

# Navigating volatility

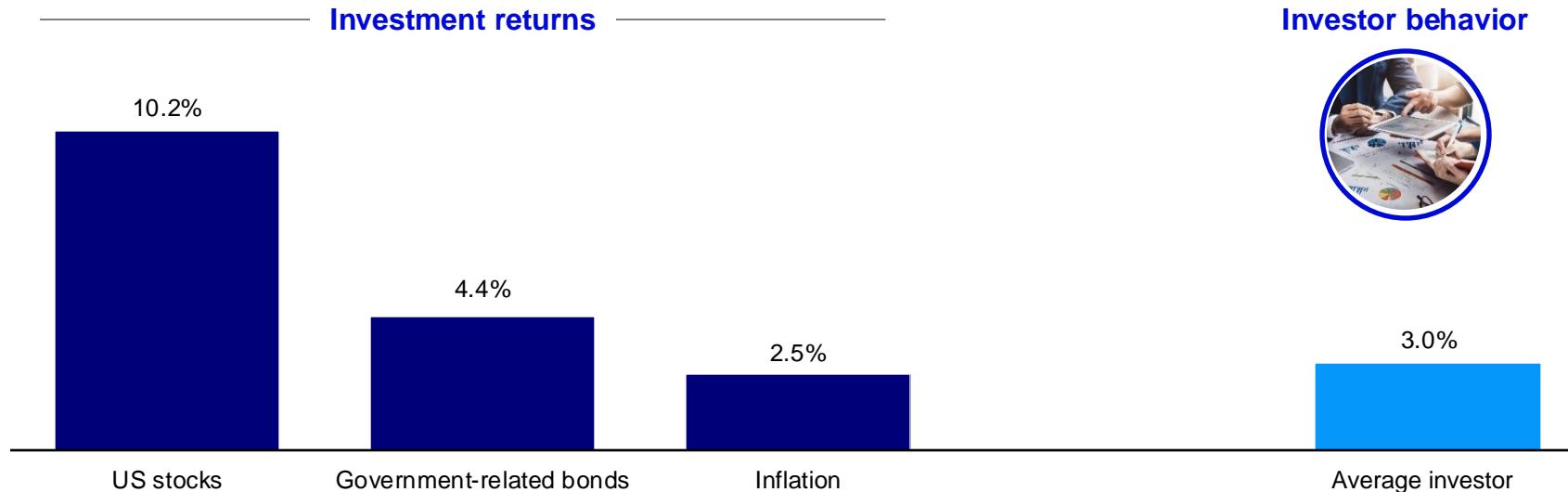
## Compelling Wealth Management Conversations

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# What has the greatest impact on investment results?

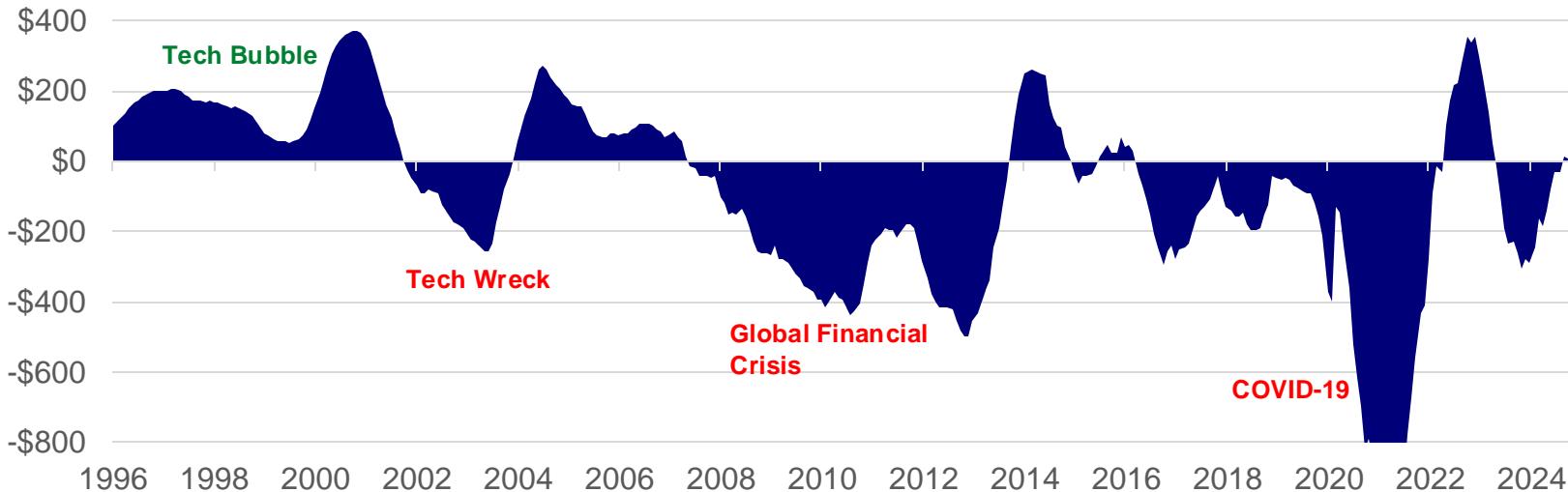
## 30-year annualized returns % (1994–2024)



