

# Invesco Asian Equity Fund

## Z-AD Shares

October 2023

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# Risk Warnings

**For complete information on risks, refer to the legal documents.**

The value of investments and any income will fluctuate (this may partly be the result of exchange-rate fluctuations) and investors may not get back the full amount invested.

As a large portion of the fund is invested in less developed countries, you should be prepared to accept significantly large fluctuations in the value of the fund.

The fund may invest in certain securities listed in China which can involve significant regulatory constraints that may affect the liquidity and/or the investment performance of the fund.

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# Why Asian equities?

## Valuation discount

**Equity market starting valuations matter to subsequent returns**

The Asian market is trading below historical averages and at a significant valuation discount to global equities<sup>1</sup>

These valuation levels have historically been a good entry point for future returns<sup>2</sup>



## Growth prospects

**The Asian region remains a good source of cyclical and structural growth**

Economic activity is gradually returning to normal and we have yet to see a post covid recovery in some industries

Many countries in Asia are at an earlier stage in their economic cycles

Rising incomes and consumer penetration a tailwind to structural demand



## Responsible policy

**Monetary and fiscal policy settings are more normal in Asia and economic fundamentals are solid, suggesting risk of tightening and inflation is more contained**

Inflationary pressures are less acute in Asia contrasting with the effects of a huge covid-led stimulus in the US and war-related food/energy price rises hurting Europe

China's policy cycle is turning favourable following a self inflicted slowdown



**The Asian region looks attractive as an investment destination for active stock pickers**

Source: Invesco. For illustrative purposes only.

<sup>1</sup> See "Asian valuations: Price to Book" slide; <sup>2</sup> see "Asia – starting valuation matters to subsequent returns" slide in this presentation<sup>3</sup>

# Overview of our investment principles

Active, fundamental approach with a 3-5 year investment horizon

## >10% per annum

We target a double-digit annualised return from each stock we buy in order to beat the market over the long term\*

## Valuation-driven

We aim to buy companies for less than they are worth and spend most of our time evaluating the 'fair value'

## Contrarian

We tend to initiate positions in stocks temporarily out of favour, increasing the potential rewards without relying on undue optimism

## Balance sheet strength

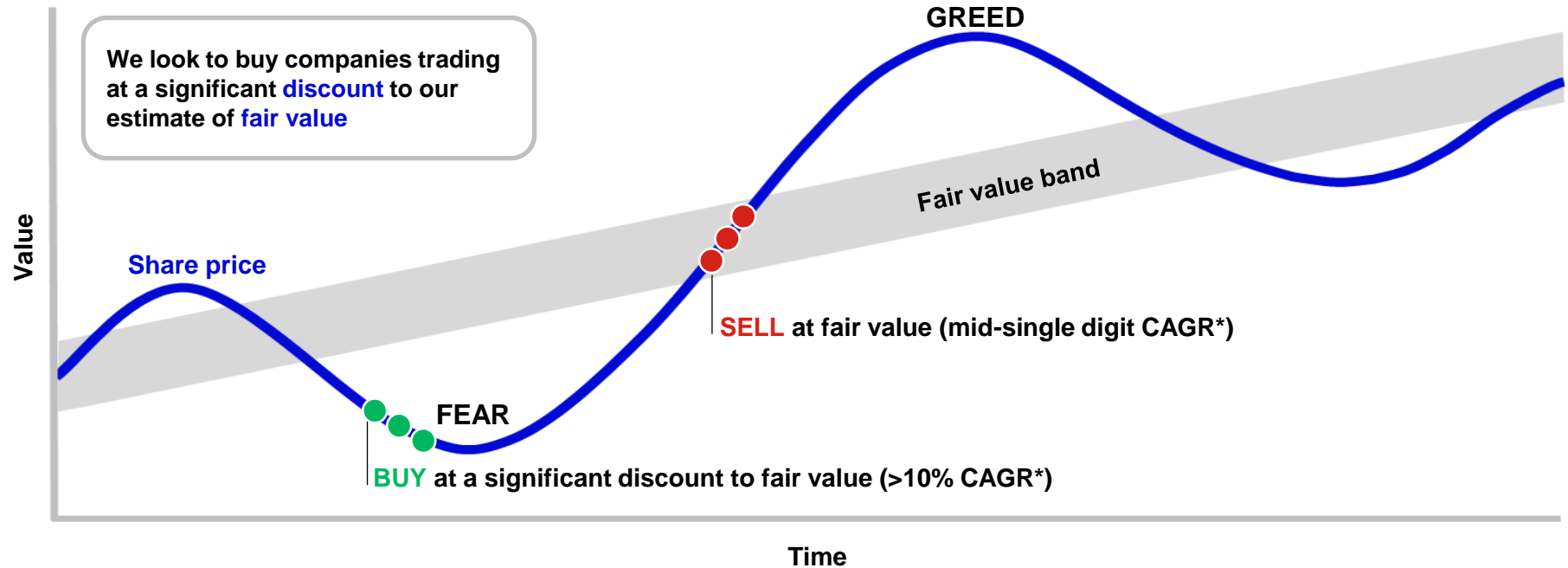
We favour conservative balance sheets as a form of insurance should the investment case not play out as anticipated

