



## **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](mailto:Melanie.Zimdars@invesco.com). Additional information may be obtained from the Invesco ETFs website at [www.invesco.com/ETFs](http://www.invesco.com/ETFs).

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

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

**March 31, 2021**

## Item 2 Material Changes

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### **Material Changes since the Last Annual Update made on March 26, 2020:**

#### **Item 4 Advisory Business**

- Assets under management have been updated as of December 31, 2020

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

- Addition of new risk disclosures and amendments to existing risk disclosures

#### **Item 17 Voting Client Securities**

- Updated to reflect ICM's current processes related to proxy voting and management of conflicts of interest

The brochure has also been updated throughout to include disclosure related to new sub-advisory relationships with Invesco Trust Company and Invesco Australia Limited.

#### *Full Brochure Available*

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

## **Item 3 Table of Contents**

Item 1 Cover Page	1
Item 2 Material Changes	2
Item 3 Table of Contents	3
Item 4 Advisory Business	4
Item 5 Fees and Compensation	5
Item 6 Performance-Based Fees and Side-by-Side Management	6
Item 7 Types of Clients	6
Item 8 Methods of Analysis, Investment Strategies and Risk of Loss	7
Item 9 Disciplinary Information	30
Item 10 Other Financial Industry Activities and Affiliations	30
Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	33
Item 12 Brokerage Practices	33
Item 13 Review of Accounts	36
Item 14 Client Referrals and Other Compensation	37
Item 15 Custody	37
Item 16 Investment Discretion	37
Item 17 Voting Client Securities	38
Item 18 Financial Information	40

## Item 4 Advisory Business

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### *Firm Description*

Invesco Capital Management LLC was founded in 2003.

ICM is the investment adviser to the exchange-traded funds (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”) and the National Futures Association (the “NFA”), 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.

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 NFA.

ICM provides portfolio management and certain portfolio operations support (“sub-advisory services”) to six affiliates: Invesco Investment Management Ltd. (“IIML”), Invesco Canada Ltd. (“Invesco Canada”), Invesco Advisers, Inc. (“Invesco Advisers”), Invesco Asset Management (Japan) Limited (“IAMJ”), Invesco Trust Company (“ITC”) and Invesco Australia Limited (“Invesco Australia”). 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, 2020, ICM had approximately \$333.8 billion of assets under management, \$180.4 billion managed on a discretionary basis for the Trusts, Commodity Pools and other sub-advised funds and accounts. ICM managed the remaining \$153.4 billion on a nondiscretionary basis for the QQQ, BLDRS and CurrencyShares.

### *Principal Owners*

Invesco Group Services, Inc. is the sole owner of Invesco Capital Management LLC and Invesco Ltd. (“Invesco”) is its ultimate parent company. Invesco is a publicly traded leading independent global investment management firm dedicated to helping investors worldwide achieve their financial objectives. Shares of Invesco are listed on the New York Stock Exchange under the symbol “IVZ” and Invesco 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 the Trusts’ Board of Trustees. ICM also serves as CPO for the Commodity Pools and ICM provides sub-advisory services to IIML, Invesco Canada, Invesco Advisers, IAMJ, ITC, Invesco Australia and LIAC, pursuant to sub-advisory agreements with each respective entity. ICM provides discretionary investment advice to institutional clients as a sub-adviser to funds and separately managed accounts advised by its affiliates 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**

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### *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 investment advisers/investment managers, as well as an unaffiliated investment adviser, 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**

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*ICM does not charge performance-based fees.*

## **Item 7 Types of Clients**

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#### *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 sub-advisory services for funds and separate accounts to affiliated entities (IIML, Invesco Canada, Invesco Advisers, IAMJ, ITC and Invesco Australia) 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**

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### *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](http://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](http://www.invesco.com/ETFs). Only a Fund's prospectus should be relied upon for a full explanation of all the risks associated with investing in a Fund. Broad risks generally faced by investors 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 occur quickly and without advance warning following sudden market downturns or unexpected developments involving an issuer, and which may adversely affect the liquidity and value of the security.

