



# **Invesco Peak Index Methodology**

December 2021

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## Index Overview

### Description

The Invesco Peak Index (“the Index”) is a multi-asset, target volatility index. The Index provides exposure to equities with a focus on high-quality companies and to fixed income through US 2- and 10-year Treasury bonds. Asset class allocation is dynamically updated daily to seek to provide a consistent volatility profile of 5%.

### Index Universe

The Invesco Peak Index is an index of indexes comprised of the following:

- Invesco US Quality Index (“Equity”)
- Credit Suisse 10-Year US Treasury Note Futures Index (“10-year Treasuries”)
- Credit Suisse 2-Year US Treasury Note Futures Index (“2-year Treasuries”)

10-year Treasuries, or a combination of 10-year Treasuries and 2-year Treasuries, are collectively referred to as “Fixed Income”.

Details on the Index Universe criteria for the Invesco US Quality Index can be found in its methodology document at [www.InvescoIndexing.com](http://www.InvescoIndexing.com).

### Security Selection

Details on the security selection criteria for the Invesco US Quality Index can be found in its methodology document at [www.InvescoIndexing.com](http://www.InvescoIndexing.com).

### Security Weighting

An initial weight is established for Equity as the minimum of 100% or the ratio of the Index volatility target (5%) to the Invesco US Quality Index volatility forecast. Next, an initial Fixed Income weight is established as 100% less the Equity weight.

The initial Fixed Income weight either will be comprised entirely of 10-year Treasuries or a blend of 10-year Treasuries and 2-year Treasuries. To determine the allocation, the recent performance of 10-year Treasuries is compared to its long-term trend. When recent performance is weak and current 10-year Treasuries are below their long-term trend, the initial Fixed Income weight is split between 10-year Treasuries and 2-year Treasuries. Otherwise, the initial Fixed Income weight is comprised entirely of 10-year Treasuries.

Next, a volatility forecast is created for the combination of Equity and Fixed Income based on their initial weights. While keeping the proportionate weights between Equity and Fixed Income components constant, their aggregate weight is raised or lowered to achieve the Index volatility target. The maximum weight of the combination of Equity and Fixed Income is 125%.

All security weighting criteria are applied on the Reference Date of an Index update (see Updates on page 4).

### History

The Index was launched on April 2, 2020. History is available for the Index since its base date of December 31, 2002. The base value of the Index is 1000.

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## Updates

The Index is rebalanced daily.

### Index Rebalance

During the daily Index Rebalance, the Index Universe is selected, Index constituents are refreshed, and the new Index constituents are weighted according to the security weighting methodology described in the Index Overview section (see page 3).

### Index Key Dates

The key dates are as follows. The Index Review Team (see Governance on page 6) may change these dates for reasons including market holidays. Any such changes will be publicly announced with as much advance notice as possible under the circumstances. All events take place after the close.

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<b>Event</b>	<b>Day</b>	<b>Description</b>
Reference Date	Each business day	Data is captured for Index construction
Effective Date	Each business day	Rebalanced Index weights are finalized

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## **Index Calculation and the Role of the Calculation Agent**

The calculation agent for the Index (“the Calculator”) is S&P Dow Jones Indices. The Calculator evaluates the closing value of the Index, updates the Index each business day based on constituent selections and weightings determined either by Invesco Indexing LLC or the Calculator (with appropriate oversight and review by Invesco Indexing), taking into account Corporate Events (see Corporate Events on page 6), and disseminates the values of the Index to Invesco Indexing LLC and major index data distribution partners (see Index Information and Data Dissemination on page 8).

### **Calculator Input Data Used and Hierarchy of Input Data**

The Index is calculated using closing prices or last transacted prices of underlying constituent securities from exchanges or exchange equivalents. Should this type of data be unavailable, the Index may be calculated using quotes or evaluated data or, in case when continued availability of transacted security prices from security exchanges is suspended, the Calculator reserves the right to exercise a judgement call, including carrying forward the latest available closing price.

