



## **Invesco Capital Management LLC Brochure**

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Downers Grove, IL 60515

(Part 2A of Form ADV)

This brochure provides information about the qualifications and business practices of Invesco Capital Management LLC (“ICM,” the “Adviser,” or “Managing Owner”, sometimes referred to as “we” or “us” throughout this document). If you have any questions about the contents of this brochure, please contact Melanie H. Zimdars, Chief Compliance Officer of ICM at: (630) 868-7174 or by email at: [Melanie.Zimdars@invesco.com](mailto:Melanie.Zimdars@invesco.com). Additional information may be obtained from the Invesco website at [www.invesco.com/ETFs](http://www.invesco.com/ETFs).

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”), or by any state securities authority.

Additional information about ICM is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

ICM is a registered investment adviser with the SEC and a commodity pool operator. Registration does not imply a certain level of skill or training.

**December 3, 2018**

## Item 2 Material Changes

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### *Material Changes since the Last Brochure Update dated July 27, 2018*

Item 8 of the Brochure has been amended to include the addition of a risk disclosure pertaining to Securities Lending.

### *Full Brochure Available*

If you would like to receive a complete copy of our Firm Brochure, please contact Melanie H. Zimdars, Chief Compliance Officer (“CCO”) of ICM by telephone at: (630) 868-7174 or by email at: [melanie.zimdars@invesco.com](mailto:melanie.zimdars@invesco.com).

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## Item 4 Advisory Business

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### *Firm Description*

Invesco Capital Management LLC was founded in 2003.

ICM is the investment adviser to the exchange-traded funds (“ETFs” or “Funds”) organized as series of Invesco Exchange-Traded Fund Trust, Invesco Exchange-Traded Fund Trust II, Invesco India Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Commodity Fund Trust and Invesco Exchange-Traded Self-Indexed Fund Trust (each a “Trust” and collectively the “Trusts”).

For the Funds organized as a series of the Invesco Exchange-Traded Fund Trust, Invesco Exchange-Traded Fund Trust II and the Invesco India Exchange-Traded Fund Trust, the Adviser or an affiliated sub-adviser attempts to replicate, before fees and expenses, the price and yield of a third-party index (“Underlying Index”). These ETFs may be referred to as “Index-Based ETFs.” For the Funds organized as a series of the Invesco Exchange-Traded Self-Indexed Fund Trust, the Adviser attempts to replicate, before fees and expenses, the price and yield of an index provided by an affiliated index provider. These ETFs may be referred to as “Self-Indexed ETFs.” ETFs organized under the Invesco Actively Managed Exchange-Traded Fund Trust and Invesco Actively Managed Exchange-Traded Commodity Fund Trust may be managed by ICM or an affiliated sub-adviser and are actively managed, such that they do not attempt to fully replicate an Underlying Index. These may be referred to as “Actively Managed ETFs.”

In addition, ICM serves as the Managing Owner and Commodity Pool Operator (“CPO”) to eleven commodity pools (the “Commodity Pools”) regulated by the Commodity Futures Trading Commission (the “CFTC”), as well as Commodity Trading Adviser (“CTA”) to the eleven Commodity Pools. Each Commodity Pool trades exchange-traded futures contracts on commodities included in its underlying index (“Commodity Index”) with a view to tracking the applicable Commodity Index over time.

Invesco Specialized Products, LLC (the “Sponsor” or “ISP”) is a Delaware limited liability company whose sole member is ICM. ISP serves as the Sponsor to the CurrencyShares Trusts which are registered under the Securities Act of 1933 and are listed on NYSE Arca, Inc., whose investment objective is for the shares of that trust to reflect the price of the currency held by the trust. Similar to the Commodity Pools, the CurrencyShares Trusts are not registered under the Investment Company Act of 1940. However, unlike the Commodity Pools, the CurrencyShares Trusts are not subject to regulation by the CFTC or NFA.

ICM provides portfolio management and certain portfolio operations support (“sub-advisory services”) to three affiliates: Invesco Asset Management Ireland Holdings Limited (“IAMIH”), Invesco Canada Ltd (“Invesco Canada”) and Invesco Advisers, Inc. (“Invesco Advisers”).

ICM also serves as the sponsor to the Invesco QQQ Trust Series 1 and the Invesco BLDRS Index Funds Trust (“QQQs and BLDRS”), which are exchange-traded products organized as unit investment trusts for which The Bank of New York Mellon (“BNYM”) serves as Trustee. Although ICM does not provide advisory services to the QQQs and BLDRS, BNYM and ICM entered into an Agency Agreement, dated November 16, 2012 (the “Agency Agreement”), under which ICM performs certain functions on behalf of BNYM. Such

functions relate to: (a) evaluation of the portfolio securities held by the QQQs and BLDRS for the purposes of determining the net asset value, and (b) rebalancing of and adjustments to the QQQs and BLDRS portfolios.

As of December 31, 2017, ICM managed \$75,109,184,316 in discretionary assets for 143 exchange-traded funds in the Trusts and \$4,643,209,859 in assets for the Commodity Pools. Additionally, as of December 31, 2017, ICM provided portfolio management for 21 accounts for IAMIHL with aggregate assets under management of \$3,431,295,800 and 33 accounts for Invesco Canada and aggregate assets under management of \$3,368,475,759. As of December 31, 2017, ICM also provided management services to three sleeves of the portfolio of the Invesco Multi-Asset Income Fund, an open-end mutual fund advised by an affiliate, with assets under management of \$316,169,374.

#### *Principal Owners*

Invesco Group Services, Inc. is the sole owner of Invesco Capital Management LLC. Invesco Group Services, Inc. is an indirect wholly owned subsidiary of Invesco Ltd., which is a publicly owned company whose shares are listed on the New York Stock Exchange under the symbol "IVZ" and is a constituent of the S&P 500.

#### *Types of Advisory Services and Agreements*

ICM provides investment advisory services to the Trusts pursuant to Investment Advisory Agreements between the Trusts and ICM, subject to review and approval by the non-interested members of each Trust's Board of Trustees. ICM also serves as CPO for the Commodity Pools and ICM provides portfolio management and certain portfolio operations support to IAMIHL, Invesco Canada, and Invesco Advisers, pursuant to sub-advisory agreements with the respective advisers.

## Item 5 Fees and Compensation

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#### *Description*

ICM receives fees from each of the Funds for the investment advisory services it provides. For all but two Funds that are a series of the Invesco Exchange-Traded Fund Trust, the advisory fees are expressed as a management fee and are based on a fraction of a percent of assets under management. ICM has agreed to cap the total amount of certain expenses of each of these funds. For the two series of Invesco Exchange-Traded Fund Trust that do not pay fees pursuant to the management fee/cap structure described in the previous sentences, ICM charges the Funds a set unitary fee, based on a fraction of a percent of assets under management.

For the Invesco Exchange-Traded Fund Trust II, the Invesco India Exchange-Traded Fund Trust, the Invesco Actively Managed Exchange-Traded Fund Trust, the Invesco Actively Managed Exchange-Traded Commodity Fund Trust and the Invesco Exchange-Traded Self-Indexed Fund Trust, ICM charges the Funds a set unitary fee, based upon a fraction of a percent of assets under management (the "Unitary Fee Structure").