- **Futures Contract Risk:** Risks of futures contracts include: (i) an imperfect correlation between the value of the futures contract and the underlying commodity or commodity index; (ii) possible lack of a liquid secondary market; (iii) the inability to close a futures contract when desired; losses caused by unanticipated market movements, which may be unlimited; (v) an obligation for a Fund to make daily cash payments to maintain its required margin, particularly at times when a Fund may have insufficient cash or must sell securities to meet those margin requirements; (vi) the possibility that a failure to close a position may result in a Fund receiving an illiquid commodity; and (vii) unfavorable execution prices from rapid selling. Unlike equities, which typically entitle the holder to a continuing stake in a corporation, futures contracts normally specify a certain date for settlement in cash based on the level of the reference rate. As the futures contracts approach expiration, they may be replaced by similar contracts that have a later expiration. This process is referred to as “rolling.” If the market for these contracts is in “contango,” meaning that the prices of futures contracts in the nearer months are lower than the price of contracts in the distant months, the sale of the near-term month contract would be at a lower price than the longer-term contract, resulting in a cost to “roll” the futures contract. The actual realization of a potential roll cost will be dependent upon the difference in price of the near and distant contract. A Fund also must segregate liquid assets or enter into off-setting positions to “cover” open positions in futures contracts. For cash-settled futures contracts, a Fund is permitted to set aside liquid assets in an amount equal to a Fund’s daily marked-to-market net obligations (i.e., a Fund’s daily net liability) under the futures contracts, if any, rather than their full notional value. In addition, futures contracts may be subject to contractual or other restrictions on resale and may lack readily available markets for resale.
- **Commodity-Linked Derivatives 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 will be concentrated to a significant degree in securities of issuers operating in a single industry or industry group. As a result, a Fund will also concentrate its investments in such industries or industry groups to approximately the same extent. By concentrating its investments in an industry or industry group, a Fund faces 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, the following: general economic conditions or cyclical market patterns that could negatively affect supply and demand in a particular industry, competition for resources; adverse labor relations, political or world events, obsolescence of technologies, and increased competition or new product introductions that may affect the profitability or viability of companies in an industry. In addition, at times, such industry or industry group may be out of favor and underperform other industries or the market as a whole.
- **Industrials Sector Risk:** Changes in government regulation, world events and economic conditions may adversely affect companies in the industrials sector. In addition, these companies are at risk for environmental and product liability damage claims. Also, commodity price volatility, changes in exchange rates, imposition of import controls, increased competition, depletion of resources, technological developments and labor relations could adversely affect the companies in this sector.
- **Currency Risk:** 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, including recordkeeping standards, 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. As a Fund will invest in securities denominated in foreign currencies, fluctuations in the value of the U.S. dollar relative to the values of other currencies may adversely affect investments in foreign securities and may negatively impact a Fund's returns.
- **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. Companies in emerging market countries generally may be subject to less stringent financial reporting, accounting, auditing and recordkeeping standards than companies in more developed countries. In addition, information about such companies may be less available and reliable. Emerging markets usually are subject to greater market volatility, political, social 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, and the ability to bring and enforce actions may be limited. 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. Investments in emerging markets securities may be subject to additional transaction costs, delays in settlement procedures, unexpected market closures, and lack of timely information. In addition, lack of relevant data and reliable public information about securities in emerging markets may contribute to incorrect weightings and data and computational errors when the Index Provider selects securities for inclusion in the Underlying Index or rebalances the Underlying Index.

- **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 in the Underlying Index 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 the Underlying Index. 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 a 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 may 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. Additionally, if a sector or sectors in which the Underlying Index is concentrated is negatively impacted to a greater extent by such events, a Fund may experience heightened volatility. 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. Any such event(s) could have a significant adverse impact on the value of the Funds.
- **Coronavirus and Public Health Emergencies:** As of the date of this filing, there is a continuing 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. The full effects, duration and costs of COVID-19 are impossible to predict, and the circumstances surrounding COVID-19 will continue to evolve.