Source: Bloomberg L.P., 12/31/94–12/31/24. Latest data available. Average asset allocation investor return is based on an analysis by DALBAR, Inc., which utilizes the net of aggregate mutual fund sales, redemptions, and exchanges each month as a measure of investor behavior. Indexes shown: US stocks are represented by the S&P 500 Index, government-related bonds by the Bloomberg US Aggregate Bond Index, and inflation by the Consumer Price Index. An investment cannot be made directly into an index. Index performance is shown for illustrative purposes only and does not predict or depict the performance of any investment. See appendix for index definitions. **Past performance does not guarantee future results.**

# The herd is often wrong

Rolling 1-year equity mutual fund and ETF flows minus rolling 1-year fixed income mutual fund and ETF flows

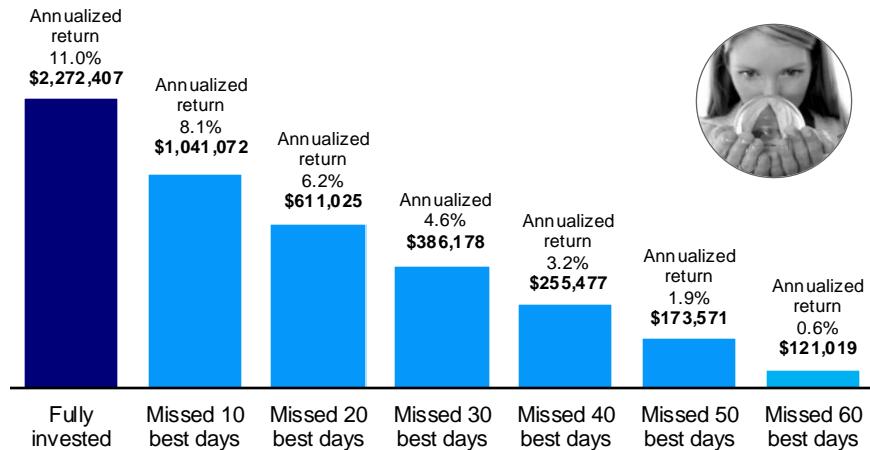


Source: Investment Company Institute, 12/31/2024.