Each Commodity Pool is structured as a partnership and pays the Managing Owner a unitary fee, monthly in arrears, in an amount equal to a percentage per annum of the daily

net asset value of the applicable Fund. The Management Fee is paid in consideration of the Managing Owner's commodity futures trading advisory services. Please see each Commodity Pool's disclosure document for details, including investment breakeven information.

Pursuant to the unitary fee structure of the Funds and Commodity Pools, ICM is responsible for all fund expenses, including the cost of transfer agency, custody, fund administration, legal, audit and other services, except for distribution fees, if any, brokerage expenses, taxes, interest, litigation expenses and certain other extraordinary expenses.

For fees received by ICM for the sub-advisory services it provides, please see below:

IAMIHL: ICM receives 40% of the net advisor fee (calculated net of operating costs);

Invesco Advisers: ICM receives 40% of the net advisor fee (calculated on the assets under management of the sleeves sub-advised by the Adviser);

Invesco Canada: ICM receives 40% of the net advisor fee (calculated net of operating costs and net of the advisory fees charged by the underlying funds, as applicable). To the extent an Invesco Canada fund is sub-advised by more than one sub-adviser, the total sub-advisory fee may be split among sub-advisers.

#### *Fee Billing*

ICM does not bill the Funds and Commodity Pools but rather the management fee and unitary fee are deducted daily from each Fund and Commodity Pool's total assets, are accumulated in a liability account of the Fund/Commodity Pool and disbursed to ICM on a monthly basis. The Annual Fund/Commodity Pool Operating Expenses, expenses that are paid as a percentage of assets, are deducted from the Fund/Commodity Pool's total assets on a daily basis.

#### *Other Fees*

Custodians charge transaction fees on purchases or sales of certain securities. These fees are charged to the Authorized Participants ("AP") and are not deducted from the assets of the Funds or Commodity Pools.

## Item 6 Performance-Based Fees

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*ICM does not charge performance-based fees.*

## Item 7 Types of Clients

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#### *Description*

ICM is the investment adviser to the Funds organized under the Trusts, Managing Owner, CPO and CTA to the Commodity Pools, sponsor to the QQQs and BLDRs, and provides certain portfolio management support to affiliates, IAMIHL, Invesco Canada, and Invesco Advisers.

#### *Account Minimums*

ICM does not maintain client accounts. Fund and Commodity Pool shares are not individually redeemable and owners of the shares may acquire shares from a Fund/Commodity Pool and tender shares for redemption to the Fund/Commodity Pool in

large blocks of shares only (called “Creation Units”), which may consist of between 10,000 and 200,000 shares through an AP.

## Item 8 Methods of Analysis, Investment Strategies and Risk of Loss

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### *Methods of Analysis*

For the ICM Index-Based ETFs and Self-Indexed ETFs, the Adviser or an affiliated sub-adviser attempts to replicate, before fees and expenses, the price and yield of an Underlying Index. For many of the Index-Based ETFs, ICM employs a “full replication” methodology, meaning that the Index-Based ETF generally invests in all of the securities comprising its Underlying Index in proportion to the weightings of the securities in the Underlying Index. However, under various circumstances, it may not be possible or practicable to purchase all of those securities in those same weightings. In those circumstances such Index-Based ETFs may purchase a sample of securities in its Underlying Index. A “sampling” methodology means that ICM uses quantitative analysis to select securities from an Underlying Index universe to obtain a representative sample of securities that have, in aggregate, investment characteristics similar to the Underlying Index in terms of key risk factors, performance attributes and other characteristics. Due to the practical difficulties and expense of purchasing all of the securities in certain Index-Based ETF’s Underlying Indexes, ICM utilizes a sampling methodology as the primary approach for seeking to track such Index-Based ETF’s Underlying Index. A sampling methodology is also the primary approach utilized by ICM for the Self-Indexed ETFs.

For the Commodity Pools, the Managing Owner pursues its investment objective by investing in a portfolio of exchange-traded futures on the commodities comprising its Commodity Index. The Managing Owner generally employs “full replication” techniques when attempting to have the Commodity Pools track their respective Commodity Indexes.

For the Actively Managed ETFs, the Adviser or affiliated sub-adviser does not seek to fully replicate an Underlying Index but may use a quantitative-rules based investment strategy designed to provide returns that correspond to the performance of an index. Methods of security analysis employed may include proprietary stock screening, charting, fundamental analysis, technical analysis, and credit analysis. Each Actively Managed ETF seeks a stated investment objective as described in the applicable Actively Managed ETF’s prospectus.

### *Investment Strategies*

The primary investment strategy for each Fund is stated in the applicable Fund’s registration statement. Each Fund’s prospectus may be viewed at [www.invesco.com/ETFs](http://www.invesco.com/ETFs) or obtained for free by calling 800.983.0903.

### *Risk of Loss*

*All of our Funds have certain risks, investing in securities involves risk of loss that clients should be prepared to bear. Investors should carefully consider a Fund’s investment objective, risks, charges and expenses carefully before investing. Please*

*see an individual Fund's prospectus for more complete information, which may be obtained at [www.invesco.com/ETFs](http://www.invesco.com/ETFs). Only a Fund's prospectus should be relied upon for a full explanation of all the risks associated with investing in a Fund. Broad risks generally faced by investors may be:*

- **Equity Risk:** Equity risk is the risk that the value of equity securities, including common stocks, may fall due to both changes in general economic conditions that impact the market as a whole, as well as factors that directly relate to a specific company or its industry. Such general economic conditions include changes in interest rates, periods of market turbulence or instability, or general and prolonged periods of economic decline and cyclical change. It is possible that a drop in the stock market may depress the price of most or all of the common stocks that the Fund holds. In addition, equity risk includes the risk that investor sentiment toward particular industries will become negative. The value of a company's common stock may fall solely because of factors, such as an increase in production costs, that negatively impact other companies in the same region, industry or sector of the market. A company's common stock also may decline significantly in price over a short period of time due to factors specific to that company, including decisions made by its management or lower demand for the company's products or services. For example, an adverse event, such as an unfavorable earnings report or the failure to make anticipated dividend payments, may depress the value of common stock.
- **Fixed-Income Securities Risk:** Fixed-income securities are subject to interest rate risk and credit risk. Interest rate risk refers to fluctuations in the value of a fixed-income security resulting from changes in the general level of interest rates. When the general level of interest rates goes up, the prices of most fixed-income securities go down. When the general level of interest rates goes down, the prices of most fixed-income securities go up. Fixed-income securities with longer maturities typically are more sensitive to changes in interest rates, making them more volatile than securities with shorter maturities. Credit risk refers to the possibility that the issuer of a security will be unable and/or unwilling to make timely interest payments and/or repay the principal on its debt. Debt instruments are subject to varying degrees of credit risk, which may be reflected in credit ratings. There is a possibility that the credit rating of a fixed-income security may be downgraded after purchase, which may adversely affect the value of the security.
- **Futures Contract Risk:** Risks of futures contracts include: (i) an imperfect correlation between the value of the futures contract and the underlying commodity or commodity index; (ii) possible lack of a liquid secondary market; (iii) the inability to close a futures contract when desired; (iv) losses caused by unanticipated market movements, which



