Invesco

Don't Wait to Equal Weight

Invesco S&P 500 Equal Weight ETF (RSP)

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About the fund

- RSP equally weights the stocks in the S&P 500® Index.
- Quarterly rebalancing results in trimming winners and buying potentially cheaper stocks that have declined in price
- Relative to market cap indexes like the S&P 500, this reduces the concentration towards mega-cap companies.

Three Reasons to Consider RSP

Prior to 2023, RSP has outperformed the S&P 500 by an average of 1.05% annually since its inception[1]. In 2023, RSP underperformed the S&P 500 as the performance of the Magnificent 7 has overshadowed the rest of the S&P 500. This has resulted in the S&P 500 reaching a record level of concentration, an unprecedented valuation and a shift towards growth. While the underperformance has been notable, we suggest three compelling reasons to consider RSP.

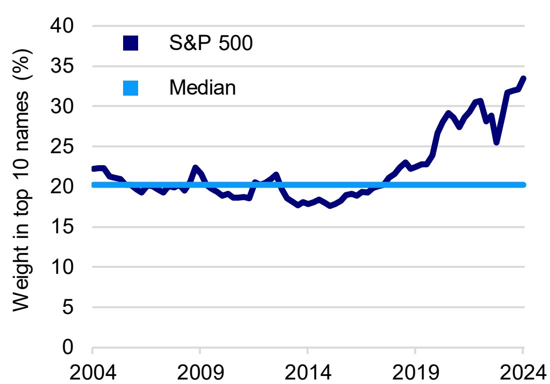
1. **High Concentration:** The Magnificent 7 alone has driven 47% of the S&P 500's one year return, leading to historically high concentration in the cap weighted S&P 500. The top ten names accounted for just over 33% of the S&P 500[2] – the largest weight since the late 1970's.
2. **Stretched Valuations:** The Bloomberg Magnificent 7 index's P/E ratio was 43% higher than the S&P 500 Index at the end of March – 37.5 to 26.1[3]. The high valuation of mega cap growth names has pushed the P/E ratio of the S&P 500 to a 23% premium to the S&P 500 Equal Weight Index (Equal Weight). This trend has pushed the S&P 500 to be "growth-like" with its constituent overlap with the Nasdaq 100 Index doubling over the last 10 years.
3. **Mean Reversion of Excess Returns** Equal Weight is still recovering from its worst 6-month relative drawdown in the past 20 years (Equal Weight lags the S&P 500 Index over the past 6-months by 2.8%. This is compared to 11.2% at end of August 2023)[4]. During March market leadership broadened and Equal Weight outperformed the S&P 500 and the Magnificent 7[5]. Over this period, RSP saw renewed interest with $2B entering in March and another $2.2B in early April[6]. Historically, performance mean reverts (cycles) over time and this current environment may be a potential opportunity to find exposure to the rewarded size and value factors.

High Concentration:

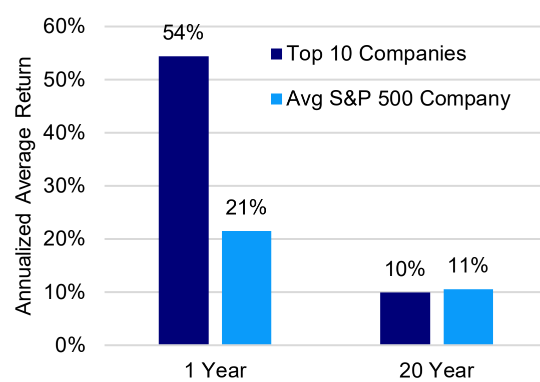
In March, 33% of the S&P 500 was in ten companies. This is the highest concentration level in the S&P 500 since the late 1970s. Leadership in the S&P 500 has changed over time. 20 years ago, GE led the index, while today it's the 45th largest company in the S&P 500.

Why it matters: Market cap weighting naturally underweights the future disrupters. 20 years ago the current top 10 represented only 4%. Over the past year the top 10 companies have made an outsized contribution to the S&P 500, but historically, over the past 20 years, they have trailed the broader index (10 vs 11%). When will we mean revert?

Concentration at a multi-decade high
Weight in the top 10 names of the S&P 500 Index



Outsized 1 Year Contribution from Top 10
Historical Return Attribution of the S&P 500 Index



Source: FactSet. Plotting the weight in the top 10 companies of the S&P 500 from 31 March 2004 to 31 March 2024. Return attribution is isolating the average annualized company return of the largest 10 companies by market cap in the S&P 500 on a monthly basis over the past 20 years and over the past year vs the average company in the index.