# No one has a crystal ball, yet often people act as though they do

## Missing the best days in the market reduced returns

S&P 500 Index: Annualized total returns and growth of \$100,000 investment (1994–2024)



## Many of the best days occur during periods of volatility

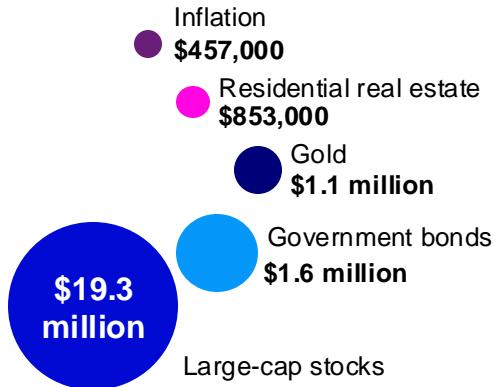
S&P 500 Index: 30 best days since 1994

Period	Date	Return (%)
2/28/00 – 10/30/02	Tech Wreck (≈15%)	1. 07/24/02 5.7%
10/30/07 – 3/31/09	Financial Crisis (≈40%)	2. 07/29/02 5.4%
1/31/20 – 12/31/22	COVID-19 (≈25%)	3. 03/24/20 9.4%
	Other (20%)	18. 10/28/97 5.1%
		19. 09/08/98 5.1%
		21. 12/26/18 5.0%
		25. 08/09/11 4.7%
		27. 08/11/11 4.6%
		29. 05/10/10 4.4%
2/28/00 – 10/30/02	Tech Wreck (≈15%)	4. 03/13/20 9.3%
10/30/07 – 3/31/09	Financial Crisis (≈40%)	6. 04/06/20 7.1%
1/31/20 – 12/31/22	COVID-19 (≈25%)	11. 03/26/20 6.3%
	Other (20%)	12. 03/17/20 6.0%
		14. 11/10/22 5.6%
		22. 03/10/20 4.9%
		28. 03/02/20 4.6%
2/28/00 – 10/30/02	Tech Wreck (≈15%)	9. 03/10/09 6.4%
10/30/07 – 3/31/09	Financial Crisis (≈40%)	10. 11/21/08 6.3%
1/31/20 – 12/31/22	COVID-19 (≈25%)	15. 09/30/08 5.4%
	Other (20%)	17. 12/16/08 5.1%
		24. 10/20/08 4.8%
		30. 01/21/09 4.4%

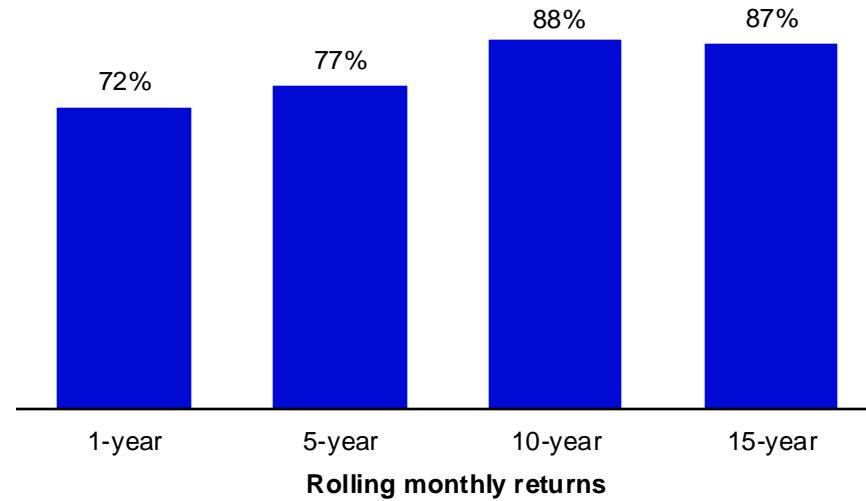
Source: Bloomberg L.P., 1/1/94-12/31/24. For illustrative purposes only and is not intended as investment advice. The charts are hypothetical examples which are shown for illustrative purposes only and do not predict or depict the performance of any investment. An investment cannot be made directly into an index. See appendix for index definitions. **Past performance does not guarantee future results.**