may be unlimited; (v) an obligation for the Fund to make daily cash payments to maintain its required margin, particularly at times when the Fund may have insufficient cash or must sell securities to meet those margin requirements; (vi) the possibility that a failure to close a position may result in the Fund receiving an illiquid commodity; and (vii) unfavorable execution prices from rapid selling. Unlike equities, which typically entitle the holder to a continuing stake in a corporation, futures contracts normally specify a certain date for settlement in cash based on the level of the reference rate. As the futures contracts approach expiration, they may be replaced by similar contracts that have a later expiration. This process is referred to as “rolling.” If the market for these contracts is in “contango,” meaning that the prices of futures contracts in the nearer months are lower than the price of contracts in the distant months, the sale of the near-term month contract would be at a lower price than the longer-term contract, resulting in a cost to “roll” the futures contract. The actual realization of a potential roll cost will be dependent upon the difference in price of the near and distant contract. The Fund also must segregate liquid assets or enter into off-setting positions to “cover” open positions in futures contracts. For cash-settled futures contracts, the Fund is permitted to set aside liquid assets in an amount equal to the Fund’s daily marked-to-market net obligations (i.e., the Fund’s daily net liability) under the futures contracts, if any, rather than their full notional value. In addition, futures contracts may be subject to contractual or other restrictions on resale and may lack readily available markets for resale.

- **Commodity-Linked Derivative Risk:** Investments linked to the prices of commodities may be considered speculative. The Fund’s significant investment exposure to commodities may subject the Fund to greater volatility than investments in traditional securities. Volatility is defined as the characteristic of an asset, an index or a market to fluctuate significantly in price within a short time period. The value of commodity-linked instruments typically is based upon the price movements of the underlying commodities. Therefore, the value of such instruments may be volatile and fluctuate widely based on a variety of macroeconomic factors, including changes in overall market movements; domestic and foreign political and economic events, policies and developments; geo-political concerns, war, and acts of terrorism; changes in domestic or foreign interest rates and/or investor expectations concerning interest rates; domestic and foreign inflation rates; consumer supply and demand; and trading activities in commodities, including currency devaluations, market liquidity or the imposition of embargoes, tariffs or other regulatory barriers. The value may fluctuate due to commodity-specific factors, such as weather and climate conditions; natural disasters like drought, flood or livestock

disease; changes in labor conditions and technology; or supply and demand disruptions in major producing or consuming regions. At times, prices fluctuations may be quick and significant and may not correlate to price movements in other asset classes, such as stocks, bonds and cash. Each of these factors and events could have a significant negative impact on the Fund.

- **Management Risk:** A Fund that is actively managed is subject to management risk because it is an actively managed portfolio. In managing a Fund's portfolio securities, the Portfolio Manager applies investment techniques and risk analyses in making investment decisions for a Fund, but there can be no guarantee that these actions will produce the desired results.
- **Industry Concentration Risk:** To the extent that its respective index concentrates in the securities of issuers in a particular industry or sector, certain Funds will concentrate their investments to approximately the same extent. By concentrating its investments in an industry or sector, that Fund faces more risks than if it were invested broadly over numerous industries or sectors. Such industry-based risks may include, but are not limited to, the following: general economic conditions or cyclical market patterns that could negatively affect supply and demand in a particular industry; competition for resources, adverse labor relations, political or world events; obsolescence of technologies; and increased competition or new product introductions that may affect the profitability or viability of companies in an industry. In addition, at times, such industry or sector may be out of favor and underperform other industries or the market as a whole.
- **Currency Risk:** A Fund may invest in non-U.S. dollar denominated equity or fixed income securities of foreign issuers. Because a Fund's net asset value ("NAV") is determined in U.S. dollars, a Fund's NAV could decline if the currency of the non-U.S. market in which a Fund invests depreciates against the U.S. dollar, even if the value of a Fund's holdings, measured in the foreign currency, increases.
- **Foreign Investment Risk:** Investments in the securities of non-U.S. issuers involve risks beyond those associated with investments in U.S. securities. Foreign securities may have relatively low market liquidity, greater market volatility, decreased publicly available information and less reliable financial information about issuers, and inconsistent and potentially less stringent accounting, auditing and financial reporting requirements and standards of practice comparable to those applicable to domestic issuers. Foreign securities also are subject to the risks of expropriation, nationalization, political instability or other adverse political or economic developments and the difficulty of enforcing obligations in other countries. Investments in foreign securities also

may be subject to dividend withholding or confiscatory taxes, currency blockage and/or transfer restrictions and higher transactional costs.

- **Emerging Markets Investment Risk:** The risks of foreign investments are exacerbated in emerging market countries, and investments in the securities of issuers in emerging market countries involve risks often not associated with investments in the securities of issuers in developed countries. Securities in emerging markets may be subject to greater price fluctuations than securities in more developed markets. Emerging markets usually are subject to political and economic instability, uncertainty regarding the existence of trading markets and more governmental limitations on foreign investment than are more developed markets. Securities law in many emerging market countries is relatively new and unsettled. Therefore, laws regarding foreign investment in emerging market securities, securities regulation, title to securities, and shareholder rights may change quickly and unpredictably. In addition, the enforcement of systems of taxation at federal, regional and local levels in emerging market countries may be inconsistent and subject to sudden change.
- **Index Risk:** Unlike many investment companies, many of the Funds do not utilize an investment strategy that seeks returns in excess of an Underlying Index. Therefore, it would not necessarily buy or sell a security unless that security is added or removed, respectively, from the Underlying Index, even if that security generally is underperforming.
- **Market Risk:** Securities held by a Fund are subject to market fluctuations caused by such factors as economic, political, regulatory or market developments, changes in interest rates and perceived trends in securities prices.
- **Market Trading Risk:** The Funds face numerous market trading risks, including the potential lack of an active market for the Shares, losses from trading in secondary markets, and disruption in the creation/redemption process of a Fund. Any of these factors may lead to the Shares trading at a premium or discount to a Fund's net asset value (NAV).
- **Small Capitalization Company Risk:** Investing in securities of small capitalization companies involves greater risk than customarily is associated with investing in larger, more established companies. These companies' securities may be more volatile and less liquid than those of more established companies. These securities may have returns that vary, sometimes significantly, from the overall securities market. Often small capitalization companies and the industries in which they focus are still evolving and, as a result, they may be more sensitive to changing market conditions.