- **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. 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 the underlying foreign securities directly 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. Moreover, ADRs and GDRs may not track the price of the underlying foreign securities on which they are based, and their value may change materially at times when U.S. markets are not open for trading.

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. Because a 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.

- **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 APs will establish or maintain an active trading market for the Shares. This risk may be heightened to the extent that securities held by 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 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, and Shares 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 U.S. Fixed-Income Market Conditions Risk:** The historically low interest rate environment observed over the past several years was created in part by the Federal Reserve Board (“FRB”) keeping the federal funds rates at, near or below zero. In recent years, the FRB and other foreign central banks began “tapering” their quantitative easing programs, leading to fluctuations in the Federal Funds Rate. However, in response to the impact of the COVID-19 pandemic, in March 2020 the FRB announced cuts to the Federal Funds Rate and a



new round of quantitative easing. Because there is little precedent for this situation, it is difficult to predict the impact of these rate changes and any future rate changes on various markets. Any additional changes to the monetary policy by the FRB or other regulatory actions may affect interest rates and/or reduce liquidity for fixed-income investments, particularly those with longer maturities. 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 FRB policies could also result in higher than normal shareholder redemptions, which could potentially increase a Fund's portfolio turnover rate and transaction costs.

- **China Investment Risk:** Investments in companies located or operating in Greater China involve risks not associated with investments in Western nations, such as nationalization, expropriation, or confiscation of property; difficulty in obtaining information necessary for investigations into and/or litigation against Chinese companies, as well as in obtaining and/or enforcing judgments; limited legal remedies for shareholders; alteration or discontinuation of economic reforms; military conflicts, either internal or with other countries; inflation, currency fluctuations and fluctuations in inflation and interest rates that may have negative effects on the economy and securities markets of Greater China; and Greater China's dependency on the economies of other Asian countries, many of which are developing countries. Events in any one country within Greater China may impact the other countries in the region or Greater China as a whole. Export growth continues to be a major driver of China's rapid economic growth. As a result, a reduction in spending on Chinese products and services, the institution of additional tariffs or other trade barriers (or the threat thereof), including as a result of trade tensions between China and the United States, or a downturn in any of the economies of China's key trading partners may have an adverse impact on the Chinese economy. 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. Additionally, the inability of the Public Company Accounting Oversight Board ("PCAOB") to inspect audit work papers and practices of PCAOB-registered accounting firms in China with respect to their audit work of U.S. reporting companies may impose significant additional risks associated with investments in China.

From time to time, certain companies in which a Fund invests may operate in, or have dealings with, countries subject to sanctions or embargoes imposed by the U.S. Government and the United Nations

and/or in countries the U.S. Government identified as state sponsors of terrorism. One or more of these companies may be subject to constraints under U.S. law or regulations that could negatively affect the company's performance. Additionally, one or more of these companies could suffer damage to its reputation if the market identifies it as a company that invests or deals with countries that the U.S. Government identifies as state sponsors of terrorism or subjects to sanctions.

- **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:** A Fund may invest in derivatives, such as futures and options. Derivatives are financial instruments that derive their value from an underlying asset, such as a security, index or exchange rate. Their use is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. Derivatives may be riskier than other types of investments and may be more volatile and less liquid than other securities. Derivatives may be used to create synthetic exposure to an underlying asset or to hedge a portfolio risk. If a Fund uses derivatives to "hedge" a portfolio risk, the change in value of a derivative may not correlate as expected with the underlying asset being hedged, and it is possible that the hedge therefore may not succeed. In addition, given their complexity, derivatives may be difficult to value. Derivatives are subject to a number of risks including credit risk, interest rate risk, and market risk. Credit risk refers to the possibility that a counterparty will be unable and/or unwilling to perform under the agreement. Interest rate risk refers to fluctuations in the value of an asset resulting from changes in the general level of interest rates. Over-the-counter derivatives are also subject to counterparty risk (sometimes referred to as "default risk"), which is the risk that the other party to the contract will not fulfill its contractual obligations. Derivatives may be especially sensitive to changes in economic and market conditions, and their use may give rise to a form of leverage. Leverage may cause the portfolio of a Fund to be more volatile than if the portfolio had not been leveraged because leverage can exaggerate the effect of any increase or decrease in the value of securities held by a

Fund. For some derivatives, such leverage could result in losses that exceed the original amount invested in the derivative.