**A selection of around 60 companies held in the Invesco Asian Equity Fund**

\*Please note there is no guarantee this performance target will be achieved.

# Overview of our investment approach

## The typical investment lifecycle

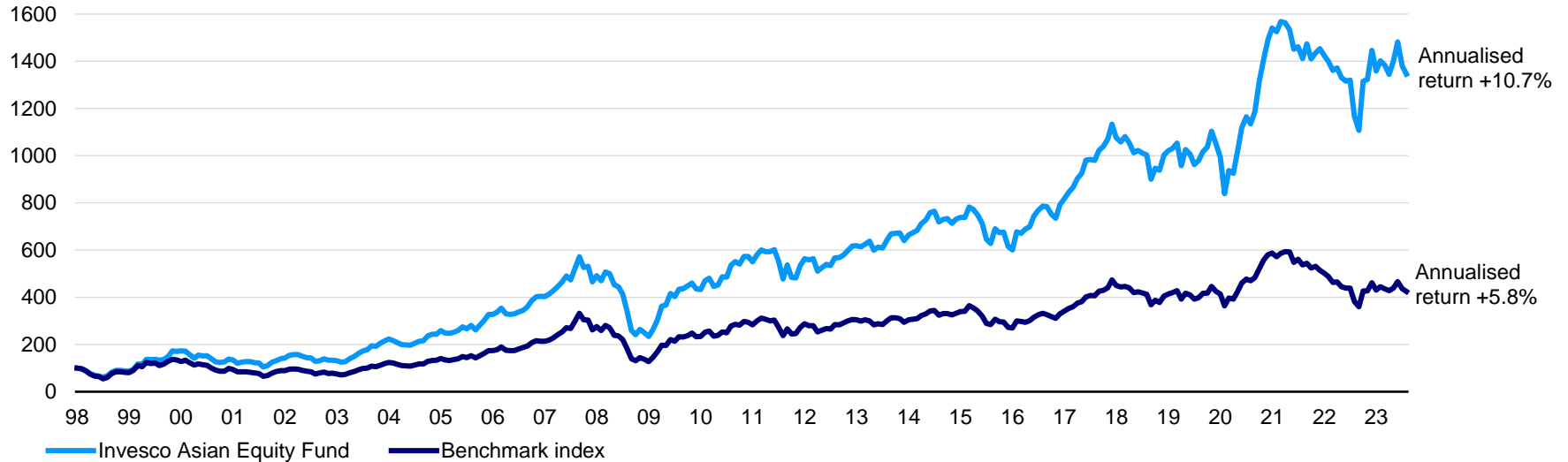


Source: Invesco. For illustrative purposes only. \*>10% CAGR is considered to be attractive over a 3-5-year period as it is well above the mid-single digit CAGR returns (~5-7%) historically delivered by the market as a whole – and a return expectation at the stock level which we would consider to be 'fair value'.