# Stocks outperformed most asset classes over time

## Growth of \$100,000 (1979–2024)



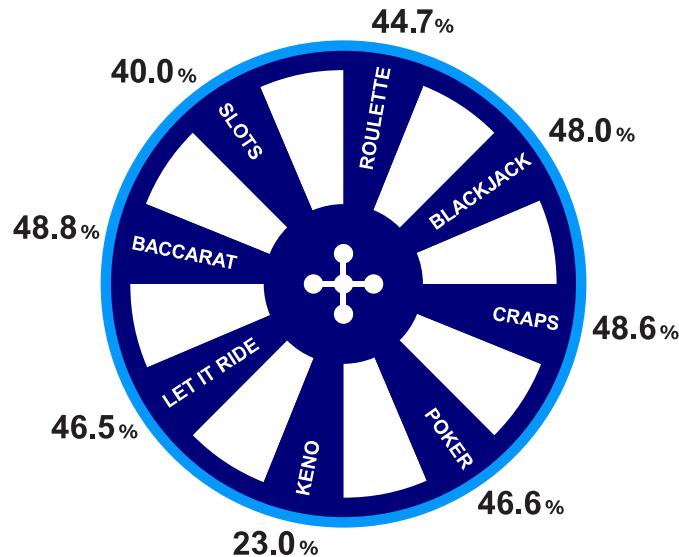
## Percentage of time large-cap US stocks outperformed government bonds over rolling periods (1979–2024)



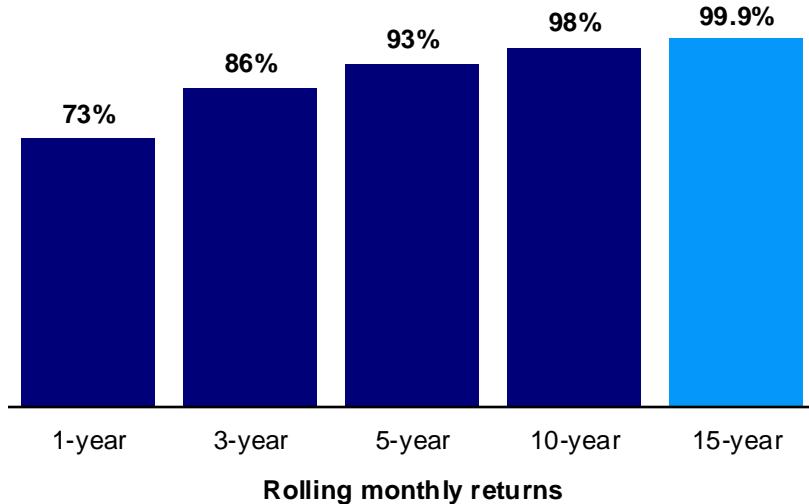
Sources: FactSet, Bloomberg L.P., 12/31/24. Large-cap stocks are represented by the Russell 1000 Index including dividends. Government bonds are represented by the Bloomberg US Treasury Index. Gold is represented by the US dollar spot price of one troy ounce. Real estate is represented by the ShillerNominal Home Price Index. Inflation is represented by the Consumer Price Index. The charts are hypothetical examples, which are shown for illustrative purposes only, do not predict or depict the performance of any investment. An investment cannot be made directly into an index. See appendix for index definitions. **Past performance does not guarantee future results.**