- **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 including, among others, greater market volatility, the availability of less reliable financial information, higher transactional costs, taxation by foreign governments, decreased market liquidity and political instability. Foreign issuers are often subject to less stringent requirements regarding accounting, auditing, financial reporting and record keeping than are U.S. securities, and therefore, not all material information regarding these issuers will be available. Securities exchanges or foreign governments may adopt rules or regulations that may negatively impact a Fund's ability to invest in foreign securities or may prevent a Fund from repatriating its investments.
- **Fund of Funds Risk:** A Fund's investment performance 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 which it invests, which include, but are not limited to, the risk that such Underlying ETF's investment strategy may not produce the intended results; the risk that securities in such Underlying ETF may underperform in comparison to the general securities markets or other asset classes; and the risk that the Underlying ETF will be concentrated in a particular issuer, market, industry or sector, and therefore will be especially susceptible to loss due to adverse occurrences affecting that issuer, market, industry or sector. In addition, at times, certain of the segments of the market represented by constituent Underlying ETFs 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. As a result, shareholders will absorb duplicate levels of fees with respect to a Fund's investments in such other ETFs or investment companies.
- **Dividend Paying Securities Risk:** As a group, securities that pay high dividends can fall out of favor with the market, causing such companies to underperform companies that do not pay high dividends. Also, changes in the dividend policies of the companies in the Underlying Index and the capital resources available for such companies' dividend payments may affect a Fund. In addition, the value of dividend-paying common stocks can decline when interest rates rise, as fixed-income investments become more attractive to investors.

- **High Yield Securities (Junk Bond) Risk:** Compared to higher quality debt securities, high yield 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. In addition, 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. Analysis of the creditworthiness of issuers of debt securities that are high yield may be more complex than for issuers of higher quality debt securities, and the use of credit ratings to select high yield debt securities can involve certain risks. For example, credit rating agencies may fail to change ratings in a timely fashion to reflect events since the security was last rated. In addition, the values of junk bonds often fluctuate more in response to company, political, regulatory or economic developments than higher quality bonds. 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. Credit ratings on junk bonds do not necessarily reflect their actual market value.
- **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. 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 index 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 region.

- **Interest Rate Risk:** Interest rate risk refers to the risk that fixed-income securities prices generally fall as interest rates rise; conversely, fixed-income securities' prices generally rise as interest rates fall. Specific fixed-income securities differ in their sensitivity to changes in interest rates depending on specific characteristics of each fixed-income security. A measure investors commonly use to determine this sensitivity is called duration. The longer the duration of a particular fixed-income security, the greater its price sensitivity to interest rates. Similarly, a longer duration portfolio of fixed-income securities has greater price sensitivity. Duration is determined by a number of factors including coupon rate, whether the coupon is fixed or floating, time to maturity, call or put features, and various repayment features.
- **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.
- **London Interbank Offered Rate (LIBOR) Risk:** The U.K. Financial Conduct Authority has announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021, and it remains unclear whether LIBOR will continue to exist after that date and, if so, in what form. Actions by regulators have resulted in the establishment of alternative reference rates to LIBOR in many major currencies. The Federal Reserve Board, based on the recommendations of the New York Federal Reserve's Alternative Reference Rate Committee (comprised of major derivative market participants and their regulators), has begun publishing a Secured Overnight Funding Rate ("SOFR") that is intended to replace U.S. dollar LIBOR. Proposals for alternative reference rates for other currencies have also been announced or have already begun publication. On November 30, 2020, the administrator of LIBOR announced a delay in the phase out of a majority of the U.S. dollar LIBOR publications until June 30, 2023, with the remainder of LIBOR publications to still end at the end of 2021. Discontinuance of LIBOR and adoption/implementation of alternative rates pose a number of risks, including among others whether any substitute rate will experience the market participation and liquidity necessary to provide a workable substitute for LIBOR; the effect on parties' existing contractual arrangements, hedging transactions, and investment strategies generally from a conversion from LIBOR to alternative rates; the effect on a Portfolio's existing investments (including, for example, fixed-income investments; senior loans; CLOs and CDOs; and derivatives transactions), including the possibility that

some of those investments may terminate or their terms may be adjusted to the disadvantage of the Portfolio; and the risk of general market disruption during the period of the conversion. It is difficult to predict at this time the likely impact of the transition away from LIBOR on a Portfolio.

