

OPTIMIZE YOUR PORTFOLIOS
Portfolio Playbook
 January 2026

Our framework suggests improving global growth. In January, we're overweighting stocks with a tilt toward cyclicals, value, and small-to-mid caps. Optimize your portfolios with our monthly outlook and allocation guidance.

Overweight stocks



Cyclical acceleration

Our framework continues to reflect a supportive environment for risk assets. Growth is broadening beyond the US — particularly in the eurozone, UK, and Japan — and across economic sectors such as trade, manufacturing, and housing. Inflation is moderating worldwide, enabling easier monetary conditions that, alongside expansionary fiscal policies, should support a global cyclical acceleration and broader market participation.

We maintain a moderate overweight to equities versus fixed income, with a tilt toward value and small- to mid-cap stocks to better capture cyclical upside and cheaper relative valuations. While non-US equities stand to potentially benefit from further expected US dollar depreciation, improving US earnings momentum keeps us neutral between US and non-US equity exposures for now. In fixed income, we maintain a moderate overweight to credit risk, focusing on high yield, leveraged loans, and emerging markets dollar debt.

Overall, this positioning seeks to potentially benefit from broadening global growth while managing downside risks through diversification. With valuations elevated, credit spreads near record tights, and lingering concerns around technology sector fundamentals, we believe diversifying across styles and regions offers a prudent approach to managing near-term risks while still allowing for upside potential.

	Base case	Conditions improve	Conditions worsen
Potential impact	Soft landing, rate cuts	Recession avoided, economic expansion	Significant recession, extended contraction
Business cycle	<ul style="list-style-type: none"> • Recession doesn't appear imminent • Broad-based economic statistics not collapsing • Credit spreads remain tight 	<ul style="list-style-type: none"> • Resilient growth • Broad-based economic statistics improve 	<ul style="list-style-type: none"> • Deteriorating sentiment • Rising trade and monetary policy uncertainty • Reaccelerating inflation • Prolonged recession
Risk profile	<ul style="list-style-type: none"> • Risk appetite is improving • Leading economic indicators signal an improving global growth environment 	<ul style="list-style-type: none"> • Above-trend global economic rate • Risk-on sentiment 	<ul style="list-style-type: none"> • Deteriorating leading economic indicators • Flight to quality
Policy implications	<ul style="list-style-type: none"> • Inflation expectations are contained • Fed easing likely to continue 	<ul style="list-style-type: none"> • Contained inflation • Continuation of Fed easing 	<ul style="list-style-type: none"> • Tighter Fed policy if inflation expectations spike • Significant Fed easing if US growth deteriorates

How to optimize your portfolios

A challenge for tactical investors is preparing for the expected and anticipating the unexpected. The tactical asset allocation (TAA) framework from the Invesco Solutions team is designed to enhance a long-term strategic asset allocation (SAA) by making portfolio tilts based on near-term market views. In January, we're overweighting stocks with a tilt toward cyclicals, value, and small-to-mid caps.

Rising inflation forced Fed to tighten policy.	Base case			Conditions improve			Conditions worsen		
	What we favor	Strategic (%)	Strategic + tactical overlay (%)	What we favor	Strategic (%)	Strategic + tactical overlay (%)	What we favor	Strategic (%)	Strategic + tactical overlay (%)
US low volatility	=	0	0	=	0	0	+	0	2.50
US momentum	=	0	0	+	0	3	+	0	2.50
US quality	=	0	0	=	0	0	+	0	2.50
US large growth	-	17	10.50	-	17	10	-	17	12
US large value	+	17	22	+	17	21	-	17	12
US small/mid value	+	4	9	+	4	9	-	4	3
US small/mid growth	=	4	4	=	4	4	=	4	4
International developed	+	13	14	+	13	14	-	13	12
Emerging markets equity	+	5	5.50	+	5	6	-	5	4.50
US core fixed income	-	28.50	13	-	28.50	12	+	28.50	38
US high yield	+	2.25	10	+	2.25	9	-	2.25	0
EM debt	=	2	2	=	2	2	=	2	2
US bank loans	+	2.25	5	+	2.25	5	-	2.25	0
Alternatives	=	5	5	=	5	5	=	5	5