# Is the stock market really like a casino?

Odds of winning at various casino games

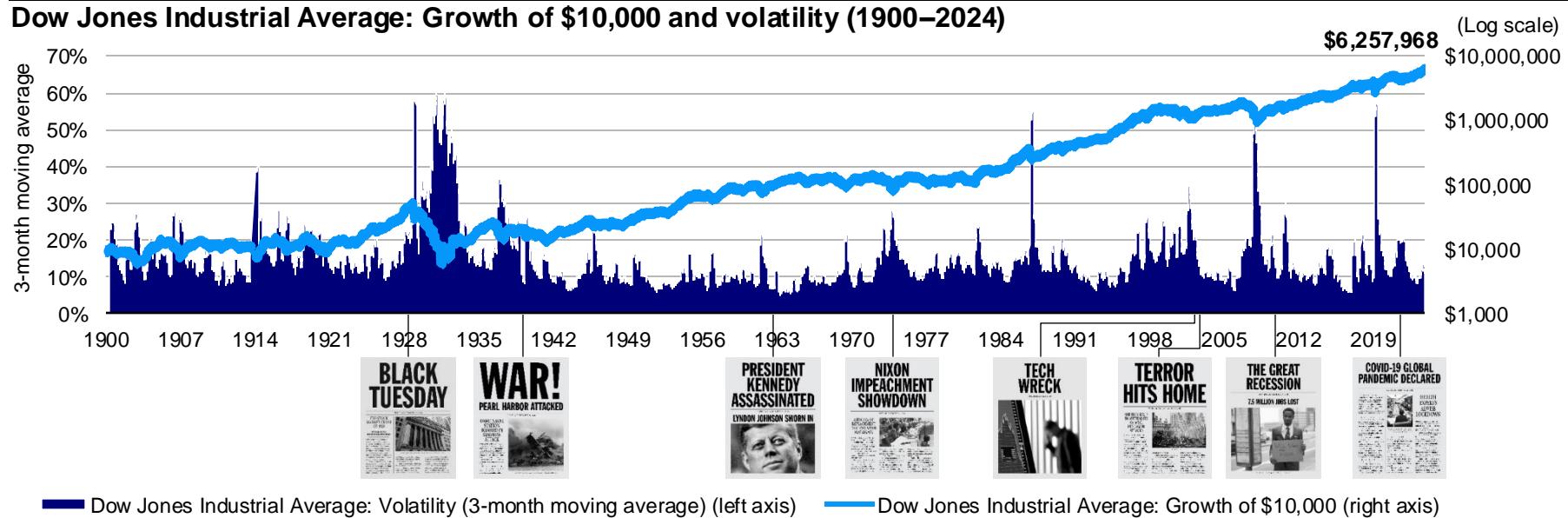


Percentage of years US stocks (Dow Jones Industrial Average Index) posted positive returns over rolling periods (1901–2024)



Source: Bloomberg L.P., 12/31/24. Chart is for illustrative purposes only and is not intended as investment advice. US stocks are represented by the Dow Jones Industrial Average Index. Source of casino odds: Wizard of Odds. The charts are hypothetical examples, which are shown for illustrative purposes only, do not predict or depict the performance of any investment. An investment cannot be made directly into an index. See appendix for index definitions. **Past performance does not guarantee future results.**

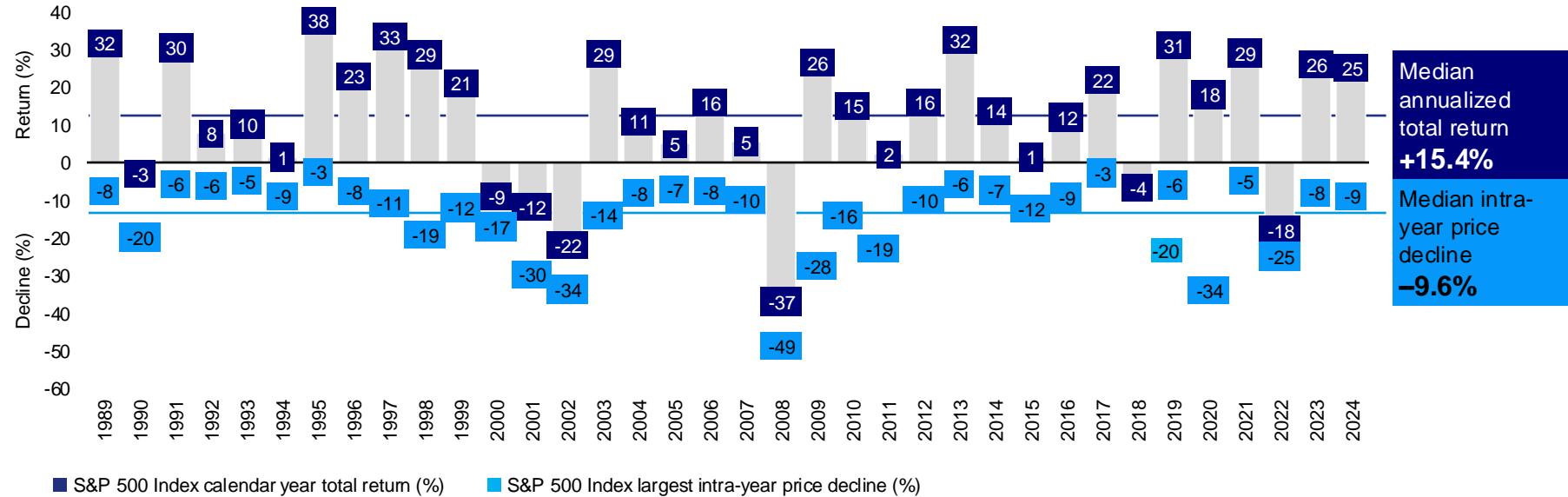
# Every generation faces its share of challenges