- **Medium Capitalization Company Risk:** Investing in securities of medium capitalization companies involves greater risk than customarily is associated with investing in larger, more established companies. These companies' securities may be more volatile and less liquid than those of more established companies. These securities may have returns that vary, sometimes significantly, from the overall securities market. Often medium capitalization companies and the industries in which they focus are still evolving and, as a result, they may be more sensitive to changing market conditions.
- **Non-Correlation Risk:** A Fund's return may not match the return of the Underlying Index for a number of reasons. For example, a Fund incurs operating expenses not applicable to the Underlying Index, and incurs costs in buying and selling securities, especially when rebalancing a Fund's securities holdings to reflect changes in the composition of the Underlying Index. Because a Fund issues and redeems Creation Units principally for cash, it will incur higher costs in buying and selling securities than if it issued and redeemed Creation Units in-kind. Additionally, a Fund's use of a representative sampling approach may cause a Fund to not be as well correlated with the return of the Underlying Index as would be the case if a Fund purchased all of the securities in the Underlying Index in the proportions represented in the Underlying Index. In addition, the performance of a Fund and the Underlying Index may vary due to asset valuation differences and differences between a Fund's portfolio and the Underlying Index resulting from legal restrictions, costs or liquidity constraints.
- **Non-Diversified Fund Risk:** Because certain Funds are non-diversified and can invest a greater portion of assets in securities of individual issuers than a diversified fund, changes in the market value of a single investment could cause greater fluctuations in Share price than would occur in a diversified fund. This may increase certain Funds' volatility and cause the performance of a relatively small number of issuers to have a greater impact on a Fund's performance.
- **Liquidity Risk:** Liquidity risk exists when a particular investment is difficult to purchase or sell. If an underlying ETF invests in illiquid securities or current portfolio securities become illiquid, it may reduce the returns of such underlying ETF because it may be unable to sell the illiquid securities at an advantageous time or price.
- **Active Trading Risk:** Active trading of portfolio securities may result in added expenses, a lower return and increased tax liability.
- **ADR and GDR Risk:** ADRs are certificates that evidence ownership of shares of a foreign issuer and are alternatives to purchasing directly the underlying foreign securities in their national markets and currencies. GDRs are certificates issued by an international bank that generally are traded and denominated in the currencies of countries

other than the home country of the issuer of the underlying shares. ADRs and GDRs may be subject to certain of the risks associated with direct investments in the securities of foreign companies, such as currency, political, economic and market risks, because their values depend on the performance of the non-dollar denominated underlying foreign securities.

- **Authorized Participant Concentration Risk:** Only an AP may engage in creation or redemption transactions directly with certain Funds. Of these Funds, only a limited institutions that may act as APs on an agency basis (i.e., on behalf of other market participants). Such market makers have no obligation to submit creation or redemption orders; consequently, there is no assurance that market makers will establish or maintain an active trading market for the Shares. In addition, to the extent that APs exit the business or are unable to proceed with creation and/or redemption orders with respect to certain Funds and no other AP is able to step forward to create or redeem Creation Units, the Shares may be more likely to trade at a premium or discount to certain Fund's net asset value ("NAV") and possibly face trading halts and/or delisting.
- **Call Risk:** If interest rates fall, it is possible that issuers of callable securities with high interest coupons will "call" (or prepay) their bonds before their maturity date. If an issuer exercised such a call during a period of declining interest rates, certain Funds may have to replace such called security with a lower yielding security. If that were to happen, certain Fund's net investment income could fall.
- **Cash Transaction Risk:** Most ETFs generally make in-kind redemptions to avoid being taxed on gains on the distributed portfolio securities at the fund level. However, unlike most ETFs, the Fund currently intends to effect creations and redemptions principally for cash, rather than principally in-kind, due to the nature of the Fund's investments. As such, the Fund may be required to sell portfolio securities to obtain the cash needed to distribute redemption proceeds. Therefore, the Fund may recognize a capital gain on these sales that might not have been incurred if the Fund had made a redemption in-kind. This may decrease the tax efficiency of the Fund compared to ETFs that utilize an in-kind redemption process and there may be a substantial difference in the after-tax rate of return between the Fund and conventional ETFs.
- **Changing Fixed Income Market Conditions Risk:** The current historically low interest rate environment was created in part by the Federal Reserve Board ("FRB") and certain foreign central banks keeping the federal funds and equivalent foreign rates at, near below zero. The "tapering" in 2015 of the FRB's quantitative easing program, combined with the FRB's raising of the target range for the Federal

Funds Rate (and continued possible fluctuations in equivalent foreign rates) may expose fixed-income markets to heightened volatility and reduced liquidity for certain fixed-income investments, particularly those with longer maturities, although it is difficult to predict the impact of this rate increase and any future rate increases on various markets. In addition, decreases in fixed-income dealer market-making capacity may persist in the future, potentially leading to heightened volatility and reduced liquidity in the fixed-income markets. As a result, the value of certain Fund's investments and share price may decline. Changes in central bank policies could also result in higher than normal shareholder redemptions, which could potentially increase portfolio turnover rate and the Fund's transaction costs.

- **Commodity Pool Risk:** The Adviser's investments in futures contracts has caused it and the Fund to be deemed commodity pools, thereby subjecting each of the Subsidiary and the Fund to regulation under the Commodity Exchange Act and CFTC rules. The Adviser is registered as a commodity pool operator ("CPO") and as a commodity trading advisor ("CTA"), and will manage both the Fund and the Subsidiary in accordance with CFTC rules, as well as the rules that apply to registered investment companies. Registration as a CPO or CTA subjects the Adviser to additional laws, regulations and enforcement policies, which could increase compliance costs and may affect the operations and financial performance of the Fund or the Subsidiary. Registration as a commodity pool may have negative effects on the ability of the Fund or the Subsidiary to engage in its planned investment program. Additionally, the Subsidiary's positions in futures contracts may have to be liquidated at disadvantageous times or prices to prevent the Fund from exceeding any applicable position limits established by the CFTC. Such actions may subject the Fund to substantial losses.
- **Credit Risk:** The issuer of instruments in which certain Funds invests may be unable to meet interest and/or principal payments. An issuer's securities may decrease in value if its financial strength weakens, which may reduce its credit rating and possibly its ability to meet its contractual obligations. Even in the case of collateralized debt obligations, there is no assurance that the sale of collateral would raise enough cash to satisfy an issuer's payment obligations or that the collateral can or will be liquidated.
- **Cybersecurity Risk:** The Funds, like all companies, may be susceptible to operational and information security risks. Cybersecurity failures or breaches of the Funds or their service providers or the issuers of securities in which the Funds invest, have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, the inability of Fund shareholders to transact business, violations of applicable privacy and other laws, regulatory

finances, penalties, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs. The Funds and their shareholders could be negatively impacted as a result.