All fund returns use NAV prices. 1: Bloomberg, RSP was incepted on 30 April 2003 from inception to the end of 2023 RSP returned 10.89% (at NAV), while the S&P 500 returned 10.35% From Inception to 2022, RSP returned 10.75% (at NAV) and the S&P 500 returned 9.70%. In 2023 the magnificent 7 returned 107.01%, S&P 500 Index returned 26.29% and RSP returned 13.65% (at NAV). 2: Source: Factset as of 31 March 2024. Mag7 nickname for MSFT, META, AMZN, AAPL, NVDA, GOOGL, TSLA. 3 Bloomberg and FactSet as of 31 March 2024. 4: Bloomberg from October 2023 to March 2024 S&P 500 +23.48% vs Equal Weight 20.72%. February 2023 to August 2023 S&P 500 +14.5% vs Equal Weight 3.3%. 5 For the month of March EW +3.9% Mag 7 +1.4% S&P 500 +2.4%: 6: Source Invesco, early April flows from the start of April to April 18, the time of writing. Past performance is not a guarantee of future results. An Investor cannot invest directly in an index.

Stretched Valuations:

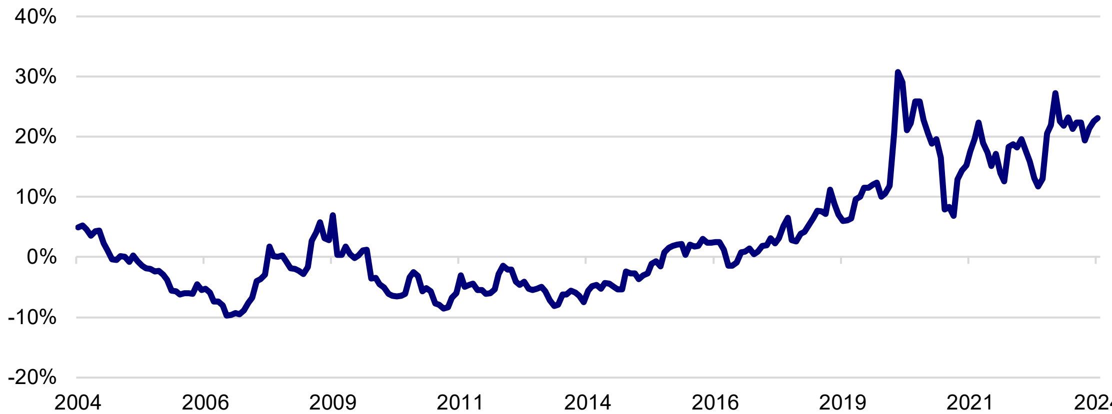
The high valuations in mega cap have pushed the S&P 500's P/E ratio to 26.1, a 23% premium over S&P 500 Equal Weight. Historically, over the past 20 years, equal weight and cap weighted S&P 500 have had similar P/E ratios. These expanding P/Es have pushed the S&P 500 towards growth. Currently, the S&P 500 Index and the Nasdaq 100 Index, often considered a proxy for growth, have 45% overlap, a figure that has doubled over the past 10 years.

Why it matters: Equal Weight's approach may help mitigate some of the valuation risk present in the S&P 500 and its current tilt towards growth. This mitigation may be especially important if interest rates continue to rise, and their potential pressure on valuations.

The S&P 500's valuation is **23% above Equal Weight** with 45% constituent overlap with the Nasdaq 100 Index

Recently market cap's valuations have stretched to 23% equal weight

S&P 500 Index (Market Cap) vs S&P 500 Equal Weight Index relative P/E ratio



Source: FactSet. Comparing the P/E ratio of the S&P 500 market cap weighted vs the S&P 500 Equal Weight Indexes from 31 March 2004 to 31 March 2024.

Mean Reversion of Excess Returns:

The S&P 500 Equal Weight Index is currently recovering from its worst 6-month relative drawdown in the past 20 years. Since August, Equal Weight has rebounded and now trails the market by 3%[7].

Why it matters: During 2021 the Mag7 led performance returning 51.54% vs the S&P 500's 28.71%, but it peaked towards the end of the year and mean reverted in 2022. During this time of mean reversion, Equal Weight outperformed the Mag7 by 34% (Equal Weight -11.60% vs Mag7 -45.32%). This story began again in 2023 with the Mag7 driving 55% of the market's 1 year performance. Year to date, the Mag7's run-up has slowed, while Equal Weight's performance has turned positive[8]. During March market leadership broadened and Equal Weight outperformed the S&P 500 and the Magnificent 7. Over this period, RSP saw renewed interest with $2B entering in March and another $2.2B in early April[8]. Given the all-time high concentration in the market and near record valuations, investors may want to consider using Equal Weight to diversify their portfolio[10]. While past performance is no indicator of future results, historically, performance has tended to mean revert (cycle) over time and this current environment creates a potential tactical opportunity to find exposure using Invesco S&P 500 Equal Weight ETF (RSP) to the rewarded size and value factors