Source: Bloomberg L.P., 12/31/24. Volatility is measured by the standard deviation of price moves on returns of the index. The line shows the price return for the Dow Jones Industrial Average Index. Standard deviation is a statistic that measures the dispersion of a dataset relative to its mean. The chart is a hypothetical example shown for illustrative purposes only and doesn't predict or depict the performance of any investment. An investment cannot be made directly into an index. See slide 12 for index definitions. **Past performance does not guarantee future results.**

# Volatility doesn't equal a financial loss unless you sell

## S&P 500 Index: Calendar-year returns and intra-year declines



Source: Bloomberg L.P., 12/31/24. Calendar year returns are total returns, meaning that they do include the reinvestment of dividends. The index is unmanaged and cannot be purchased directly by investors. Index performance is shown for illustrative purposes only and does not predict or depict the performance of any investment. See appendix for index definitions.

**Past performance does not guarantee future results.**

# Bear markets are always scary, but don't have to be devastating

## Dow Jones Industrial Average Index drawdowns and market cycles since 1945

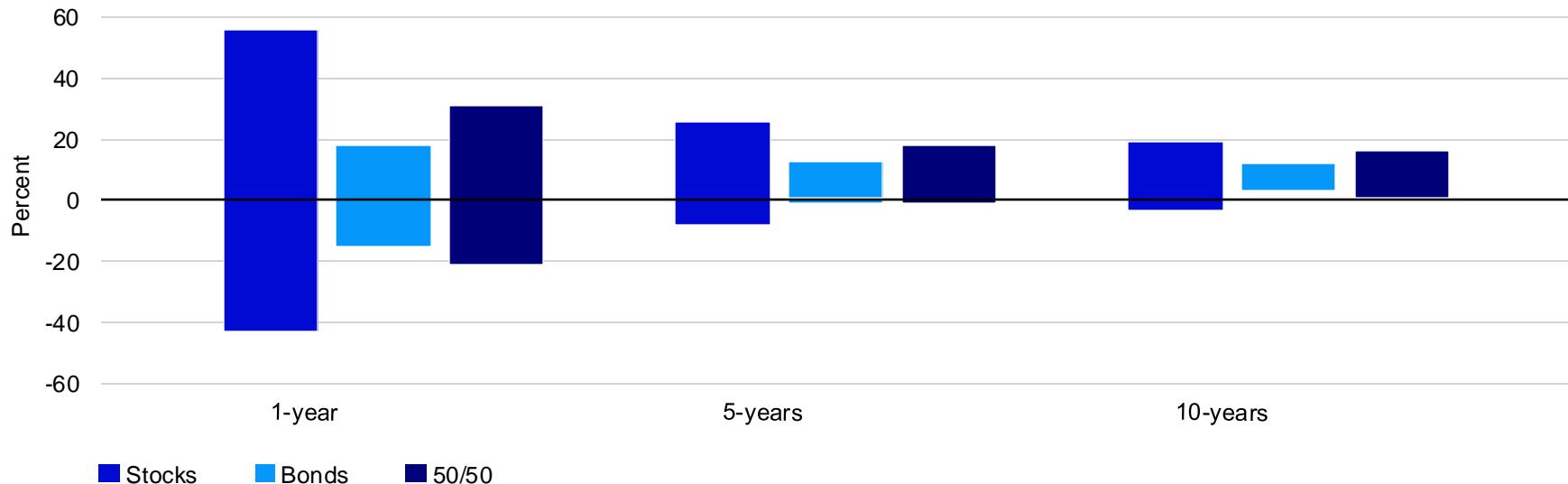
Drawdown	Frequency	Average time to recovery
 <b>-5% to -10%</b>	43 times	3 months
 <b>-10% to -20%</b>	15 times	8 months
 <b>-20% to -30%</b>	6 times	27 months
 <b>-30% to -60%</b>	6 times	41 months