### **Use of Discretion and/or Expert Judgement**

No discretion or expert judgement is exercised by Invesco Indexing LLC in the determination of daily index pricing. Rules-based index methodologies, which cover index construction, maintenance and calculation, provide that discretion is not used in the daily pricing of the indexes except in unusual cases not effectively addressed by the methodology, which could be exercised by the Calculator. These include, but may not be limited to:

- Corporate events not previously encountered,
- Structural changes to the underlying markets,
- Operational issues at security exchanges,
- Geo-political events,
- Technological problems / failures, or
- Natural disaster or other business continuity process-related event.

In such circumstances, the calculating agent will inform Invesco Indexing LLC of any discretion being used.

### **Potential Limitations of the Methodology and Benchmark Calculation**

The potential limitations of daily Index calculation include circumstances where the prices of constituent elements of the Index are not available, either because there are insufficient participants or because the exchange(s) / exchange equivalent(s) suffers an unexpected outage or closure or Invesco and/or the Calculator is denied permission to use such data for determining the Index. In such circumstances an announcement will be made to notify clients, including whether the Index will not be published or delayed in publication.

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## Corporate Events

The Calculator identifies and adjusts for corporate events in the underlying Invesco US Quality Index. For details on the corporate event policy for the Invesco US Quality Index, please see its index methodology document at [www.InvescoIndexing.com](http://www.InvescoIndexing.com).

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## Index Policy

All Index constituents are evaluated daily for data needed to calculate Index levels and returns. The Index follows the general Index policies of the Calculator as described below.

### Holiday Schedule

The Index is calculated daily, throughout the calendar year. The only days the Index is not calculated are on days when all exchanges where the Index's constituents are listed are officially closed.

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## Governance

The Index is managed by the Index Review Team (IRT). The IRT consists solely of members of Invesco Indexing. The IRT meets at least annually to review and revise Index methodology described in this document as appropriate. The IRT meets at least annually to review additions and deletions to the Index. All daily changes to the Index are subject to the approval of the IRT, and the IRT may make adjustments to the Index at its discretion when such changes are reasonable.

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## Index Methodology Update and Cessation Policy

Invesco Indexing periodically, at least annually, reviews each Index and its accompanying methodology, in addition to periodic rebalancing (if applicable), in an effort to ensure the Index continues to accurately represent that portion of the market it was originally intended to, and delivers the outcomes one would expect from the Index's exposures.

The procedures for the internal review of the methodologies, changes to the methodologies and procedures performed when the Index administered is ceasing publication are described in detail in the Changes to Benchmark Methodology and Cessation Policy.

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## Return Types and Tickers

The Calculator computes one return type for the Index on a daily basis: excess return. The excess return reflects the contribution from Fixed Income, Equity less a reference rate<sup>1</sup>, and an annual 0.50% Index performance reduction.

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Return Type	Ticker
Excess Return	IIPEAK

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<sup>1</sup> As of December 31, 2021, the reference rate is the Secured Overnight Financing Rate (SOFR)

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## Index Information and Data Dissemination

### Data Vendors

Daily Index levels for all return types are available from major quote vendors and at [www.InvescoIndexing.com](http://www.InvescoIndexing.com).

### FTP

Daily constituent data and Index level data are available via the Invesco Indexing secure FTP site for Index subscribers. Please contact Invesco Indexing customer service at [IndexSupport@invesco.com](mailto:IndexSupport@invesco.com) for more information.

### File Types

The Invesco Indexing secure FTP site for Index subscribers will distribute the standard overnight Index files from the Calculator. These include:

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File Description	File Extension
Index Levels	.SDL
Constituent Weights	.SDCL

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The data on these files is provided directly by the Calculator, and no descriptive information contained in these files is used by Invesco Indexing at any stage of the Index creation process. In addition, security characteristics are available upon request. The characteristics are created by Invesco Indexing periodically and are updated as necessary. The characteristics data contribute to the creation of the Index or otherwise help to describe the Index constituents. Please contact Invesco Indexing customer service at [IndexSupport@invesco.com](mailto:IndexSupport@invesco.com) for more information.