- **Fund of Funds Risk:** Because it invests primarily in other funds, certain Fund's investment performance largely depends on the investment performance of the underlying ETFs. An investment in certain Funds is subject to the risks associated with the underlying ETFs. In addition, at times, certain of the segments of the market represented by underlying ETFs in which certain Funds invests may be out of favor and underperform other segments. Certain Funds will indirectly pay a proportional share of the expenses of the underlying ETFs in which it invests (including operating expenses and management fees), in addition to the fees and expenses it already will pay to the Adviser.
- **Global Bonds Risk:** Global bonds are subject to the same risks as other debt securities, notably credit risk, market risk, interest rate risk and liquidity risk. Investments in the securities of non-U.S. issuers involve risks beyond those associated with investments in U.S. securities, including greater market volatility, the availability of less reliable financial information, higher transactional costs, taxation by foreign governments, decreased market liquidity and political instability.
- **High Dividend Paying Securities Risk:** Certain Funds invest in securities that pay high dividends. As a group, these securities can fall out of favor with the market, causing such companies to underperform companies that do not pay high dividends. Also, changes in the dividend policies of the companies in the Underlying Index and the capital resources available for such companies' dividend payments may affect adversely a Fund.
- **High Yield Securities Risk:** High yield securities typically involve greater risk and become less liquid than higher grade issues. Changes in general economic conditions, changes in the financial condition of the issuers and changes in interest rates may adversely impact the ability of issuers of high yield securities to make timely payments of interest and principal.
- **Indian Securities Risk:** Investment in Indian securities involves risks in addition to those associated with investments in securities of issuers in more developed countries, which may adversely affect the value of the Fund's assets. Such heightened risks include, among others, political and legal uncertainty, greater government control over the economy, currency fluctuations or blockage and the risk of nationalization or expropriation of assets. In addition, religious and border disputes persist in India. Moreover, India has experienced civil unrest and hostilities with neighboring countries, including Pakistan, and the

Indian government has confronted separatist movements in several Indian states.

- **Geographic Concentration Risk:** A natural or other disaster could occur in a geographic region in which a Fund invests, which could affect the economy or particular business operations of companies in that specific geographic region and adversely impact a Fund's investments in the affected region.
- **Interest Rate Risk:** Fixed-income securities' prices generally fall as interest rates rise; conversely, fixed-income securities' prices generally rise as interest rates fall.
- **Investment Risk:** As with all investments, an investment in certain Funds is subject to investment risk. Investors in certain Funds could lose money, including the possible loss of the entire principal amount of an investment, over short or long periods of time.
- **Issuer-Specific Changes Risk:** The value of an individual security or particular type of security held by an underlying ETF may be more volatile than the market as a whole and may perform differently from the value of the market as a whole.
- **Momentum Investing Risk:** The momentum style of investing is subject to the risk that the securities may be more volatile than the market as a whole, or that the returns on securities that previously have exhibited price momentum are less than returns on other styles of investing. Momentum can turn quickly, and stocks that previously have exhibited high positive momentum may not experience continued positive momentum. In addition, there may be periods when the momentum style of investing is out of favor and therefore, the investment performance of the Fund may suffer.
- **Mortgage- and Asset-Backed Securities Risk:** Investments in mortgage- and asset-backed securities are subject to prepayment or call risk, which is the risk that payments from the borrower may be received earlier than expected due to changes in the rate at which the underlying loans are prepaid. Securities may be prepaid at a price less than the original purchase value.
- **Municipal Securities Risk:** Litigation, legislation or other political events, local business or economic conditions or the bankruptcy of the issuer could have a significant effect on the ability of an issuer of municipal securities to make payments of principal and/or interest. Political changes and uncertainties in the municipal market related to taxation, legislative changes or the rights of municipal security holders can significantly affect municipal securities. Because many securities are issued to finance similar projects, especially those relating to education, health care, transportation and utilities, conditions in those sectors can affect the overall municipal market. In addition, changes in



the financial condition of an individual municipal issuer can affect the overall municipal market. If the Internal Revenue Service (“IRS”) determines that an issuer of a municipal security has not complied with applicable tax requirements, interest from the security could become taxable and the security could decline significantly in value.

- **Non-Investment Grade Securities Risk:** Non-investment grade securities and unrated securities of comparable credit quality are subject to the increased risk of an issuer’s inability to meet principal and interest payment obligations. These securities may be subject to greater price volatility due to such factors as specific corporate developments, interest rate sensitivity, negative perceptions of the non-investment grade securities markets generally, real or perceived adverse economic and competitive industry conditions and less secondary market liquidity. If the issuer of non-investment grade securities defaults, the Fund may incur additional expenses to seek recovery.
- **Portfolio Turnover Risk:** To the extent that a Fund’s Underlying Index rebalances frequently, a Fund may engage in frequent trading of its Fund or certain Funds securities in connection with the rebalancing or adjustment of its Underlying Index. This may result in a high a Fund or certain Funds turnover rate. A Fund or certain Funds turnover rate of 200%, for example, is equivalent to a Fund buying and selling all of its securities two times during the course of a year. A high Fund turnover rate (such as 100% or more) could result in high brokerage costs. A high Fund or certain Funds turnover rate also can result in an increase in taxable capital gains distributions to a Fund’s shareholders and an increased likelihood that the capital gains will be taxable at ordinary rates.
- **Preferred Securities Risk:** There are special risks associated with investing in preferred securities. Preferred securities may include provisions that permit the issuer, in its discretion, to defer or omit distributions for a certain period of time. If an underlying ETF includes a security that is deferring or omitting its distributions, it may be required to report the distribution on its tax returns, even though it may not have received this income. Further, preferred securities may lose substantial value due to the omission or deferment of dividend payments.
- **REIT Risk:** Although a Fund will not invest in real estate directly, the REITs in which a Fund invests are subject to risks inherent in the direct ownership of real estate. These risks include, but are not limited to, a possible lack of mortgage funds and associated interest rate risks, overbuilding, property vacancies, increases in property taxes and operating expenses, changes in zoning laws, losses due to

environmental damages and changes in neighborhood values and appeal to purchasers.

- **Risk of Investing in Investment Companies:** Because certain Funds may invest in other investment companies, its investment performance may depend on the investment performance of the underlying investment companies in which it invests. An investment in an investment company is subject to the risks associated with that investment company. Certain Funds will pay indirectly a proportional share of the fees and expenses of the investment companies in which it invests (including costs and fees of the investment companies), while continuing to pay its own management fee to the Adviser. As a result, shareholders will absorb duplicate levels of fees with respect to certain Fund's investments in other investment companies.
- **Risk of Investing in Loans:** Investments in loans are subject to interest rate risk and credit risk. Interest rate risk refers to fluctuations in the value of a loan resulting from changes in the general level of interest rates. Credit risk refers to the possibility that the borrower of a loan will be unable and/or unwilling to make timely interest payments and/or repay the principal on its obligation. Default in the payment of interest or principal on a loan will result in a reduction in the value of the loan and consequently a reduction in the value of certain Fund's investments and a potential decrease in the NAV of certain Funds. Although the loans in which certain Funds will invest generally will be secured by specific collateral, there can be no assurance that such collateral would satisfy the borrower's obligation in the event of non-payment of scheduled interest or principal or that such collateral could be readily liquidated. In the event of the bankruptcy of a borrower, certain Fund's access to the collateral may be limited by bankruptcy or other insolvency laws and, therefore, certain Funds could experience delays or limitations with respect to its ability to realize the benefits of the collateral securing a loan. There is no organized exchange on which loans are traded and reliable market quotations may not be readily available. Therefore, elements of judgment may play a greater role in valuation of loans than for securities with a more developed secondary market and certain Funds may not realize full value in the event of the need to sell a loan. To the extent that a secondary market does exist for certain loans, the market may be subject to volatility, irregular trading activity, wide bid/asked spreads, decreased liquidity and extended trade settlement periods. Some loans are subject to the risk that a court, pursuant to fraudulent conveyance or other similar laws, could subordinate the loans to presently existing or future indebtedness of the borrower or take other action detrimental to lenders, including certain Funds, such as invalidation of loans or causing interest previously paid to be refunded to the borrower. Investments in loans also are subject to the risk of changes in

legislation or state or federal regulations. If such legislation or regulations impose additional requirements or restrictions on the ability of financial institutions to make loans, the availability of loans for investment by certain Funds may be adversely affected. Many loans are not registered with the Securities and Exchange Commission (the "SEC") or any state securities commission and often are not rated by any nationally recognized rating service. Generally, there is less readily available, reliable information about most loans than is the case for many other types of securities. Although a loan may be senior to equity and other debt securities in a borrower's capital structure, such obligations may be structurally subordinated to obligations of the borrower's subsidiaries.

- **Sampling Risk:** Certain Fund's use of a representative sampling approach will result in certain Funds holding a smaller number of securities than are in its Underlying Index. As a result, an adverse development respecting to an issuer of securities held by certain Funds could result in a greater decline in NAV than would be the case if certain Funds held all of the securities in its Underlying Index. To the extent the assets in certain Funds are smaller, these risks will be greater.
- **Securities Lending Risk:** Securities lending involves a risk of loss because the borrower may fail to return the securities in a timely manner or at all. If a Fund that lent its securities were unable to recover the securities loaned, it may sell the collateral and purchase a replacement security in the market. Lending securities entails a risk of loss to a Fund if and to the extent that the market value of the loaned securities increases and the collateral is not increased accordingly. Any cash received as collateral for loaned securities will be invested in an affiliated money market fund. This investment is subject to market appreciation or depreciation and a Fund will bear any loss on the investment of its cash collateral.
- **Senior Loans Risk:** The risks associated with senior loans are similar to the risks of junk bonds, although senior loans typically are senior and secured, whereas junk bonds often are subordinated and unsecured. Investments in senior loans typically are below investment grade and are considered speculative because of the credit risk of their issuers. Such companies are more likely to default on their payments of interest and principal owed, and such defaults could reduce certain Fund's NAV and income distributions. An economic downturn generally leads to a higher non-payment rate, and a senior loan may lose significant value before a default occurs. There is no assurance that the liquidation of the collateral would satisfy the claims of the borrower's obligations in the event of the non-payment of scheduled interest or principal, or that the collateral could be readily liquidated. Economic and other events (whether real or perceived) can reduce the

demand for certain senior loans or senior loans generally, which may reduce market prices. Senior loans and other debt securities also are subject to the risk of price declines and to increases in prevailing interest rates, although floating-rate debt instruments such as senior loans in which certain Funds may be expected to invest are substantially less exposed to this risk than fixed-rate debt instruments. No active trading market may exist for certain senior loans, which may impair the ability of certain Funds to realize full value in the event of the need to liquidate such assets. Adverse market conditions may impair the liquidity of some actively traded senior loans. Longer interest rate reset periods generally increase fluctuations in value as a result of changes in market interest rates.

- **Short-Term and Intermediate-Term Bond Risk:** Certain underlying ETFs invest in bonds with short or intermediate terms (i.e., five years or less). The amount of time until a fixed-income security matures can lead to various risks, including changes in interest rates over the life of a bond. Short-term and intermediate-term fixed income securities generally provide lower returns than longer-term fixed income securities. The average maturity of an underlying ETFs investment will affect the volatility of the underlying ETF's share price.
- **Small- and Mid-Capitalization Company Risk:** Investing in securities of small- and mid-capitalization companies involves greater risk than customarily is associated with investing in larger, more established companies. These companies' securities may be more volatile and less liquid than those of more established companies. These securities may have returns that vary, sometimes significantly, from the overall securities market. Often small- and mid-capitalization companies and the industries in which they focus are still evolving and, as a result, they may be more sensitive to changing market conditions.
- **Sovereign Debt Risk:** Risks of sovereign debt (i.e., bonds issued by foreign governments) include the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, and the government debtor's policy towards the International Monetary Fund and the political constraints to which a government debtor may be subject. The governmental authority that controls the repayment of sovereign debt may be unwilling or unable to repay the principal and/or interest when due in accordance with the terms of such securities due to the extent of its foreign reserves. If an issuer of sovereign debt defaults on payments of principal and/or interest, an underlying ETF may have limited legal recourse against the issuer and/or guarantor. In certain cases, remedies must be pursued in the courts of the defaulting party itself, and the underlying ETF's ability to obtain recourse may be limited.

- **Tax Risk:** There is no guarantee that a Fund's income from municipal investments will be exempt from federal or state income taxes. Events occurring after the date of issuance of a municipal bond or after the Fund's acquisition of a municipal bond may result in a determination that interest on that bond is includible in gross income for federal income tax purposes retroactively to its date of issuance. Such a determination may cause a portion of prior distributions by the Fund to its shareholders to be taxable to those shareholders in the year of receipt. Federal or state changes in income or alternative minimum tax rates or in the tax treatment of municipal bonds may make municipal bonds less attractive as investments and cause them to lose value.
- **Tracking Error Risk:** The performance of the Fund may diverge from that of the Underlying Index for a number of reasons, including operating expenses, transaction costs, cash flows and operational inefficiencies. The Fund's return also may diverge from the return of the Underlying Index because the Fund bears the costs and risks associated with buying and selling securities (especially when rebalancing the Fund's securities holdings to reflect changes in the Underlying Index) while such costs and risks are not factored into the return of the Underlying Index. Transaction costs, including brokerage costs, will decrease the Fund's NAV to the extent not offset by the transaction fee payable by an AP. Market disruptions and regulatory restrictions could have an adverse effect on the Fund's ability to adjust its exposure to the required levels in order to track the Underlying Index. In addition, the Fund may use a representative sampling approach, which may cause the Fund's returns to not be as well correlated with the return of the Underlying Index as would be the case if the Fund purchased all of the securities in the Underlying Index in the proportions represented in the Underlying Index. Errors in the Underlying Index data, the Underlying Index computations and/or the construction of the Underlying Index in accordance with its methodology may occur from time to time and may not be identified and corrected by Invesco Indexing for a period of time or at all, which may have an adverse impact on the Fund and its shareholders. In addition, the Fund may be unable to invest in certain securities included in the Underlying Index, or invest in them in the exact proportions in which they are represented in the Underlying Index, due to legal restrictions or limitations imposed by the governments of certain countries, a lack of liquidity in markets in which such securities trade, potential adverse tax consequences or other regulatory reasons. To the extent the Fund calculates its NAV based on fair value prices and the value of the Underlying Index is based on the securities' closing prices (i.e., the value of the Underlying Index is not based on fair value prices), the Fund's ability to track the Underlying Index may be adversely affected. For tax efficiency purposes, the Fund may sell certain securities, and such sale may cause the Fund to realize a loss

and, thus, the Fund's performance to deviate from the performance of the Underlying Index. In light of the factors discussed above, the Fund's return may deviate significantly from the return of the Underlying Index.

- **U.S. Government Obligations Risk:** U.S. Government securities include securities that are issued or guaranteed by the United States Treasury, by various agencies of the U.S. Government, or by various instrumentalities which have been established or sponsored by the U.S. Government. U.S. Treasury securities are backed by the "full faith and credit" of the United States. Securities issued or guaranteed by federal agencies and U.S. Government-sponsored instrumentalities may or may not be backed by the full faith and credit of the United States. In the case of those U.S. Government securities not backed by the full faith and credit of the United States, the investor must look principally to the agency or instrumentality issuing or guaranteeing the security for ultimate repayment, and may not be able to assert a claim against the United States itself in the event that the agency or instrumentality does not meet its commitment. The U.S. Government, its agencies and instrumentalities do not guarantee the market value of their securities, and consequently, the value of such securities may fluctuate.
- **Valuation Risk:** Financial information related to securities of non-U.S. issuers may be less reliable than information related to securities of U.S. issuers, which may make it difficult to obtain a current price for a non-U.S. security held by a Fund. In certain circumstances, market quotations may not be readily available for some Fund securities, and those securities may be fair valued. The value established for a security through fair valuation may be different from what would be produced if the security had been valued using market quotations. Fund securities that are valued using techniques other than market quotations, including "fair valued" securities, may be subject to greater fluctuation in their value from one day to the next than would be the case if market quotations were used. In addition, there is no assurance that a Fund could sell a Fund or certain Funds security for the value established for it at any time, and it is possible that a Fund would incur a loss because a security is sold at a discount to its established value.
- **Valuation Time Risk:** Certain underlying ETFs may invest in foreign bonds and, because foreign exchanges may be open on days when those underlying ETFs do not price their Shares, the value of such non-U.S. securities may change on days when you will not be able to purchase or sell your Shares. As a result, trading spreads and the resulting premium or discount on the Shares may widen, and, therefore, increase the difference between the market price of the Shares and the NAV of such Shares.

## Item 9 Disciplinary Information

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### *Legal and Disciplinary*

The Adviser and its employees have not been involved in legal or disciplinary events in the past 10 year period.

## Item 10 Other Financial Industry Activities and Affiliations

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### *Financial Industry Activities*

ICM is a member of the National Futures Association (“NFA”) and is registered with the NFA as a Commodity Pool Operator and Commodity Trading Advisor.

### *Affiliations*

ICM is an indirect wholly owned subsidiary of Invesco Ltd. Invesco Ltd. wholly owns other SEC registered investment advisers, all of whom are disclosed through ICM’s ADV Part 1. Invesco Capital Markets, Inc. (“ICMI”) and Invesco Distributors, Inc. (“IDI”) are wholly owned subsidiaries of Invesco Advisers, Inc. ICMI and IDI are registered broker-dealers with the Securities and Exchange Commission under the Securities Exchange Act of 1934 and are members of the Financial Industry Regulatory Authority (“FINRA”), the Municipal Securities Rulemaking Board (“MSRB”) and the Securities Investor Protection Corporation (“SIPC”).

IDI is the distributor of creation units for certain investment portfolios of the ICM Exchange-Traded Fund Trusts, the Commodity Pools, QQQs and BLDRS on an agency basis and for certain unregistered offerings including money market funds.

ICMI introduces transactions on a fully disclosed basis for affiliated products including the ICM Funds. As introducing broker, ICMI trades equity securities solely on an agency basis and does not hold positions in these securities on behalf of the affiliated products. A third-party clearing firm provides custodial and clearing services to ICMI for these transactions.

The Funds may invest in money market funds that are managed by affiliates of ICM.

### *Affiliated Index Provider*

Invesco Ltd., the parent of the Adviser, has created a self-indexing unit, Invesco Indexing, LLC, to create indexes in accordance with the exemptive order. The Adviser sponsors ETFs that track or otherwise benchmark its performance against such indexes. As an affiliated person of the Adviser, Invesco Indexing, LLC could be considered an affiliated index provider. This relationship raises potential conflicts of interest for recommendations of the Adviser’s ETFs or other products. The affiliated index provider will not provide recommendations to the Adviser regarding the purchase or sale of specific securities. In addition, the affiliated index provider will not provide any information to the Adviser relating to changes to an index’s methodology for the inclusion of component securities, the inclusion or exclusion of specific component securities, or the methodology for the calculation or the return of component securities, in advance of a public announcement of such changes by the affiliated index provider.

### *Third Party Trading Platform*

Invesco Advisers, an affiliate of ICM, owns 4.9% of the voting securities of Luminex Trading & Analytics LLC (“Luminex”), a joint venture with other asset managers. The Luminex

trading platform is designed to serve as an alternative trading system with specific minimum trading thresholds to allow institutional investors to trade large blocks of shares. A senior Invesco employee is a member of Luminex's Board of Directors.

## Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

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### *Code of Ethics*

The employees of ICM have a written Code of Ethics (the "Code") and Policy Statement on Insider Trading Prohibitions. The Code is administered by the Compliance Department. The Compliance Department is responsible for interpreting the provisions of the Code, for adopting and implementing rules and procedures, for enforcing the provisions of the Code and for determining whether violations of the Code or of any such rules and procedures have occurred. The Code is available for review upon request.

### *Participation or Interest in Client Transactions*

ICM and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades subject to the Code of Ethics. Employees comply with the provisions of the Code, Code of Conduct, Insider Trading Policy and Pay to Play Policies.

### *Personal Trading*

All pre-clearance, reporting and certifications under the Code by access persons of the Adviser are processed through an electronic records system. A team of compliance professionals administers and manages the Code. The Chief Compliance Officer meets with the manager of this team periodically to review reports and discuss enhancements to its practices.

## Item 12 Brokerage Practices

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### *Selecting Brokerage Firms*

The Adviser has entered into a Delegation Agreement ("Delegation Agreement") with Invesco Ltd. to delegate to the Invesco Global Trading Desk ("Trading Desk") certain responsibilities and obligations with respect to placing orders with brokers on behalf of all Funds for which the Adviser would otherwise be responsible. Under the terms of the Delegation Agreement, the Trading Desk has the ultimate responsibility for broker selection for all equity trades, and the Adviser oversees Invesco Ltd.'s performance under the Delegation Agreement. The Trading Desk maintains a list of approved brokerage firms in accordance with the Adviser's Broker Selection Criteria and Procedures. Generally, trades in fixed income securities are executed by the portfolio manager of the Fund. From time to time, trades in fixed income securities may be executed by the Trading Desk. Trades for the Funds of the Commodity Trust and the Commodity Pools (except currency securities, which are also traded by the Global Trading Desk) are executed by a specific commodity trader, who, in accordance with the Adviser's Independent Account Controller Policies and Procedures, is both physically and technologically separated from the commodity products



managed by affiliated entities of Invesco Ltd.

Invesco Advisers, whose traders are part of the Trading Desk, may execute trades for the ICM Funds and other advisory clients through the Luminex trading platform. Invesco Advisers owns 4.9% of the voting securities of Luminex. Invesco Advisers does not receive any compensation from Luminex for the execution of any client trades, however, Invesco Advisers will receive dividends from Luminex for such period of time until Invesco Advisers has recouped its initial investment in Luminex. While selecting Luminex for execution could potentially create an appearance of a conflict of interest, Invesco Advisers is subject to a fiduciary obligation and manages each client's assets solely in the client's best interests.

Invesco Advisers may use an affiliated broker, ICMI, to execute trades for the Funds and other advisory clients for whom Invesco Advisers has discretion to select broker dealers to execute transactions and to negotiate commissions with these broker dealers. ICMI is registered as a broker under the Securities Exchange Act of 1934, as amended and is a member of FINRA. ICMI and Invesco Advisers are both indirect subsidiaries of Invesco Ltd. and, as such, affiliates of ICM.

Invesco Advisers' trading department will determine if advisory client trades should be sent to unaffiliated broker dealers, including Luminex, or to ICMI. Invesco Advisers will not use trades with ICMI or Luminex to generate soft dollar credits. Invesco will only use the Affiliated Broker in circumstances where Invesco has received permission to send trades to the affiliated broker and has determined that it can provide the same or better execution than an unaffiliated broker. Transactions executed by ICMI on behalf of investment company clients are effected in accordance with Rule 17e-1 under the 1940 Act, and procedures approved by each Trust's Board of Trustees.

Invesco Advisers will act in good faith and with due diligence in the selection, use and monitoring of such affiliates, subsidiaries and agents. Invesco Advisers is responsible for our obligations and for all actions of any affiliate, subsidiary, agent or third party to the same extent as Invesco Advisers is responsible for its own actions.

#### *Best Execution*

The Adviser, on behalf of the Funds, has as its primary consideration obtaining the most favorable prices and efficient execution for clients' transactions. This consideration is applied differently for each of the three groups of Funds managed by the Adviser: equity Funds (both domestic and international equity), including actively managed equity Funds that trade in derivatives, fixed-income Funds and commodity funds (Funds that are series of the Commodity Trust and the Commodity Pools).

For equity Funds, the following factors are considered in seeking the most favorable price and execution: the order instruction, the price of the security, the size of the transaction in relation to the average volume, the nature of the market for the security, the timing of the transaction taking into account market prices and trends, the reputation, experience and financial stability of the broker and the quality of the services rendered by the broker in other transactions.

For fixed-income Funds, a determination of best execution is harder to quantify since most securities are not executed through an exchange. When trading fixed income securities,

portfolio managers take into account the price, yield, credit-rating, size and issuer. The process often includes soliciting bids from multiple brokers to ensure that the best possible price is achieved.

The Adviser monitors the trade execution, brokerage allocations and commissions of the Trading Desk through daily contact between the Adviser's portfolio management team (under the overall direction of the lead portfolio manager) and through the Adviser's Brokerage Committees. The Adviser has established two Brokerage Committees, one for the Commodity Trust and related products and one for all other Trusts (The "Brokerage Committees"). Both Brokerage Committees consist of employees from the Adviser's portfolio management, the Trading Desk, US Invesco compliance and senior management of Invesco and the Adviser. For the Commodity Trust the Commodity Pools, the Adviser relies on specific exemptions to allow disaggregation between commodity investments at Invesco and commodity investments at ICM for the purpose of calculating position limits. Accordingly, the Adviser created a separate Brokerage Committee for the Commodity Trust that does not include Invesco traders.

The Brokerage Committees meet quarterly to review reports constructed with trade-level data to monitor and maintain explicit and implicit transaction costs within expectation. The factors noted previously are considered when assessing best execution and determining broker performance. Additionally, the Adviser executes a portion of the rebalance trades through the in-kind process and monitors these trades for liquidity and price impact, though this is beyond the scope of the formal best execution analysis. Notwithstanding this fact, the Brokerage Committee will review reports (on a post-trade basis) with respect to the custom in-kind baskets used each quarter to determine whether such in-kind baskets are consistent with the Adviser's best execution obligations.

#### *Soft Dollars*

The Adviser does not currently participate in any soft dollar transactions, commission recapture or directed brokerage for trades executed on behalf of the Trusts or any accounts to which it serves as a sub-adviser.

#### *Order Aggregation*

If the purchase or sale of portfolio securities by more than one Fund or other clients supervised by the Adviser, or in certain circumstances other clients of Invesco Ltd. whose trades are executed by the Trading Desk, are considered at or about the same time, transactions in such securities may be aggregated if such aggregation would be consistent with the Adviser's trading policies and best execution obligations. Such aggregated trades are allocated in a pro rata manner across all accounts at an average price and commission rate. If there is a partial fill or de minimis fill, a pro rata allocation would also be applied.

#### *Cross Trades*

From time to time, ICM may effect securities transactions between the Funds (commonly known as cross trades) which take place for no consideration other than cash payment against prompt delivery of the security for which market quotations are readily available. Cross trades involving Funds registered under the Investment Company Act of 1940 are effected in accordance with Rule 17a-7 and relevant procedures approved by each Trust's Board of Trustees.

## Item 13 Review of Accounts

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### *Periodic Reviews*

The Adviser's portfolio management team reviews the Funds on a daily basis.

### *Review Triggers*

Each Fund is reviewed by the portfolio management team each day the New York Stock exchange is open.

### *Regular Reports*

ICM produces annual and semi-annual reports for each Fund based on the Fund's fiscal year end as required by the SEC rules. ICM produces quarterly and annual reports for the Commodity Pools as required by SEC rules. For QQQs and BLDRS, ICM produces annual reports per SEC requirement.

## Item 14 Client Referrals and Other Compensation

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### *Incoming Referrals*

ICM does not receive client referrals.

### *Referrals*

ICM does not accept referral fees or any form of remuneration from other professionals.

### *Other Compensation*

None.

## Item 15 Custody

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### *Account Statements*

ICM does not maintain shareholder accounts; therefore, ICM does not send out account statements.

### *Performance Reports*

ICM maintains a public website which provides daily, monthly and quarterly performance information for each Fund, Commodity Pool and QQQs and BLDRS.

### *Net Worth Statements*

ICM does not maintain shareholder accounts; therefore, ICM does not send out net worth statements.

## Item 16 Investment Discretion

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### *Discretionary Authority for Trading*

ICM accepts discretionary authority to manage securities accounts on behalf of all the accounts that it manages, except QQQs and BLDRS, whose assets are supervised on a non-discretionary basis. ICM has the authority to determine the securities to be bought or sold, and the amount of the securities to be bought or sold. However, for accounts that

seek to replicate an Underlying Index, the buying and selling of securities is done to replicate the Underlying Index.

*Limited Power of Attorney*

ICM does not have a limited power of attorney.

## Item 17 Voting Client Securities

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*Proxy Voting*

ICM has proxy voting policies with respect to securities owned by the Funds for which it serves as investment adviser or sub-adviser and has been delegated the authority to vote proxies. The Adviser votes proxies by utilizing the procedures and mechanisms outlined in the Global Invesco Policy. The Global Invesco Policy is overseen by the Invesco Proxy Advisory Committee which also orchestrates the review and analysis of proxy voting matters while maintaining the Fund specific guidelines below:

- Overlapping Securities
- Non-Overlapping Securities
- Proxy Constraints
- Exemptive relief, and
- Conflicts of Interest

## Item 18 Financial Information

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*Financial Condition*

ICM does not have any financial impairment that will preclude the Adviser from meeting its contractual commitments.