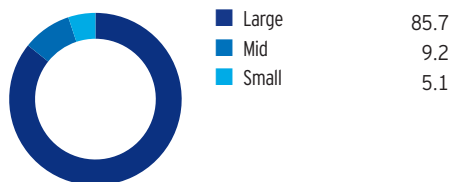
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**Sector weightings** (% of total net assets)

**Portfolio characteristics**

	Portfolio	Russell 1000 Value Index
Number of Holdings	42	765
Median Market Cap (\$M)	\$58,848	\$9,240
Weighted Average Market Cap (\$M)	\$110,522	\$121,370
Weighted Average Price/Book	2.71	2.68
Weighted Harmonic Average 12-Month Forward P/E	11.84	14.46
Weighted Harmonic Average 12-Month Trailing P/E	12.79	15.28
Weighted Average Dividend Yield (Trailing 12 Months)	2.68%	2.64%
Weighted Average 12-Month Forward EPS Growth	9.89%	6.71%
Weighted Average Long-Term EPS Growth	9.62%	8.16%
Weighted Average Return on Equity	15.42%	14.03%
Weighted Average Long-Term Debt to Capital	43.63%	40.80%
Annualized Turnover Ratio	27.25%	N/A

Portfolio characteristics are subject to change.

**Market capitalization breakdown** (%)

**Asset allocation**

	9/30/19	6/30/19	3/31/19
Stocks	93.72%	94.75%	94.91%
Cash/Other	6.28	5.25	5.09

**Performance characteristics** (Five year)

Alpha (vs. Russell 1000 Value Index)	-2.96%
Beta (vs. Russell 1000 Value Index)	0.76
R <sup>2</sup> (vs. Russell 1000 Value Index)	0.64
Information Ratio (vs. Russell 1000 Value Index)	-0.66
Sharpe Ratio	0.17
Up/Down Capture Ratio (vs. Russell 1000 Value Index)	55.09 / 74.90
Standard Deviation	
Portfolio	11.40%
Benchmark	11.92%

**Quarterly returns**

Period	"Pure" gross return* (%)	Net return (%)	Russell 1000 Value Index Total Return (%)
YTD	15.25	12.72	17.81
3Q19	-0.17	-0.92	1.36
2Q19	3.50	2.73	3.84
1Q19	11.55	10.75	11.93

**Annualized compound returns**

Period	"Pure" gross return* (%)	Net return (%)	Russell 1000 Value Index Total Return (%)
1 Year	-3.26	-6.13	4.00
3 Year	8.79	5.59	9.43
5 Year	6.05	2.93	7.79
10 Year	9.76	6.53	11.46
Since Inception (1/1/09)	10.75	7.50	12.06

Returns less than one year are not annualized.

\* "Pure" gross of fees returns reflect the deduction of trading costs but do not reflect any other expenses, and are supplemental to net returns. See note 5 on page 4.

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All data as of Sept. 30, 2019

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**Sample portfolio****Top 10 holdings**

Ticker	Security	Sector	% of total net assets
1. BAC	Bank of America Corp.	Financials	3.59
2. JNJ	Johnson & Johnson	Health Care	3.56
3. AIG	American International Group Inc.	Financials	3.32
4. C	Citigroup Inc.	Financials	3.21
5. PM	Philip Morris International Inc.	Consumer Staples	3.15
6. ORCL	Oracle Corp.	Information Technology	3.11
7. MS	Morgan Stanley	Financials	3.07
8. GM	General Motors Co.	Consumer Discretionary	2.98
9. PNC	PNC Financial Services Group Inc.	Financials	2.97
10. GD	General Dynamics Corp.	Industrials	2.96

**Other sample holdings**

CHTR	Charter Communications, Inc.	Communication Services
CMCSA	Comcast Corp.	Communication Services
CPRI	Capri Holdings Ltd.	Consumer Discretionary
CCL	Carnival Corp.	Consumer Discretionary
EBAY	eBay Inc.	Consumer Discretionary
MDLZ	Mondelez International Inc.	Consumer Staples
FD	US Foods Holding Corp.	Consumer Staples
CNQ	Canadian Natural Resources Ltd.	Energy
CVX	Chevron Corp.	Energy
DVN	Devon Energy Corp.	Energy
RDS/A	Koninklijke Dutch Shell PLC	Energy
MRO	Marathon Oil Corp.	Energy
FTI	TechnipFMC PLC	Energy
CFG	Citizens Financial Group Inc.	Financials

**Other sample holdings (continued)**

GS	Goldman Sachs Group Inc.	Financials
JPM	JPMorgan Chase & Co.	Financials
VOYA	Voya Financial Inc.	Financials
WFC	Wells Fargo & Co.	Financials
BMJ	Bristol-Myers Squibb Co.	Health Care
CVS	CVS Health Corp.	Health Care
MCK	McKesson Corp.	Health Care
MDT	Medtronic PLC	Health Care
NVS	Novartis AG	Health Care
ZBH	Zimmer Biomet Holdings Inc.	Health Care
CSX	CSX Corp.	Industrials
CSCO	Cisco Systems Inc.	Information Technology
CTSH	Cognizant Tech Solutions Corp.	Information Technology
NXPI	NXP Semiconductors NV	Information Technology
QCOM	QUALCOMM Inc.	Information Technology
DD	DuPont de Nemours Inc.	Materials
NTR	Nutrien Ltd.	Materials
EXC	Exelon Corp.	Utilities