- **Momentum Investing Risk:** Momentum is the tendency of an investment to exhibit persistence in its relative performance; a “momentum” style of investing therefore emphasizes investing in securities that have had better recent performance compared to other securities, on the theory that these securities will continue to increase in value. Momentum investing is subject to the risk that the securities may be more volatile than the market as a whole. High momentum may also be a sign that the securities’ prices have peaked, and therefore the returns on securities that have previously exhibited price momentum may be 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. Certain Underlying ETFs may experience significant losses if momentum stops, reverses or otherwise behaves differently than predicted. In addition, there may be periods when the momentum style of investing is out of favor and therefore, the investment performance of such Underlying ETFs 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.
- **Non-Transparent Actively Managed Fund Risk:** A Non-Transparent Actively Managed Fund ("NTA Fund") publishes each Business Day on its website a "Tracking Basket," which is designed to closely track the daily performance of the NTA Fund but is not the NTA Fund's actual portfolio. The Tracking Basket is comprised of: (1) Strategy Components; (2) Representative ETFs; and (3) cash and cash equivalents. The NTA Fund also publishes each Business Day on its website the "Tracking Basket Weight Overlap," which is the percentage weight overlap between the holdings of the prior Business Day's Tracking Basket compared to the holdings of the NTA Fund that formed the basis for the NTA Fund's calculation of NAV per share at the end of the prior Business Day. The Tracking Basket Weight Overlap is designed to provide investors with an understanding of how similar the Tracking Basket is to the NTA Fund's actual portfolio in percentage terms. Given the differences between the NTA Fund and ETFs that disclose their complete holdings daily, there is a risk that market prices of the NTA Fund may vary significantly from NAV, and that the Shares may trade at a wider bid/ask spread—and therefore cost investors more to trade—than shares of other ETFs. These risks are heightened during periods of market disruption or volatility.
- **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 connection with the rebalancing or adjustment of the Underlying Index. 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. While a high portfolio turnover rate can result in an increase in taxable capital gain distributions to a Fund's shareholders, the Fund will seek to utilize the in-kind creation and redemption mechanism (described below) to minimize the realization of capital gains to the extent possible.

- **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 Fund owns a security that 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 any income. Further, preferred securities may lose substantial value due to the omission or deferment of dividend payments. Preferred securities may be less liquid than many other securities, such as common stocks, and generally offer no voting rights with respect to the issuer. Preferred securities also may be subordinated to bonds or other debt instruments in an issuer's capital structure, subjecting them to a greater risk of non-payment than more senior securities.
- **REIT Risk:** REITs are pooled investment vehicles that trade like stocks and invest substantially all of their assets in real estate, and may qualify for special tax considerations. REITs are subject to certain risks inherent in the direct ownership of real estate, including without limitation, a possible lack of mortgage funds and associated interest rate risks, overbuilding, property vacancies, increases in property taxes and operating expenses, changes in zoning laws, losses due to environmental damages and changes in neighborhood values and appeal to purchasers. 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 REIT shareholders will incur a proportionate share of the underlying expenses.
- **Sampling Risk:** A Fund's use of a representative sampling approach could 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. In addition, by sampling the securities in the Underlying Index, a Fund faces the risk that the securities selected for the Fund, in the aggregate, will not provide investment performance matching that of the Fund's Underlying Index, thereby increasing tracking error.