Sources: FactSet, Dow Jones, 12/31/24. An investment cannot be made directly into an index. The charts are hypothetical examples which are shown for illustrative purposes only and do not predict or depict the performance of any investment. See appendix for index definitions **Past performance does not guarantee future results.**

# Bonds may help to dampen volatility and reduce the range of outcomes

## Range of stock, bond, and blended annualized returns

Based on rolling monthly returns (1987–2024)



Source: Bloomberg, 12/31/24. Stocks are represented by the S&P 500 Index. Bonds by the Bloomberg US Aggregate Bond Index. 5050 is a blend of the two. An investment cannot be made directly into an index. See appendix for index definitions. **Past performance does not guarantee future results.**

# Asset classes move in and out of favor

Annual returns % (2014–2024)

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
REITs 30.14	REITs 3.18	US mall cap 21.31	Emerging markets 37.28	US Aggregate 0.01	US Large cap 31.49	US Large cap 20.95	REITs 41.27	MLPs 21.63	MLPs 26.56	US Large cap 24.51
US Large cap 13.69	US Large cap 0.91	MLPs 18.31	International stocks 25.03	High yield -2.40	REITs 26.00	Small cap 19.93	MLPs 39.85	Commodities 16.09	US Large cap 26.50	MLPs 24.41
US Aggregate 5.97	US Aggregate 0.55	High yield 18.27	US Large cap 21.69	REITs -4.62	US Small cap 25.52	Emerging markets 18.50	Commodities 27.11	High yield -11.19	International stocks 18.24	Global 60/40 15.21
Global 60/40 5.94	Global 60/40 -0.49	US Large cap 12.05	Global 60/40 17.09	US Large cap -4.78	International stocks 22.66	Global 60/40 13.8	US Large cap 26.43	US Aggregate -13.01	US Small cap 16.88	Small cap 11.54
US Small cap 4.89	International stocks -0.81	Commodities 11.77	US Small cap 14.65	Global 60/40 -6.00	Global 60/40 19.12	International stocks 8.39	US Small cap 14.78	International stocks -16.79	Global 60/40 15.61	High yield 8.19
MLPs 4.80	High yield -2.97	Emerging markets 11.19	High yield 7.50	US Small cap -11.01	Emerging markets 18.88	US Aggregate 7.51	International stocks 11.86	Global 60/40 -18.38	High yield 13.45	Emerging markets 7.50
High yield 2.21	US Small cap -4.41	REITs 8.52	REITs 5.23	Commodities -11.25	High yield 14.08	High yield 5.19	Global 60/40 9.53	US Large cap -20.41	REITs 11.36	Commodities 5.38
Emerging markets -2.19	Emerging markets -14.85	Global 60/40 6.82	US Aggregate 3.54	MLPs -12.42	US Aggregate 8.72	Commodities -3.12	High yield 5.28	US Small cap -21.56	Emerging markets 9.83	REITs 4.92
International stocks -4.90	Commodities -24.66	US Aggregate 2.65	Commodities 1.70	International stocks -13.79	Commodities 7.69	REITs -5.12	US Aggregate -1.54	Emerging markets -22.37	US Aggregate 5.53	International stocks 3.82
Commodities -17.01	MLPs -32.49	International stocks 1.00	MLPs -6.52	Emerging markets -14.58	MLPs 6.56	MLPs -28.84	Emerging markets -2.47	REITs -27.46	Commodities -7.91	US Aggregate 1.25

