Invesco Dynamic Growth Index

5 – 30 – 5 Training Guide

For Eagle Life Use Only

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5 Seconds

Combines a dynamic equity component that adjusts to changing market conditions and a responsive bond component that diversifies equity using a combination of bonds and cash, to seek strong risk adjusted returns while maintaining 5% volatility target

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30 Seconds

The Invesco Dynamic Growth Index seeks to achieve its goals by brining together three components:

Equity Component: A dynamic allocation strategy that assesses which of four possible economic environments we're in, and emphasizes the return drivers expected to perform best in that environment

Bond Component: Exposure to bonds seeks to reduce overall volatility and add a diversifying source of return. Cash is used during periods of high bond volatility / rising rate environments.

Risk Management: Allocation to stocks, bonds, and cash adjusted daily to align with 5% risk target. An additional intra-day risk management element can help protect against rapid equity downturns.

The end result seeks to deliver a strong risk adjusted return while maintaining 5% volatility target.

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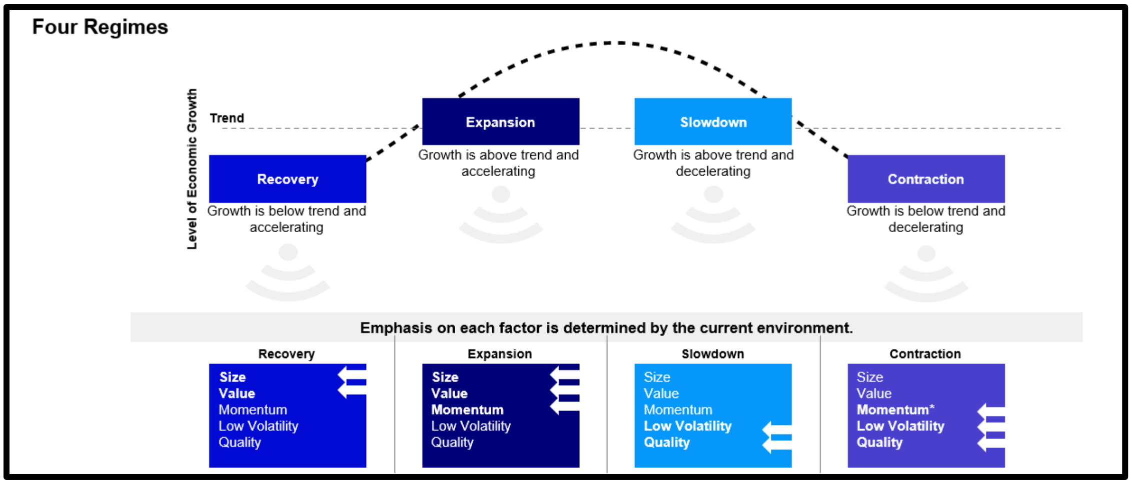
5 Minutes

Here is a deeper dive into how the index is designed and some of the key competitive advantages:

Equity component follows a dynamic rules based process: Looks at level of economic growth (growing above trend or below trend) and pace of economic growth (accelerating or decelerating) to determine the current market environment– then dynamically tilts towards stocks (grouped by Factors) that historically have done well in that environment



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Invesco believes that dynamically allocating between Factors to adapt to market conditions is a prudent way to capture the benefits of factor-based investing over time.

<u>What types of stocks are typically favored in the different environments?</u>

The four phases of the cycle can be broken down into more offensive/risk-on phases (Recovery and Expansion) more defensive/risk off phases (Slowdown and Contraction)

The more offensive phases tend to favor smaller size and more attractively valued companies, seeking to benefit from the "rising tide" of economic growth. During these phases, the strategy typically holds very little exposure to mega cap names and instead of holds a broad basket of smaller, more cyclical stocks: Examples of past holdings in these phases: Ford (cyclical auto), Capital One and Ally Financial (more cyclical financials), and HP (a more cyclical tech name)

The more defensive phases tend to favor larger-cap stocks, historically including large tech companies like Apple and Microsoft, and steady blue chip type earners like Home Depot, Proctor & Gamble, and Johnson & Johnson.

In sum, the process seeks to emphasize names that benefit most from increasing economic activity, consumer spending, and business activity during the offensive phases of Recovery and Expansion, then rotate into more large cap, blue chip type names with earnings power and robust balance sheets during the more defensive phases of Slowdown and Contraction

To complement the equity exposure and to seek to deliver 5% volatility target, Invesco uses a bond component, which can allocate between 10-year treasuries futures and cash. Allocations between equity component and bond component adjust daily to maintain 5% vol target

An additional intra-day risk mitigation component is deployed when needed to quickly reduce equity risk when large one-day equity drawdowns occur, adding another layer of downside risk mitigation potential to the index

In summary, the three elements that differentiate the Invesco Dynamic Growth index are:

1. Dynamic equity component that seeks to adapt to changing market conditions
2. Bond component that can use mix of bonds or cash to seek stability in markets where bond returns are unstable
3. Intra-day risk mitigation as an additional tool to manage risk and enhance return potential by seeking to limit the impact of large 1-day equity drawdowns

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