This table illustrates the composition of a model portfolio 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. Past performance does not guarantee future results. Holdings may vary depending on program sponsor restrictions or specific client guidelines. Top 10 holdings and percentages are listed above and represent 32% of total holdings. For additional holdings disclosure, see the Global Industry Classification Standard disclosure on page 4. **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.**

**Top quarterly contributors to /detractors from performance**

Top 5 contributors	Average weight (%)	Contribution (%)	Top 5 detractors	Average weight (%)	Contribution (%)
CVS Health Corp.	2.05	0.33	CSX Corp.	2.91	-0.31
Zimmer Biomet Holdings Inc.	2.12	0.31	Devon Energy Corp.	1.73	-0.30
Medtronic PLC	2.13	0.26	Cisco Systems Inc.	2.80	-0.29
US Foods Holding Corp.	1.60	0.24	Royal Dutch Shell PLC	2.89	-0.26
Bristol-Myers Squibb Co.	1.72	0.22	Johnson & Johnson	3.65	-0.24

For more information on the calculation methodology and a complete list of each holding's contribution to the overall account's performance during this time period, please contact Invesco Advisers, Inc. at 800 349 0953. The holdings identified do not represent all of the securities purchased, sold or recommended for advisory clients. Past performance is not a guarantee of future results.

**Invesco Growth and Income SMA Wrap composite**

Year	"Pure" gross return* (%)	Net return (%)	Russell 1000® Value Index total return (%)	Composite dispersion (%)	Composite 3-year annualized standard deviation (%)	Benchmark 3-year annualized standard deviation (%)	Number of accounts	Composite assets (\$ millions)	Total firm assets (\$ billions)	% wrap assets
2018	-13.26	-15.86	-8.27	N/A	13.69	10.98	<5	0.13	579	0
2017	16.11	12.72	13.66	N/A	12.52	10.34	<5	0.15	660	0
2016	18.68	15.21	17.34	N/A	12.90	10.93	<5	0.13	599	0
2015	-3.99	-6.84	-3.83	N/A	11.51	10.83	<5	0.60	575	100
2014	7.70	4.53	13.45	N/A	9.30	9.33	<5	0.70	585	100
2013	33.83	29.96	32.53	N/A	12.48	12.88	<5	1.30	573	100
2012	14.65	11.29	17.51	N/A	15.62	15.73	<5	1.60	500	100
2011	-0.08	-3.04	0.39	N/A	19.75	20.98	<5	1.40	480	100
2010	12.48	9.18	15.51	N/A	N/A	N/A	<5	1.40	475	100
2009	22.07	18.51	19.69	N/A	N/A	N/A	<5	1.20	224	100

**Annualized compound returns as of Dec. 31, 2018**

Period	"Pure" gross return* (%)	Net return (%)	Russell 1000® Value Index Total Return (%)
1 Year	-13.26	-15.86	-8.27
3 Year	6.13	3.00	6.95
5 Year	4.33	1.25	5.95
10 Year	10.03	6.80	11.18
Since Inception (1/1/09)	10.03	6.80	11.18

Returns less than one year are not annualized.

\* "Pure" gross of fees returns reflect the deduction of trading costs but do not reflect any other expenses, and are supplemental to net returns. See note 5.

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2. Invesco Worldwide claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Invesco Worldwide has been independently verified for the periods January 1, 2003 through December 31, 2018. The legacy firms that constitute Invesco Worldwide have been verified since 2001 or earlier. The verification reports are available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.
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4. For periods beginning April 1, 2016, the Invesco Growth and Income SMA Wrap Composite is composed of 100% non-fee paying discretionary institutional accounts styled after the Invesco Growth and Income SMA Model Portfolio, which seeks capital growth and income by emphasizing a value style of investing seeking well-established, undervalued companies believed to possess the potential for capital growth and income as defined by the Russell 1000® Value Index Total Return (TR). For all periods prior to April 1, 2016, the Invesco Growth and Income SMA Wrap Composite was composed of 100% non-fee-paying discretionary wrap accounts. The performance results beginning April 1, 2016 are those of the Invesco Growth and Income SMA Institutional Composite. The composite is managed in comparison to, not duplication of, the benchmark. The composite was created in January 2009.
5. "Pure" gross of fees returns reflect the deduction of trading costs but do not reflect any other expenses, and are supplemental to net returns. Performance results are presented both net and gross of total wrap fees. Net returns reflect the deduction of the maximum total wrap fee, which is currently 3.00% per annum or 0.25% monthly, from the "pure" gross return. A model fee is the highest wrap fee a client could pay (3.00% annually as charged by the program sponsor, inclusive up to a maximum investment advisory fee of .75%). 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.
6. The Russell 1000® Value Index TR measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values. The Russell 1000® Value Index TR is a trademark/service mark of the Frank Russell Company. Russell® is a trademark of the Frank Russell Company. The returns of the Russell 1000® Value Index TR are provided to represent the investment environment that existed during the time periods shown. The benchmark is used for comparative purposes only and generally reflects the risk or investment style of the product. For comparison purposes the index is fully invested, which includes the reinvestment of income. The returns for the index do not include any transaction costs, management fees or other costs.
7. The dispersion of annual returns is measured by the equal-weighted standard deviation of account returns included in the composite for the full year. For periods with five or fewer accounts included for the entire year, dispersion is not presented as it is not considered meaningful.
8. The three-year annualized ex-post standard deviation measures the variability of the monthly returns of the composite and the benchmark over the preceding 36 months.

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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All data as of Sept. 30, 2019

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Invesco Advisers, Inc. ■ 11 Greenway Plaza, Suite 1000 ■ Houston, Texas 77046-1188 ■ 713 626 1919

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