### Website

Index information is available on the Invesco Indexing website at [www.InvescoIndexing.com](http://www.InvescoIndexing.com).



## Definitions of Key Terms

Terms used in this document but not otherwise defined are defined in the following table. Definitions, that are marked with a ( \* ) are sourced from Regulation (EU) 2016/1011 (“EU Benchmark Regulation”) Article 3. Definitions, that are marked with a ( \*\* ) are sourced from IOSCO Principles for Financial Benchmarks<sup>2</sup>.

Term	Definition
<b>Administrator *</b>	‘Administrator’ means a natural or legal person that has control over the provision of a benchmark;
<b>Benchmark *</b>	‘Benchmark’ means any index by reference to which the amount payable under a financial instrument or a financial contract, or the value of a financial instrument, is determined, or an index that is used to measure the performance of an investment fund with the purpose of tracking the return of such index or of defining the asset allocation of a portfolio or of computing the performance fees;
<b>Calculation Agent **</b>	A legal entity with delegated responsibility for determining a Benchmark through the application of a formula or other method of calculating the information or expressions of opinions provided for that purpose, in accordance with the Methodology set out by the Administrator;
<b>Contribution of Input Data *</b>	‘Contribution of input data’ means providing any input data not readily available to an administrator, or to another person for the purposes of passing to an administrator, that is required in connection with the determination of a benchmark, and is provided for that purpose.
<b>Corporate Action</b>	A Corporate Action occurs when there is a change to a company’s capital structure. Unlike Corporate Events, Corporate Actions have a prescribed ex-date. The share price will be subject to an adjustment on the ex-date and Invesco Indexing and/or the calculating agent will adjust the index to counteract the effect that the price change would otherwise have on the index. Examples of corporate actions include rights or entitlement issues, consolidations, stock splits and capital repayments.
<b>Expert Judgment *</b>	‘Expert judgement’ means the exercise of discretion by an administrator or a contributor with respect to the use of data in determining a benchmark, including extrapolating values from prior or related transactions, adjusting values for factors that might influence the quality of data such as market events or impairment of a buyer or seller’s credit quality, and weighting firm bids or offers greater than a particular concluded transaction;
<b>Index*</b>	‘Index’ means any figure: (a) that is published or made available to the public; (b) that is regularly determined: (i) entirely or partially by the application of a formula or any other method of calculation, or by an assessment; and (ii) on the basis of the value of one or more underlying assets or prices, including estimated prices, actual or estimated interest rates, quotes and committed quotes, or other values or surveys;
<b>Input Data *</b>	‘Input data’ means the data in respect of the value of one or more underlying assets, or prices, including estimated prices, quotes, committed quotes or other values, used by an administrator to determine a benchmark;
<b>Material Change to Methodology</b>	In determining whether a change to an Index is material, the following factors shall be taken into account: <ul style="list-style-type: none"> <li>• Economic impact of the change;</li> <li>• Whether the change affects the original purpose of the Index.</li> </ul>
<b>Methodology **</b>	The written rules and procedures according to which information is collected and the Benchmark is determined;
<b>Rebalance</b>	The regular process (typically quarterly, semi-annually or annually) in which the eligibility and weights of constituent elements of indexes are reassessed;
<b>Subscriber **</b>	A person or entity that purchases Benchmark determination services from an Administrator;
<b>Transaction Data *</b>	‘Transaction data’ means observable prices, rates, indices or values representing transactions between unaffiliated counterparties in an active market subject to competitive supply and demand forces;

<sup>2</sup> <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD415.pdf>

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## **Changes to Index Methodology**

The following section has been modified and is effective December 31, 2021:

Return Types and Tickers

- The reference rate is the Secured Overnight Financing Rate (SOFR)

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