- **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 lends its securities and is 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 are typically senior and secured, whereas junk bonds are often 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 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.
- **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:** For a Fund to qualify as a regulated investment company ("RIC"), the Fund must meet a qualifying income test each taxable year. Failure to comply with the qualifying income requirements would have significant negative tax consequences to Fund shareholders, including the imposition of an entity-level tax on the Fund, which would reduce the amount available for distribution to shareholders. Although the Fund, through its investment in the Subsidiary, generally will seek to invest in derivative instruments that it believes generate qualifying income, the treatment of income from certain derivative instruments under the qualifying income requirements is not entirely clear. The Fund will seek to limit its non-qualifying income so as to qualify as a RIC, and its investment in the Subsidiary is intended to provide exposure to commodities in a manner consistent with the "qualifying income" requirement applicable to RICs. The Fund has received an opinion of counsel, which is not binding on the Internal Revenue Service ("IRS") or the courts, that the income the Subsidiary derives from its investments in certain futures contracts should constitute qualifying income. Based on that opinion, the Fund believes that it will qualify as a RIC. If the IRS were to determine that income the Fund derives from commodity-linked instruments does not constitute qualifying income, and if that position was upheld, the Fund might cease to qualify as a RIC or would be required to reduce its exposure to such investments, which may result in difficulty in implementing its investment strategies.

- **Tracking Stock Risk:** Many of the risks of investing in common stock are applicable to tracking stock. Tracking stock is a separate class of common stock whose value is linked to a specific business unit or operating division within a larger company and which is designed to “track” the performance of such business unit or division. Therefore, tracking stock may decline in value even if the common stock of the larger company increases in value. In addition, holders of tracking stock may not have the same rights as holders of the company’s common stock.
- **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 fluctuations 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:** Because foreign exchanges may be open on days when a Fund does not price its Shares, the value of the 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

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### *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.

OFI, OFDI and OFI Private Investments Inc., an SEC-registered affiliate of ICM, also reached settlement agreements with Illinois, Texas, Nebraska, Maine and New Mexico to resolve investigations into the management of those states' section 529 college savings plans in light of the effects of the 2008 financial crisis on those plans.

## Item 10 Other Financial Industry Activities and Affiliations

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### *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.

### *Invesco Affiliates*

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"). Certain management persons of ICM are registered representatives of IDI and/or ICMI.

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.

ITC, a Texas state trust company, is a wholly owned, indirect subsidiary of Invesco that serves as trustee and investment manager to Collective Trust Funds. ICM serves as an investment sub-adviser for certain Collective Trust Funds managed by ITC. In this role, ITC pays ICM sub-advisory fees out of its management fees.

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 and another senior Invesco employee is a member of its Audit Committee.

### *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

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### *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

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### *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, at some point Invesco Advisers may 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 the Trusts’ 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, as well as 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 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). The Adviser participates in two brokerage committees, a committee for commodity related products, and Invesco's Americas Trading Oversight Committee for equity and fixed income trading activities (the "Brokerage Committees"). 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's brokerage committee for the Commodity Trust and Commodity Pools does not include Invesco traders.

The Brokerage Committees meet periodically 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 the Trusts' Board of Trustees.

## **Item 13 Review of Accounts**

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### *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

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### *Incoming Referrals*

ICM does not receive client referrals.

### *Referrals*

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

### *Other Compensation*

None.

## Item 15 Custody

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### *Account Statements*

ICM does not serve as custodian for or 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

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### *Discretionary Authority for Trading*

ICM accepts discretionary authority to manage securities accounts on behalf of all the accounts that it manages, except 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

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### *Proxy Voting*

ICM votes proxies 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 using the framework and procedures set forth in Invesco's Policy Statement on Global Corporate Governance and Proxy Voting (the "Invesco Global Proxy Policy"), while maintaining Invesco-specific guidelines. The Invesco Global Proxy Policy is designed and implemented in a manner reasonably expected to ensure that proxy votes and consent rights are exercised in the best interests of clients, including the Funds and their shareholders. Invesco's Global ESG team oversees the Invesco Global Proxy Policy, operational procedures, inputs to analysis and research and leads the Global Invesco Proxy Advisory Committee (the "Global IPAC"). Invesco's global proxy administration team is responsible for operational implementation including vote execution oversight.