Source: FactSet, 12/31/24. High yield is represented by the JPMorgan Domestic High Yield Index. US Aggregate is represented by the Bloomberg US Aggregate Bond Index. REITs are represented by the FTSE NAREIT Equity REITs Index. MLPs are represented by the Alerian MLP Index. International stocks are represented by the MSCI EAFE Index. Emerging markets is represented by the MSCI EM Index. Commodities are represented by the Bloomberg Commodity Index. Small cap stocks are represented by the total return for the Russell 2000 Index. Large cap stocks are represented by the Russell 1000 Index. Global 60/40 is represented by 60% MSCI ACWI and 40% Bloomberg Global Aggregate Bond Index. An investment cannot be made directly into an index. See appendix for index definitions. Diversification does not guarantee profit or protect against loss. **Past performance does not guarantee future results.**

# Index definitions

The Alerian MLP Index is a composite of the 50 most prominent energy Master Limited Partnerships (MLPs).

The Bloomberg US Aggregate Bond Index is an index of US Government and corporate bonds that includes reinvestment of dividends.

The Bloomberg Global Aggregate Index is an unmanaged index considered representative of global investment-grade, fixed-income markets.

The Bloomberg US Treasury Index is an unmanaged index of public obligations of the US Treasury with remaining maturities of one year or more.

The Bloomberg Commodity Index is comprised of commodities traded on US exchanges, with the exception of aluminum, nickel, and zinc, which trade on the London Metal Exchange.

Consumer Price Index (CPI) program produces monthly data on changes in the prices paid by urban consumers for a representative basket of goods and services.

The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry.

The FTSE National Association of Real Estate Investment Trusts (NAREIT) Equity REITs Index is an index consisting of certain companies that own and operate income-producing real estate that have 75% or more of their respective gross invested assets in the equity or mortgage debt of commercial properties.

The JPMorgan Domestic High Yield Index tracks the investable universe of domestic below-investment-grade bonds in the United States.

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The MSCI All Country World Index (ACWI) is an unmanaged index considered representative of large- and mid-cap stocks across developed and emerging markets. The index is computed using the net return, which withholds applicable taxes for non-resident investors.

The MSCI EAFE Index is designed to measure developed market equity performance, excluding the US and Canada.

The MSCI Emerging Markets (EM) Index is designed to measure global emerging market equity performance.

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The Russell 1000 Index measures the performance of large-capitalization stocks.

The Russell 2000 Index measures the performance of small-capitalization stocks.

The S&P 500 Index is a market-capitalization-weighted index of the 500 largest domestic US stocks.

Shiller Home Price Index tracks changes in home prices throughout the United States.

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The Gold Spot price is quoted as US dollar per troy ounce.

# Important information

In general, equity values fluctuate, sometimes widely, in response to activities specific to the company as well as general market, economic, and political conditions.

Fixed income investments have interest rate risk, which refers to the risk that bond prices generally fall as interest rates rise and vice versa.

An issuer may be unable to meet interest and/or principal payments, thereby causing its instruments to decrease in value and lowering the issuer's credit rating.

High yield (junk) bonds involve a higher risk of default and price movement due to changes in the issuer's credit quality, while foreign bonds, including those of emerging markets, may fluctuate more due to increased political concerns, taxation issues, and movements in foreign exchange rates.

Foreign securities have additional risks, including exchange rate changes, political and economic upheaval, relative lack of information, relatively low market liquidity, and the potential lack of strict financial and accounting controls and standards.

Investments in real estate related instruments may be affected by economic, legal, or environmental factors that affect property values, rents or occupancies of real estate. Real estate companies, including REITs or similar structures, tend to be small and mid-cap companies and their shares may be more volatile and less liquid.

Stocks of small- and mid-sized companies tend to be more vulnerable to adverse developments, may be more volatile, and may be illiquid or restricted as to resale. Stock and other equity securities values fluctuate in response to activities specific to the company as well as general market, economic and political conditions.

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