+ Overweight - Underweight = Neutral

About our asset allocations to consider: The Invesco Solutions team develops portfolios for client-oriented outcomes over multiple time horizons. Our tactical asset allocation (TAA) regime-based framework dynamically adjusts exposures to asset classes, regions, sectors, and factors to create multi-asset portfolios designed for the prevailing macroeconomic environment. Strategic asset allocation (SAA) positioning is derived from our rigorous investment process, which consists of long-term capital market assumptions (CMAs), portfolio optimization, and risk management.

Invesco Total CX

Invesco Total CX — the Total Client Experience™ — is a powerful platform and partnership with the tools, coaching, and content to help you achieve greater possibilities — all in one place and tailored to your specific needs.



Optimize your portfolios

Strengthen your investment process and portfolio outcomes with a range of products and expert guidance.

- **Strengthen your investment process** with tools and expertise to help you craft portfolios that sync your clients' wealth plan and purpose.
- **Manage with conviction** using our proprietary frameworks, asset class views, and portfolio management tools.
- **Draw from a range of potential solutions**, including 1,000+ investment strategies across asset classes and vehicles.

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Before investing, consider the Fund's investment objectives, risks, charges and expenses. Visit invesco.com/ fundprospectus for a prospectus/summary prospectus containing this information. Read it carefully before investing.

Larger, more established companies may be unable to respond quickly to new competitive challenges such as changes in consumer tastes or innovative smaller competitors. Returns on investments in large capitalization companies could trail the returns on investments in smaller companies.

There can be no assurance that any investment process or strategy will achieve its investment objective. Asset allocation and diversification does not guarantee a profit or eliminate the risk of loss.

Invesco Solutions develops Capital Market Assumptions (CMAs) that provide long-term estimates for the behavior of major asset classes globally. The assumptions, which are based on 5- and 10-year investment time horizons, are intended to help guide our strategic asset class allocations and should not serve as the basis or primary source for any investment decision.

This does not constitute a recommendation of any investment strategy or product for a particular investor. Investors should consult a financial professional before making any investment decisions.

All investing involves risk, including the risk of loss.

Past performance does not guarantee future results. An investment cannot be made directly into an index.

Some products are offered through affiliates of Invesco Distributors, Inc.

The opinions referenced above are those of the author as of January 2026. These comments should not be construed as recommendations, but as an illustration of broader themes. Forward-looking statements are not guarantees of future results. They involve risks, uncertainties and assumptions; there can be no assurance that actual results will not differ materially from expectations.

Credit spread is the difference between Treasury securities and non-Treasury securities that are identical in all respects except for quality rating.

Quantitative tightening (QT) or tightening is a monetary policy used by central banks to normalize balance sheets.

Growth stocks tend to be more sensitive to changes in their earnings and can be more volatile.

A value style of investing is subject to the risk that the valuations never improve or that the returns will trail other styles of investing or the overall stock markets.

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

An investment in emerging market countries carries greater risks compared to more developed economies.

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.

Fixed income investments are subject to credit risk of the issuer and the effects of changing interest rates. Interest rate risk 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.

Alternative products typically hold more non-traditional investments and employ more complex trading strategies, including hedging and leveraging through derivatives, short selling and opportunistic strategies that change with market conditions. Investors considering alternatives should be aware of their unique characteristics and additional risks from the strategies they use. Like all investments, performance will fluctuate. You can lose money.

The risks of investing in securities of foreign issuers, including emerging market issuers, can include fluctuations in foreign currencies, political and economic instability, and foreign taxation issues.

Junk bonds involve a greater risk of default or price changes due to changes in the issuer's credit quality. The values of junk bonds fluctuate more than those of high quality bonds and can decline significantly over short time periods.