# Invesco Asian Equity Fund

## Track record since 1998

**Invesco Asian Equity Fund versus benchmark (gross performance). Past performance does not predict future returns.**



Source: Invesco as at 30 September 2023. Fund performance figures are shown in USD, inclusive of reinvested income, gross of ongoing charges and net of portfolio transaction costs. The figures do not reflect the entry charge paid by individual investors. Benchmark figures are total return, in USD. The benchmark index for the fund was MSCI AC Far East ex Japan until 31/03/04, at which point it changed to the MSCI AC Asia ex Japan Index. 28 February 1998 = 100. Please see Net Performance slide for the impact of ongoing charges. Returns may increase or decrease as a result of currency fluctuations.

# Overview of our fund positioning

A cyclical bias including reopening plays while leaning into GARP post sell off

## Areas we like

**Technology:** Exposure to semi proliferation trends and specialised parts

**Consumer & Internet:** Gaming and e-commerce

**Leading manufacturers:** Beneficiaries of China re-opening

**Autos:** Volumes to recover as shortages get fixed & exposure to EV demand

**Insurance & South Asian banking:** Consumer proxies and beneficiaries of interest rate normalisation with solid capital levels

## Areas we don't like

**Expensive/risky:**

- Indian IT providers
- EV pure plays
- Healthcare
- Unprofitable tech & internet
- Overleveraged property developers

Source: Invesco as at February 2023. For illustrative purposes only. GARP = Growth at a Reasonable Price.



# Market backdrop

# Why Asian equities?

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Rising incomes and consumer penetration a tailwind to structural demand



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**Monetary and fiscal policy settings are more normal in Asia and economic fundamentals are solid, suggesting risk of tightening and inflation is more contained**

Inflationary pressures are less acute in Asia contrasting with the effects of a huge covid-led stimulus in the US and war-related food/energy price rises hurting Europe

China's policy cycle is turning favourable following a self inflicted slowdown



**The Asian region looks attractive as an investment destination for active stock pickers**

Source: Invesco. For illustrative purposes only.

<sup>1</sup> See "Asian valuations: Price to Book" slide; <sup>2</sup> see "Asia – starting valuation matters to subsequent returns" slide in this presentation<sup>3</sup>

# Asian equity index performance

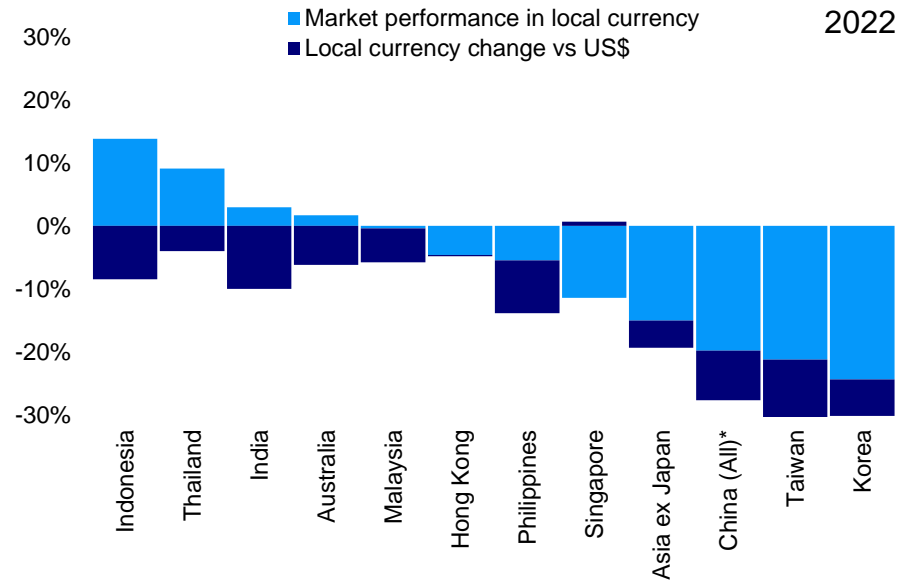
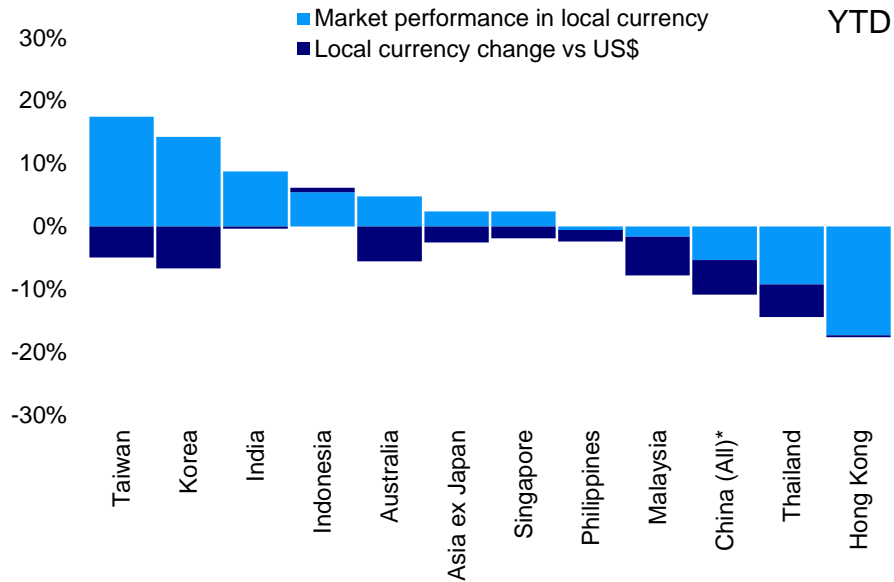
## MSCI AC Asia ex Japan Index – 30 year history (log scale)