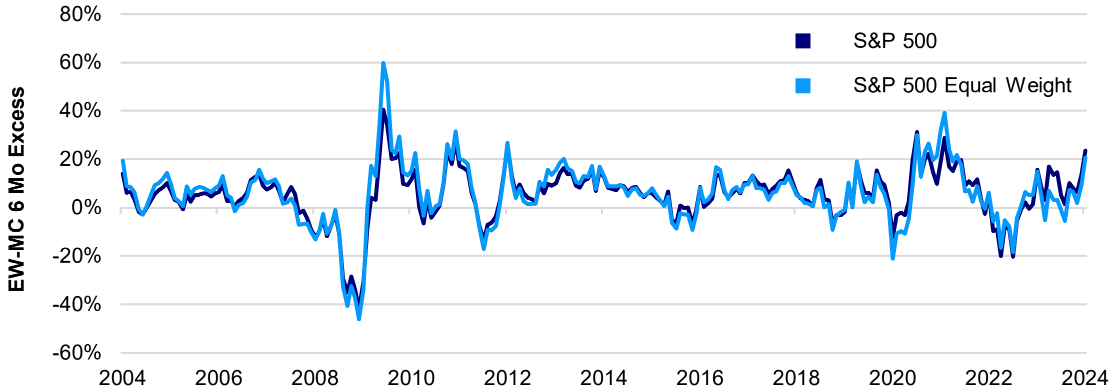
Equal Weight has started to rebound off its all-time low vs market cap.

Equal Weight's return vs Market Cap is rebounding off its 20-year low

Trailing 6-month excess return of the S&P 500 Equal Weight Index vs the S&P 500 Index

Source: Bloomberg. Showing rolling monthly 6-month excess returns of the S&P 500 Equal Weight Index vs the S&P 500 Index from 31 March 2004 to 31 March 2024. Equal Weight: Shorthand for the S&P 500 Equal Weight Index. 7 Bloomberg from August 2023 to March 2024 S&P 500 +17.6% vs Equal Weight 14.6%. 8 Bloomberg, YTD EW +7.9% vs Mag 7 +17.1%. 9 Source Invesco, early April flows from the start of April to April 18, the time of writing. 10 Diversification does not guarantee a profit or eliminate the risk of loss.

Rolling 6-month returns of S&P 500 Equal Weight Index & the S&P 500 Index



Source: Bloomberg. Showing the 20-year rolling monthly 6-month returns of the S&P 500 Equal Weight Index & the S&P 500 Index from 31 March 2004, to 31 March 2024.

Invesco S&P 500 Equal Weight ETF Standardized Performance

As of 31 March 2024 (%)

	1 Year	3 Year	5 Year	10 Year	Since Inception
RSP NAV	19.16	7.93	12.15	10.65	11.21
RSP Market Price	19.19	7.84	12.13	10.65	11.21
S&P 500 Equal Weight Index	19.38	8.16	12.35	10.92	11.66
S&P 500 Index	29.88	11.49	15.05	12.96	10.88

RSP was incepted on 30 April 2003 and has a total expense ratio of 0.20%.

Past performance is not a guarantee of future results; current performance may be higher or lower than performance quoted. Investment returns and principal value will fluctuate and shares, when redeemed, may be worth more or less than their original cost. See invesco.com to find the most recent month-end performance numbers. Market returns are based on the midpoint of the bid/ask spread at 4 p.m. ET and do not represent the returns an investor would receive if shares were traded at other times. Fund performance reflects fee waivers, absent which performance data quoted would have been lower. As the result of a reorganization on April 6, 2018, the returns presented reflect performance of the Guggenheim predecessor fund. Invesco is not affiliated with Guggenheim. An investment cannot be made directly into an index. Index returns do not represent fund returns.

There are risks involved with investing in ETFs, including possible loss of money. Shares are not actively managed and are subject to risks similar to those of stocks, including those regarding short selling and margin maintenance requirements. Ordinary brokerage commissions apply. The Fund's return may not match the return of the Underlying Index. The Fund is subject to certain other risks. Please see the current prospectus for more information regarding the risk associated with an investment in the Fund.

Investments focused in a particular industry or sector, are subject to greater risk, and are more greatly impacted by market volatility, than more diversified investments.

Stocks of medium-sized companies tend to be more vulnerable to adverse developments, may be more volatile, and may be illiquid or restricted as to resale.

Shares are not individually redeemable and owners of the Shares may acquire those Shares from the Fund and tender those Shares for redemption to the Fund in Creation Unit aggregations only, typically consisting of 10,000, 20,000, 25,000, 50,000, 80,000, 100,000 or 150,000 Shares.

All data as of 31 March 2024, unless otherwise stated.

All data provided by Invesco unless otherwise noted.

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