### *Conflicts of Interest*

There may be occasions where voting proxies may present a real or perceived conflict of interest between Invesco, as investment manager, and one or more of Invesco's clients or vendors.

#### *Firm-Level Conflicts of Interest*

A conflict of interest may exist if Invesco has a material business relationship with either the company soliciting a proxy or a third party that has a material interest in the outcome of a proxy vote or that is actively lobbying for a particular outcome of a proxy vote. Such relationships may include, among others, a client relationship, serving as a vendor whose products/services are material or significant to Invesco, serving as a distributor of Invesco's products, a significant research provider or broker to Invesco. Invesco identifies potential conflicts of interest based on a variety of factors, including but not limited to the materiality of the relationship between the issuer or its affiliates to Invesco. Invesco's proxy administration team maintains a list of all such issuers for which a conflict of interest exists ("Global Conflicts List"). Material firm-level conflicts of interests are identified by individuals and groups within Invesco globally based on criteria established by the proxy administration team. The Global Conflicts List is updated periodically by the proxy administration team so as to seek to ensure an updated view is available when conducting conflicts checks. Operating procedures and associated governance are designed to seek to ensure conflicts of interest are appropriately considered ahead of voting proxies. The Global IPAC Conflict of Interest Sub-committee maintains oversight of the process. Companies on the Global Conflicts List will be voted in line with the principles

implemented by Invesco's internally developed voting guidelines. To the extent a portfolio manager disagrees with the policy, our processes and procedures seek to ensure justification and rationales are fully documented and presented to the Global IPAC Sub-committee for a majority vote of its members. As an additional safeguard, persons from Invesco's marketing, distribution and other customer-facing functions may not serve on the Global IPAC. For the avoidance of doubt, Invesco may not consider Invesco Ltd.'s pecuniary interest when voting proxies on behalf of clients. To avoid any appearance of a conflict of interest, Invesco will not vote proxies issued by Invesco Ltd. that may be held in client accounts.

#### *Personal Conflicts of Interest*

A conflict also may exist where an Invesco employee has a known personal or business relationship with other proponents of proxy proposals, participants in proxy contests, corporate directors, or candidates for directorships. Under Invesco's Global Code of Conduct, Invesco entities and individuals must act in the best interests of clients and must avoid any situation that gives rise to an actual or perceived conflict of interest. All Invesco personnel with proxy voting responsibilities are required to report any known personal or business conflicts of interest regarding proxy issues with which they are involved. In such instances, the individual(s) with the conflict will be excluded from the decision-making process relating to such issues.

#### *Voting Fund of Funds*

There may be conflicts that can arise from Invesco voting on matters when shares of Invesco-sponsored funds are held by other Invesco funds or entities. The scenarios below set out how Invesco votes in these instances.

- In the United States, as required by law, proportional voting applies.
  - Shares of an Invesco-sponsored fund held by other Invesco funds will be voted in the same proportion as the votes of external shareholders of the underlying fund, where required by law.
  - Shares of an unaffiliated registered fund held by one or more Invesco funds will be voted in the same proportion as the votes of external shareholders of the underlying fund where the thresholds are met as required by federal securities law or any exemption therefrom.
  - To the extent proportional voting is required by law, but not operationally possible, Invesco will not vote the shares.
- For US fund of funds where proportional voting is not required by law, Invesco will still apply proportional voting. In the event this is not operationally possible, Invesco will vote in line with our internally developed voting guidelines.

- For non-US fund of funds Invesco will vote in line with our above-mentioned firm-level conflicts of interest process unless we have local policies in place.

The Invesco Global Proxy Policy is available at [www.invesco.com/corporate/about-us/esg](http://www.invesco.com/corporate/about-us/esg) and proxy voting records are available upon request.

## Item 18 Financial Information

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### *Financial Condition*

ICM does not have any financial impairment that would preclude the Adviser from meeting its contractual commitments. ICM does not require or solicit prepayment of more than \$1,200 in fees per client six months or more in advance, this item is not applicable.