Source: Bloomberg. Monthly data to 6 October 2023, price returns in USD.

# Asian market and currency performance by country

## YTD and 2022



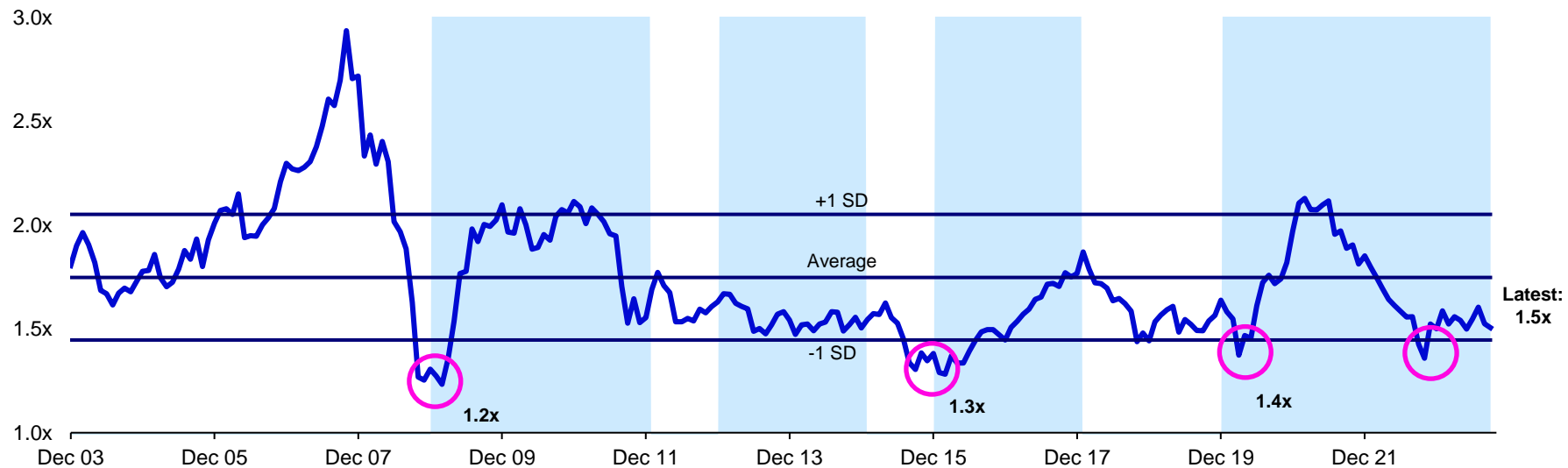
**Past performance does not predict future returns.**

Source: Refinitiv, MSCI, as at 30 September 2023. Market performance in local currency.

\*MSCI China all shares (captures A-shares, H shares, and ADRs) – currency change of Chinese Yuan.

# