



Invesco Capital Management LLC Brochure

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(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. Additional information may be obtained from the Invesco ETFs website at www.invesco.com/ETFs.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”), or by any state securities authority. Additional information about ICM is available on the SEC’s website at 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.

March 26, 2020

Item 2 Material Changes

Material Changes since the Last Annual Updating Amendment made on March 28, 2019:

Assets under management listed in Item 4 has been updated as of December 31, 2019. Item 8 of this Brochure has been updated to include the addition of new risk disclosures and amendments to existing disclosures.

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.

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Item 4 Advisory Business

Firm Description

Invesco Capital Management LLC was founded in 2003.

ICM is the investment adviser to the exchange-traded funds (the “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 seeks to track the investment results, before fees and expenses, of an index (the “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 seeks to track the investment results, before fees and expenses, of an Underlying 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 seek to track the investment results of 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”) and seeks to track 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 (the “CurrencyShares”) 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 are not registered under the Investment Company Act of 1940. However, unlike the Commodity Pools, the CurrencyShares are not subject to regulation by the CFTC or the National Futures Association (the “NFA”).

ICM provides portfolio management and certain portfolio operations support (“sub-advisory services”) to four affiliates: Invesco Investment Management Ltd. (“IIML”), Invesco Canada Ltd. (“Invesco Canada”), Invesco Advisers, Inc. (“Invesco Advisers”) and Invesco Asset Management (Japan) Limited (“IAMJ”). ICM is also a sub-adviser to a fund managed by Lincoln Investment Advisors Corporation (“LIAC”), an unaffiliated investment adviser.

ICM also serves as the sponsor to the Invesco QQQ Trust, Series 1 (the “QQQ”) and the Invesco BLDRS Index Funds Trust (the “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 QQQ 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 QQQ and BLDRS for purposes of determining the net asset value, and (b) rebalancing of and adjustments to the QQQ and BLDRS portfolios.

As of December 31, 2019, ICM managed \$134,180,766,962 in discretionary assets for the Trusts and \$2,777,156,055 in assets for the Commodity Pools. Additionally, ICM provided portfolio management sub-advisory services to IIML with aggregate assets of \$8,096,998,403, Invesco Canada with aggregate assets of \$3,200,581,932, IAMJ with aggregate assets of \$9,824,269 and LIAC with aggregate assets of \$148,922,523. ICM provided sub-advisory services for a separately managed account, two sleeves of the Invesco Multi-Asset Income Fund and the Invesco U.S. Managed Volatility Fund, advised by Invesco Advisers totaling \$818,820,490. Lastly, non-discretionary assets of the QQQ, BLDRS and the CurrencyShares totaled \$87,215,428,931, \$204,672,250 and \$989,758,159 respectively.

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. ("Invesco"), 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/or certain portfolio operations support to IIML, Invesco Canada, Invesco Advisers, IAMJ and LIAC, pursuant to sub-advisory agreements with each of the respective advisers. ICM provides discretionary investment advice to institutional clients as a sub-adviser to separately managed accounts advised by IAI pursuant to the terms of individually negotiated investment management agreements. The investment objectives and guidelines applicable to separate accounts may be customized by each separate account client.

Item 5 Fees and Compensation

Description

ICM receives fees from each of the Funds for the investment advisory services it provides. Advisory fees for certain Funds 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 Funds that do not pay fees pursuant to the

management fee/cap structure described in the previous sentences, ICM charges these Funds a set unitary fee, based on a fraction of a percent of assets under management (the “Unitary Fee Structure”). Please refer to the prospectus or statement of additional information of each Fund for a more detailed description of fees.

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 pool. 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.

ICM serves as sub-adviser to certain funds and separate accounts managed by affiliated and unaffiliated investment advisers and shares management fees pursuant to the terms of applicable sub-advisory agreements.

Fee Billing

ICM does not bill the Funds and Commodity Pools, however, expenses for the management fee and unitary fee are accrued daily for each Fund/Commodity Pool. The fees are deducted from the assets of each Fund/Commodity Pool and disbursed to ICM on a monthly basis. The Annual Fund/Commodity Pool Operating Expenses, 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 (“APs”) and are not deducted from the assets of the Funds or Commodity Pools.

Item 6 Performance-Based Fees and Side-by-Side Management

ICM does not charge performance-based fees.

Item 7 Types of Clients

Description

ICM serves as investment adviser to the Funds organized under the Trusts; Managing Owner, CPO and CTA to the Commodity Pools; sponsor to the QQQ and BLDRs; sole

member of the Sponsor to the CurrencyShares; and provides certain sub-advisory portfolio management support for funds and separate accounts to affiliated advisers (IIML, Invesco Canada, Invesco Advisers and IAMJ) and an unaffiliated adviser (LIAC).

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

Methods of Analysis

For ICM's Index-Based ETFs, Self-Indexed ETFs and certain separate accounts, the Adviser or an affiliated sub-adviser seeks to track the investment results, before fees and expenses, of an Underlying Index. For many of the Index-Based ETFs and certain Self-Indexed ETFs, ICM employs a "full replication" methodology, meaning the 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 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 the Underlying Index of certain Index-Based ETFs and Self-Indexed ETFs, ICM utilizes a sampling methodology as its primary approach in seeking to track such Underlying Indexes.

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 track their respective Commodity Indexes.

For the Actively Managed ETFs, the Adviser or affiliated sub-adviser does not seek to track the investment results of 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, or investment management agreement for separate accounts. Each Fund's prospectus may be viewed at www.invesco.com/ETFs or obtained for free by calling 800.983.0903.

Risk of Loss

Investing in securities involves risk of loss that ICM's clients should be prepared to bear. Investors should carefully consider investment objectives, 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. 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 include:

- **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 a Fund holds. In addition, equity risk includes the risk that investor sentiment toward one or more industries will become negative, resulting in those investors exiting their investments in those industries, which could cause a reduction in the value of companies in those industries more broadly. 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:** Futures contracts are typically exchange-traded contracts that call for the future delivery of an asset at a certain price and date, or cash settlement (payment of the gain or loss on the contract). Futures are often used to manage or hedge risk because they enable the investor to buy or sell an asset in the future at an agreed-upon price and for other reasons such as to manage exposure to changes in interest rates and bond prices; as an efficient means of adjusting overall exposure to certain markets; in an effort to enhance income; to protect the value of portfolio securities; and to adjust portfolio duration. Risks of futures contracts may be caused by an imperfect correlation between movements in the price of the instruments and the price of the underlying securities. In addition, there is the risk that a Fund may not be able to enter into a closing transaction because of an illiquid market. Futures markets can be highly volatile and the use of futures may increase the volatility of a Fund's NAV. Exchanges can limit the number of options that can be held or controlled by a Fund or the Adviser, thus limiting the ability to implement a Fund's strategies. Futures are also subject to leveraging risk and can be subject to liquidity risk.
- **Commodity-Linked Derivative Risk:** Investments linked to the prices of commodities may be considered speculative. A Fund's significant investment exposure to commodities may subject a Fund to greater volatility than investments in traditional securities. Therefore, the value of such instruments may be volatile and fluctuate widely based on a variety of macroeconomic factors or commodity-specific factors. At times, price fluctuations may be quick and significant and may not correlate to price movements in other asset classes, such as stocks, bonds and cash.
- **Management Risk:** A Fund is subject to management risk because it is an actively managed portfolio. In managing a Fund's portfolio holdings, the Adviser applies investment techniques and risk analyses in making investment decisions for a Fund, but there can be no guarantee that these will produce the desired results.

- **Industry Concentration Risk:** In following its methodology, the Underlying Index from time to time may be concentrated to a significant degree in securities of issuers operating in a single industry or industry group. To the extent that the Underlying Index concentrates in the securities of issuers in a particular industry or industry group, a Fund will also concentrate its investments to approximately the same extent. By concentrating its investments in an industry or industry group, a Fund may face more risks than if it were diversified broadly over numerous industries or industry groups. Such industry-based risks, any of which may adversely affect the companies in which a Fund invests, may include, but are not limited to, legislative or regulatory changes, adverse market conditions and/or increased competition within the industry or industry group. In addition, at times, such industry or industry group may be out of favor and underperform other industries, industry groups or the market as a whole.
- **Currency Risk:** Certain Funds will invest in non-U.S. dollar denominated equity securities of foreign issuers. Because each Fund's 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. Generally, an increase in the value of the U.S. dollar against a foreign currency will reduce the value of a security denominated in that foreign currency, thereby decreasing a Fund's overall NAV. In addition, fluctuations in the exchange values of currencies could affect the economy or particular business operations of companies in a geographic region in which a Fund invests, causing an adverse impact on a Fund. As a result, investors have the potential for losses regardless of the length of time they intend to hold Shares

When a Fund receives income in foreign currencies, a Fund will compute and distribute its income in U.S. dollars, and the computation of income will be made on the date that a Fund earns the income at the foreign exchange rates in effect on that date. Therefore, if the values of the relevant foreign currencies fall relative to the U.S. dollar between the earning of the income and the time at which those Funds convert the foreign currencies to U.S. dollars, a Fund may be required to liquidate securities in order to make distributions if they have insufficient cash in U.S. dollars to meet distribution requirements.

Furthermore, a Fund may incur costs in connection with conversions between U.S. dollars and foreign currencies. Foreign exchange dealers realize a profit based on the difference between the prices at which they are buying and selling various currencies. Thus, a dealer normally will offer to sell a foreign currency to a Fund at one rate, while offering a lesser rate of exchange should a Fund desire immediately to resell that currency to the dealer. Such Funds will conduct their foreign

currency exchange transactions either on a spot (i.e., cash) basis at the spot rate prevailing in the foreign currency exchange market, or through entering into forwards, futures or options contracts to purchase or sell foreign currencies.

- **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:** 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 Funds do not utilize an investing strategy that seeks returns in excess of an Underlying Index. Therefore, a Fund would not necessarily buy or sell a security unless that security is added or removed, respectively, from its Underlying Index, even if that security generally is underperforming. Additionally, a Fund rebalances its portfolio in accordance with its Underlying Index, and, therefore, any changes to the Underlying Index's rebalance schedule will result in corresponding changes to the Fund's rebalance schedule.
- **Market Risk:** Securities held by a Fund are subject to market fluctuations. You should anticipate that the value of the Shares will decline, more or less, in correlation with any decline in value of the

securities in a Fund's portfolio. Additionally, natural or environmental disasters, widespread disease or other public health issues, war, acts of terrorism or other events could result in increased premiums or discounts to the Fund's NAV.

- **Market Trading Risk:** A Fund faces 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 NAV.
- **Natural Disaster/Epidemic Risk:** Natural or environmental disasters, such as earthquakes, fires, floods, hurricanes, tsunamis and other severe weather-related phenomena generally, and widespread disease, including pandemics and epidemics, have been and can be highly disruptive to economies and markets, adversely impacting individual companies, sectors, industries, markets, currencies, interest and inflation rates, credit ratings, investor sentiment, and other factors affecting the value of the Funds' investments. Given the increasing interdependence among global economies and markets, conditions in one country, market, or region are increasingly likely to adversely affect markets, issuers, and/or foreign exchange rates in other countries, including the U.S. These disruptions could prevent the Funds from executing advantageous investment decisions in a timely manner and negatively impact the Funds' ability to achieve their investment objectives. Any such event(s) could have a significant adverse impact on the value and risk profile of the Funds.
- **Coronavirus and Public Health Emergencies:** As of the date of this filing, there is an outbreak of a novel and highly contagious form of coronavirus ("COVID-19"), which the World Health Organization has declared constitutes a "Public Health Emergency of International Concern." The outbreak of COVID-19 has resulted in numerous deaths, adversely impacted global commercial activity and contributed to significant volatility in certain equity and debt markets. Measures taken by national and regional governments, states, districts and municipalities, as well as the general uncertainty surrounding the dangers and impact of COVID-19, are creating significant disruption in supply chains and economic activity. As COVID-19 continues to spread, the potential impacts, including a global, regional or other economic recession, are increasingly uncertain and difficult to assess.

Any public health emergency, including any outbreak of COVID-19, SARS, H1N1/09 flu, avian flu, other coronavirus, ebola or other existing or new epidemic diseases, or the threat thereof, could have a significant impact on ICM and its client accounts. The extent of the impact of COVID-19 or any other public health emergency on the operational and financial performance of ICM's client accounts will

depend on many factors, including the duration and scope of such public health emergency, the extent of any related travel advisories and restrictions implemented, the impact of such public health emergency on overall supply and demand, goods and services, investor liquidity, consumer confidence and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. The effects of a public health emergency may materially and adversely impact the value and performance of the investments held in any client accounts as well as the ability of ICM to source, manage and divest investments and achieve the investment objectives of its clients, all of which could result in significant losses to such clients. In addition, the operations of ICM and/or its affiliates may be significantly impacted, or even halted, either temporarily or on a long-term basis, as a result of government quarantine and curfew measures, voluntary and precautionary restrictions on travel or meetings and other factors related to a public health emergency, including its potential adverse impact on the health of any such entity's personnel.

- **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. To the extent 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 a Fund's 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 a Fund invests in illiquid securities or current portfolio securities become illiquid, it may reduce the returns of

the Fund because the Fund 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.

Certain countries may limit the ability to convert ADRs into the underlying foreign securities and vice versa, which may cause the securities of the foreign company to trade at a discount or premium to the market price of the related ADR. ADRs may be purchased through “sponsored” or “unsponsored” facilities. A sponsored facility is established jointly by a depositary and the issuer of the underlying security. A depositary may establish an unsponsored facility without participation by the issuer of the deposited security. Unsponsored receipts may involve higher expenses and may be less liquid. Holders of unsponsored ADRs generally bear all the costs of such facilities, and the depositary of an unsponsored facility frequently is under no obligation to distribute shareholder communications received from the issuer of the deposited security or to pass through voting rights to the holders of such receipts in respect of the deposited securities.

GDRs can involve currency risk since, unlike ADRs, they may not be U.S. dollar-denominated.

- Affiliated Index Provider Risk: To the extent the Index Provider of an Underlying Index is an affiliated person of the Adviser, it may pose the appearance of a conflict of interest. For example, a potential conflict could arise between an affiliated person of the Index Provider or the Adviser and a Fund if that entity attempted to use information regarding changes and composition of an Underlying Index to the detriment of a Fund. Additionally, potential conflicts could arise with respect to the personal trading activity of personnel of the affiliated person who may have access to, or knowledge of, pending changes to an Underlying Index’s composition methodology or the constituent securities in an Underlying Index prior to the time that information is publicly disseminated. If shared, such knowledge could facilitate “front-running” (which describes an instance in which other persons trade

ahead of a Fund). Although the Adviser and the Index Provider have taken steps designed to ensure that these potential conflicts are mitigated (e.g., via the adoption of policies and procedures that are designed to minimize potential conflicts of interest and the implementation of informational barriers designed to minimize the potential for the misuse of information about an Underlying Index), there can be no assurance that such measures will be successful.

- **Authorized Participant Concentration Risk:** Only authorized participants (“APs”) may engage in creation or redemption transactions directly with a Fund. A Fund has a limited number of institutions that may act as APs, and such APs have no obligation to submit creation or redemption orders. Consequently, there is no assurance that those APs will establish or maintain an active trading market for the Shares. This risk may be heightened to the extent that securities underlying a Fund are traded outside a collateralized settlement system. In that case, APs may be required to post collateral on certain trades on an agency basis (i.e., on behalf of other market participants), which only a limited number of APs may be able to do. In addition, to the extent that APs exit the business or are unable to proceed with processing creation and/or redemption orders with respect to a Fund and no other AP is able to step forward to create or redeem Creation Units (as defined below), this may result in a significantly diminished trading market for Shares, which may be more likely to trade at a premium or discount to a Fund’s NAV and to face trading halts and/or delisting. Investments in non-U.S. securities, which may have lower trading volumes, may increase this risk.
- **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 exercises such a call during a period of declining interest rates, a Fund may have to replace such called security with a lower yielding security. If that were to happen, a 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, a Fund may also effect creations and redemptions principally for cash, rather than principally in-kind, due to the nature of a Fund’s investments. As such, a Fund may be required to sell portfolio securities to obtain the cash needed to distribute redemption proceeds. Therefore, a Fund may recognize a capital gain on these sales that might not have been incurred if a Fund had made a redemption in-kind. This may decrease the tax efficiency of a 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 a Fund and conventional ETFs.

- **Changing Global 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 or below zero. The “tapering” in 2015 of the FRB’s quantitative easing program, combined with the FRB’s changes to 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 also potentially lead to heightened volatility and reduced liquidity in the fixed-income markets. As a result, the value of a 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 a Fund’s transaction costs.
- **China Investment Risk:** The value of securities of companies that derive the majority of their revenues from China is likely to be more volatile than that of other issuers. The economy of China differs, often unfavorably, from the U.S. economy in such respects as structure, general development, government involvement, wealth distribution, rate of inflation, growth rate, allocation of resources and capital reinvestment, among others. Under China’s political and economic system, the central government has historically exercised substantial control over virtually every sector of the Chinese economy through administrative regulation and/or state ownership. Since 1978, the Chinese government has been, and is expected to continue, reforming its economic policies, which has resulted in less direct central and local government control over the business and production activities of Chinese enterprises and companies. Notwithstanding the economic reforms instituted by the Chinese government and the Chinese Communist Party, actions of the Chinese central and local government authorities continue to have a substantial effect on economic conditions in China, which could affect its public and private sector companies. In the past, the Chinese government has, from time to time, taken actions that influenced the prices at which certain goods may be sold, encouraged companies to invest or concentrate in particular industries, induced mergers between companies in certain industries and induced private companies to publicly offer their securities to increase or continue the rate of economic growth, controlled the rate of inflation or otherwise regulated economic expansion. It may do so in the future as well. Further, health events, such as the recent coronavirus outbreak, may cause uncertainty and volatility in the Chinese economy, especially in the consumer

discretionary (leisure, retail, gaming, tourism), industrials, and commodities sectors. As a result, Chinese markets generally continue to experience inefficiency, volatility and pricing anomalies. Further, health events, such as the recent coronavirus outbreak, may cause uncertainty and volatility in the Chinese economy, especially in the consumer discretionary (leisure, retail, gaming, tourism), industrials, and commodities sectors. In addition, any reduction in spending on Chinese products and services, institution of tariffs or other trade barriers or a downturn in any of the economies of China's key trading partners may have an adverse impact on the Chinese economy.

- **Stock Connect Risk:** Investments in China A-shares listed and traded through Stock Connect Programs involve unique risks. The Stock Connect Programs are relatively new and there is no guarantee that they will continue. Trading through Stock Connect Programs is subject to daily quotas that limit the maximum daily net purchases and daily limits on permitted price fluctuations. Trading suspensions are more likely in the A-shares market than in many other global equity markets. There can be no assurance that a liquid market on an exchange will exist. In addition, investments made through Stock Connect Programs are subject to comparatively untested trading, clearance and settlement procedures. Stock Connect Programs are available only on days when markets in both China and Hong Kong are open. A Fund's ownership interest in Stock Connect Programs securities will not be reflected directly, and thus a Fund may have to rely on the ability or willingness of a third party to enforce its rights. Investments in Stock Connect Program A-shares are generally subject to Chinese securities regulations and listing rules, among other restrictions. Hong Kong investor compensation funds, which protect against trade defaults, are unavailable when investing through Stock Connect Programs. Uncertainties in Chinese tax rules could also result in unexpected tax liabilities for a Fund.
- **Commodity Pool Risk:** A Fund's investments in futures contracts may cause it to be deemed a commodity pool, thereby subjecting a 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 a Fund 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 a Fund. Registration as a commodity pool may have negative effects on the ability of a Fund to engage in its planned investment program. Additionally, positions in futures contracts may have to be liquidated at disadvantageous times or prices to prevent a Fund from exceeding any applicable position

limits established by the CFTC. Such actions may subject a Fund to substantial losses.

- **Credit Risk:** The issuer of instruments in which a Fund 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 fines, 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.
- **Derivatives Risk:** Derivatives involve risks different from, or possibly greater than, risks associated with other types of investments. Derivatives may be harder to value and may also be less tax efficient. To the extent that a Fund uses derivatives for hedging or to gain or limit exposure to a particular market or market segment, there may be imperfect correlation between the value of the derivative instrument and the value of the instrument being hedged or the relevant market or market segment, in which case a Fund may not realize the intended benefits. There is also the risk that during adverse market conditions, an instrument which would usually operate as a hedge provides no hedging benefits at all. A Fund's use of derivatives may be limited by the requirements for taxation of a Fund as a regulated investment company as well as regulatory changes.
- **Foreign Fixed-Income Investment Risk:** Investments in fixed income securities of non-U.S. issuers are subject to the same risks as other debt securities, notably credit risk, market risk, interest rate risk and liquidity risk, while also facing risks beyond those associated with investments in U.S. securities. For example, 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.

- **Fund of Funds Risk:** Because certain Funds invest primarily in other funds (“Underlying ETFs”), the investment performance of those Funds largely depends on the investment performance of the Underlying ETFs. An investment in a Fund 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 a Fund invests may be out of favor and underperform other segments. A Fund 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.
- **Dividend Paying Securities Risk:** Securities that pay high dividends as a group 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 which a Fund invests and the capital resources available for such companies’ dividend payments may adversely affect a Fund.
- **High Yield Securities (Junk Bond) Risk:** Compared to higher quality debt securities, high yield debt securities (commonly referred to as “junk bonds”) involve a greater risk of default or price changes due to changes in the credit quality of the issuer because they are generally unsecured and may be subordinated to other creditors’ claims. They are considered speculative with respect to the issuer’s capacity to pay interest and repay principal. High yield debt securities often are issued by smaller, less creditworthy companies or by highly leveraged (indebted) firms, which generally are less able than more financially stable firms to make scheduled payments of interest and principal. The values of junk bonds often fluctuate more in response to company, political, regulatory or economic developments than higher quality bonds, and their values can decline significantly over short periods of time or during periods of economic difficulty when the bonds could be difficult to value or sell at a fair price.
- **Index Provider Risk:** A Fund seeks to track the investment results, before fees and expenses, of its Underlying Index, as published by the Index Provider. There is no assurance that the Index Provider will compile an Underlying Index accurately, or that an Underlying Index will be determined, composed or calculated accurately. While the Index Provider gives descriptions of what an Underlying Index is designed to achieve, the Index Provider generally does not provide any warranty or

accept any liability in relation to the quality, accuracy or completeness of data in such indices, and it generally does not guarantee that an Underlying Index will be in line with its methodology. Errors made by the Index Provider with respect to the quality, accuracy and completeness of the data within an Underlying Index may occur from time to time and may not be identified and corrected by the Index Provider for a period of time, if at all. Additionally, because the Index Provider is new to the business of creating indexes, there may be a greater risk that errors will not be detected as quickly as they might be in the case of an index that has been maintained over time by a different index provider or licensed to a multitude of different users. Therefore, gains, losses or costs associated with Index Provider errors will generally be borne by a Fund and its shareholders.

- **Index Rebalancing Risk:** Pursuant to the methodology that the Index Provider uses to calculate and maintain an Underlying Index, a security may be removed from a Fund's Underlying Index in the event that it does not comply with the eligibility requirements of the Underlying Index. As a result, a Fund may be forced to sell securities at inopportune times or for prices other than at current market values or may elect not to sell such securities on the day that they are removed from the Underlying Index, due to market conditions or otherwise. Due to these factors, the variation between a Fund's annual return and the return of its Underlying Index may increase significantly.

Apart from scheduled rebalances, the Index Provider may carry out additional ad hoc rebalances to an Underlying Index, for example, to correct an error in the selection of constituents. When a Fund in turn rebalances its portfolio, any transaction costs and market exposure arising from such portfolio rebalancing will be borne by a Fund and its shareholders. Unscheduled rebalances also expose a Fund to additional tracking error risk. Therefore, errors and additional ad hoc rebalances carried out by the Index Provider may increase a Fund's costs and market exposure.

- **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 a 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.

The securities market of India is considered an emerging market that is characterized by a small number of listed companies that have

significantly smaller market capitalizations, greater price volatility and substantially less liquidity than companies in more developed markets. These factors, coupled with restrictions on foreign investment and other factors, limit the supply of securities available for investment. This will affect the rate at which a Fund is able to invest in securities of Indian companies, the purchase and sale prices for such securities, and the timing of purchases and sales. Certain restrictions on foreign investment may decrease the liquidity of a Fund's portfolio, subject a Fund to higher transaction costs, or inhibit a Fund's ability to track its Underlying Index. A Fund's investments in securities of issuers located or operating in India, as well as its ability to track its Underlying Index, also may be limited or prevented, at times, due to the limits on foreign ownership imposed by the Reserve Bank of India ("RBI").

- **Geographic Concentration Risk:** A natural or other disaster could occur in a country or geographic region in which a Fund invests, which could affect the economy or particular business operations of companies in that specific country or geographic region and adversely impact a Fund's investments in the affected country or region.
- **Interest Rate Risk:** Interest rate risk refers to the risk that bond prices generally fall as interest rates rise; conversely, bond prices generally rise as interest rates fall. Specific bonds differ in their sensitivity to changes in interest rates depending on their individual characteristics, including duration. "Duration risk" is related to interest rate risk; it refers to the risks associated with the sensitivity of a bond's price to a one percent change in interest rates. Bonds with longer durations (i.e., a greater length of time until they reach maturity) face greater duration risk, meaning that they tend to exhibit greater volatility and are more sensitive to changes in interest rates than bonds with shorter durations. A Fund may seek to limit its exposure to interest rate risk and duration risk by constructing a portfolio of Variable Rate Instruments that have an average duration of one year or less.
- **Investing in ETFs and Other Investment Companies Risk:** Because certain Funds may invest in ETFs and other investment companies, those Funds' investment performance may depend on the investment performance of the underlying ETF and other investment companies in which they invest. An investment in other investment companies (including other ETFs) is subject to the risks associated with those investment companies. A Fund will pay indirectly a proportional share of the fees and expenses of the investment companies in which it invests (including operating expenses and management fees of such 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 a Fund's investments in ETFs and other investment companies.

- **Investment Risk:** As with all investments, an investment in a Fund is subject to investment risk. Investors in a Fund 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 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 have previously exhibited price momentum are less than returns on other styles of investing. Momentum can turn quickly, and stocks that previously exhibited high 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 a Fund may suffer.
- **Mortgage- and Asset-Backed Securities Risk:** A Fund may invest in mortgage- and asset-backed securities, which are subject to call (prepayment) risk, reinvestment risk and extension risk. In addition, these securities are susceptible to an unexpectedly high rate of defaults on the mortgages held by a mortgage pool, which may adversely affect their value. The risk of such defaults depends on the quality of the mortgages underlying such security, the credit quality of its issuer or guarantor, and the nature and structure of its credit support. For example, the risk of default generally is higher in the case of mortgage pools that include subprime mortgages, which are loans made to borrowers with weakened credit histories or with lower capacity to make timely mortgage payments.
- **Taxable 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.
- **Non-Investment Grade Securities Risk:** All or a significant portion of the loans in which a Fund will invest may be determined to be non-investment grade loans that are considered speculative. A Fund also

may invest in junk bonds. Non-investment grade loans and bonds, and unrated loans and bonds of comparable credit quality are subject to the increased risk of a borrower's or 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 borrower of lower-rated loans or issuer of lower rated bonds defaults, a Fund may incur additional expenses to seek recovery.

- **Operational Risk:** A Fund is exposed to operational risks arising from a number of factors, including, but not limited to, human error, processing and communication errors, errors of a Fund's service providers, counterparties or other third-parties, failed or inadequate processes and technology or systems failures. A Fund and the investment adviser seek to reduce these operational risks through controls and procedures. However, these measures do not address every possible risk and may be inadequate to address these risks.
- **Portfolio Turnover Risk:** A Fund may engage in frequent trading of its portfolio securities in pursuing its investment objective. A portfolio 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 portfolio turnover rate (such as 100% or more) could result in high brokerage costs for a Fund and an increase in taxable capital gains distributions to a Fund's shareholders.
- **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 a security is deferring or omitting its distributions, a Fund 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:** REITs are securities that invest substantially all of their assets in real estate, trade like stocks and may qualify for special tax considerations. In addition to the risks pertaining to real estate investments more generally, such as declining property values or rising interest rates, REITs are subject to additional risks. The value of a REIT can depend on the structure of and cash flow generated by the REIT. REITs whose investments are concentrated in a limited number or type of properties, investments or narrow geographic area are subject to the risks affecting those properties or areas to a greater extent than a REIT with less concentrated investments. Further, failure

of a company to qualify as a REIT under federal tax law may have adverse consequences to the REIT's shareholders. In addition, REITs may have expenses, including advisory and administration expenses, and a REIT's shareholders will incur a proportionate share of those expenses.

- **Sampling Risk:** A Fund's use of a representative sampling approach will result in it holding a smaller number of securities than are in its Underlying Index. As a result, an adverse development to an issuer of securities that a Fund holds could result in a greater decline in NAV than would be the case if a Fund held all of the securities in its Underlying Index. To the extent the assets in a Fund 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 a 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 a Fund 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 a Fund 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.

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 a Fund, 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 a Fund may be adversely affected. Many loans are not registered with 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.

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 a Fund 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/ask spreads, decreased liquidity and extended trade settlement periods, any of which may impair a Fund's ability to sell loans within its desired time frame or at an acceptable price and its ability to accurately value existing and prospective investments. Extended trade settlement periods for certain loans may result in cash not being immediately available to a Fund upon sale of the loan. As a result, a Fund may have to sell other investments with shorter settlement periods or engage in borrowing transactions to raise cash to meet its obligations.

- **Short-Term and Intermediate-Term Bond Risk:** 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- and intermediate-term fixed-income securities generally provide lower returns than longer-term fixed-income securities. The average maturity of a Fund's investments will affect the volatility of a Fund'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:** Investments in sovereign debt securities involve special risks. The governmental authority that controls the repayment of the 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; 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; or the government debtor's policy towards the International Monetary Fund and the political constraints to which a government debtor may be subject. If an issuer of sovereign debt defaults on payments of principal and/or interest, a Fund 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 a Fund's ability to obtain recourse may be limited.
- **Tax Risk:** There is no guarantee that a Fund's income will be exempt from federal or state income taxes. Events occurring after the date of issuance of a municipal bond or after a 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 a 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.
- **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 portfolio 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 Funds will invest in foreign securities and, because foreign exchanges may be open on days when a Fund does not price its Shares, the value of those non-U.S. securities in a Fund’s portfolio 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 a Fund’s NAV of such Shares.

Item 9 Disciplinary Information

Affiliate Disciplinary Information:

SEC Order

On June 6, 2012, the SEC entered a settled order instituting administrative cease-and-desist proceedings against OppenheimerFunds, Inc. (“OFI”), an indirect parent company of ICM as of May 24, 2019, and OppenheimerFunds Distributor, Inc. (“OFDI”), an affiliate of ICM as of May 24, 2019, resolving an investigation into the 2008 performance of Champion Income Fund and Core Bond Fund. OFI and OFDI neither admitted nor denied the allegations set forth in the SEC Order. As set forth in the Order, the SEC found that the January 2008 prospectus for Champion Income Fund did not adequately disclose its practice of assuming substantial economic leverage through the use of total return swaps tied to AAA- rated commercial mortgaged-backed securities, and that in November 2008 OFI made misleading statements about the

ability of Champion Income Fund and Core Bond Fund to recoup losses incurred as a result of unprecedented volatility in the credit markets. OFI and OFDI were censured and ordered to cease and desist from violations of applicable laws and regulations. The SEC also ordered OFI to pay disgorgement of certain management fees charged to Champion Income Fund and Core Bond Fund, prejudgment interest and a civil money penalty in an aggregate amount of approximately \$35.4 million. In entering into the settlement, the SEC considered the cooperation it received from OFI and OFDI and remedial acts promptly undertaken by them.

State of Oregon

In 2009, the State of Oregon filed a lawsuit against OFI, OFDI and OFI Private Investments Inc. ("OFIPI"), an affiliate of ICM as of May 24, 2019, in connection with OFIPI's management of the state's Section 529 Plan, alleging violations of Oregon securities laws, breach of contract, breach of fiduciary duty, negligence and negligent misrepresentation. Subsequently, the State of Oregon filed a notice of dismissal with prejudice of the lawsuit as part of a voluntary settlement of all claims by the parties, and a general judgment of dismissal of the lawsuit was entered by the Circuit Court for the State of Oregon, Marion County on March 12, 2010.

Item 10 Other Financial Industry Activities and Affiliations

Financial Industry Activities

ICM is a member of the NFA and is registered with the CFTC as a Commodity Pool Operator and Commodity Trading Advisor.

Affiliations

ICM is an indirect wholly owned subsidiary of Invesco. Invesco wholly owns other SEC registered investment advisers, all of whom are disclosed through ICM's Form ADV Part 1. Invesco Capital Markets, Inc. ("ICMI") and Invesco Distributors, Inc. ("IDI") are wholly owned subsidiaries of Invesco Advisers. ICMI and IDI are registered broker-dealers with the SEC 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 Exchange-Traded Fund Trusts, the Commodity Pools, QQQ, BLDRS and the CurrencyShares 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 ICM's 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.

As disclosed in Item 4, ISP is the Sponsor to the CurrencyShares and ICM serves as sole member of the Sponsor. The Adviser and the Sponsor share executive officers.

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

Affiliated Index Provider

Invesco, the parent of the Adviser, has created a self-indexing unit, Invesco Indexing, LLC (“Invesco Indexing”), to create indexes in accordance with the Trusts’ 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 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. In order to manage potential conflicts of interest, ICM and Invesco Indexing have policies and procedures designed to prevent the undue influence of ICM in the operation of any index developed by Invesco Indexing. Among other matters, these policies and procedures provide for information barriers to restrict the sharing of confidential information (for example, from portfolio management and trading).

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.

Massachusetts Mutual Life Insurance Company

On May 24, 2019 (the “Closing Date”), Invesco completed its acquisition of the OppenheimerFunds investment management business from Massachusetts Mutual Life Insurance Company (“MassMutual”). In connection with this transaction, Invesco entered into a shareholder agreement (the “Shareholder Agreement”) with MassMutual pursuant to which MassMutual will have a relationship with Invesco that is material to its advisory business. The Shareholder Agreement provides for the addition of one director selected by MassMutual to Invesco’s board of directors (the “Board”). Invesco will continue to include MassMutual’s designee in its slate of Board nominees, and will continue to recommend such nominee, and will otherwise use reasonable best efforts to solicit the vote of Invesco shareholders to elect to the Board the slate of nominees which includes the designee of MassMutual. MassMutual’s board designation right will continue as long as it and its controlled affiliates beneficially own at least (i) 10% of the issued and outstanding common shares, \$0.20 par value per share, of Invesco (the “Common Stock”) or (ii) 5% of the issued and outstanding shares of Common Stock and \$2 billion in aggregate liquidation preference

of the 5.900% fixed rate non-cumulative perpetual series A preference shares, par value \$0.20 per share (the “Preferred Stock”). So long as MassMutual retains the right to designate a nominee to the Board, subject to certain exceptions, Invesco will not be permitted to increase the total number of directors comprising the Board to more than twelve persons without the prior approval of MassMutual’s designee. The Shareholder Agreement requires that as long as MassMutual has the right to designate a nominee to the Board, and subject to certain exceptions, MassMutual and its controlled affiliates must vote their shares of Common Stock as recommended by the Board on all matters relating to (i) the election of directors, (ii) matters approved or recommended by the Compensation Committee of the Board, and (iii) any change of control transaction that the Board (so long as it includes MassMutual’s designee) has unanimously recommended in favor of or against, as applicable. Additionally, with certain exceptions, as long as MassMutual and its controlled affiliates beneficially own at least 20% of the issued and outstanding Common Stock, it will be required to vote on all matters as recommended by the Board. The Shareholder Agreement provides MassMutual with certain customary minority rights, including that as long as MassMutual has the right to designate a nominee to the Board, Invesco may not, without MassMutual’s prior written approval, among other things: change its capital structure in a manner reasonably likely to result in a two-level (or greater) corporate ratings downgrade; amend its organizational documents in a manner that would adversely affect MassMutual’s rights compared to Invesco shareholders generally; subject to certain exceptions, become party to acquisitions of any person or business involving the issuance of Invesco’s capital stock constituting more than 10% of the total voting power of the Invesco’s capital stock issued and outstanding immediately after completion of such acquisition; or adopt a shareholder rights plan. Subject to certain exceptions specified in the Shareholder Agreement, MassMutual is generally prohibited from transferring any of its shares of Common Stock until May 24, 2021 and shares of Preferred Stock until May 24, 2024. The Shareholder Agreement also contains customary standstill provisions, including that as long as MassMutual has the right to designate a nominee to the Board, it may not, without the Invesco consent, acquire additional shares that would cause it and its controlled affiliates to beneficially own Common Stock representing more than 22.5% (or 24.5% in certain circumstances) of the total voting power of the issued and outstanding shares of Common Stock, and that MassMutual may not, among other matters, propose any merger or similar transaction with Invesco or solicit proxies or take other actions to seek to control or influence the management or policies of Invesco. The Shareholder Agreement also contains customary registration rights requiring Invesco to register the offer and sale of Common Stock and Preferred Stock issued pursuant to the transaction agreements. While Invesco’s relationship with MassMutual may give rise to potential conflicts of interests, ICM has policies and procedures in place to address and mitigate any conflicts of interests that may arise as a result of this ownership structure.

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

Code of Ethics

The employees of ICM are required to adhere to a written Code of Ethics and Personal Trading Policy (the “Code”). The Code, adopted pursuant to SEC Rule 204A-1, is

administered by Invesco's Global Ethics Office (the "Global Ethics Office"). The Global Ethics Office 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. Employees are required to comply with the provisions of the Code, Code of Conduct and Insider Trading Policy.

Personal Trading

All pre-clearance, reporting and certifications under the Code by access persons of the Adviser are processed through an electronic records system. The Global Ethics Office 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

Selecting Brokerage Firms

The Adviser has entered into a Delegation Agreement ("Delegation Agreement") with Invesco 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 and accounts 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's performance under the Delegation Agreement. The Trading Desk maintains a list of approved brokerage firms in accordance with Invesco's Trading Policies and Procedures. Generally, trades in fixed-income securities are executed by ICM's fixed-income portfolio managers. From time to time, trades in fixed-income securities are also 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 other affiliated entities of Invesco.

Invesco Advisers, whose traders are part of the Trading Desk, may execute trades for ICM's Funds and other accounts 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 accounts 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 and, as such, affiliates of ICM.

Invesco Advisers' trading department will determine if 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 companies 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 seeks to obtain the most favorable prices and efficient execution for clients' transactions. Best execution is determined differently for each of the three groups of accounts managed by the Adviser: equity accounts (both domestic and international equity), including actively managed equity accounts that trade derivatives, fixed-income accounts and commodity accounts (Funds that are series of the Commodity Trust and the Commodity Pools).

For equity accounts, 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 accounts, 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 execution is achieved.

For commodity accounts, best execution is largely determined by assessing execution and settlement quality on such transactions. Commissions and exchange fees are set by product, not by broker, so the basis for choosing a broker is based solely on the quality of execution and settlement.

The Adviser monitors the trade execution, brokerage allocations and commissions of the Trading Desk through daily review by 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 commodity related products and another for equity and fixed income trading activities (the "Brokerage Committees"). Both Brokerage Committees consist of employees from the Adviser's portfolio management team, the Trading Desk, US Invesco compliance and senior management of Invesco and the Adviser. For the Commodity Trust and 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 and Commodity Pools 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 other accounts to which it serves as adviser or sub-adviser.

Order Aggregation

If the purchase or sale of portfolio securities by more than one Fund or other accounts supervised by the Adviser, or in certain circumstances other accounts of Invesco 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. In accordance with relevant procedures, cross trade transactions between certain series of the Trusts that undergo semi-annual reconstitutions are effected at the price provided by an independent pricing service. In accordance with relevant procedures, cross trade transactions of “NMS Stock” securities may be effected at the Official Closing Price of the security’s primary listing exchange when it is the last sales price that immediately precedes the transaction. 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

Periodic Reviews

The Adviser’s portfolio management team reviews all funds and accounts on a daily basis.

Review Triggers

Each fund and account 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. ICM produces quarterly and annual reports for the Commodity Pools as required by the SEC, CFTC and NFA. For the QQQ, BLDRS and CurrencyShares, annual reports are produced per SEC requirement.

Item 14 Client Referrals and Other Compensation

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

Account Statements

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

Performance Reports

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

Net Worth Statements

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

Item 16 Investment Discretion

Discretionary Authority for Trading

ICM accepts discretionary authority to manage securities accounts on behalf of all the accounts that it manages, except the QQQ, BLDRS and CurrencyShares, 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 track the investment results of an Underlying Index, the buying and selling of securities is done to track the investment results of the Underlying Index.

Limited Power of Attorney

ICM does not have a limited power of attorney.

Item 17 Voting Client Securities

Proxy Voting

ICM has proxy voting policies with respect to securities owned by the Funds and accounts 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 guidelines below:

- Overlapping Securities

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

The Global Invesco Policy is available at www.invesco.com/corporate/about-us/proxy-voting and a proxy voting record is available upon request.

Item 18 Financial Information

Financial Condition

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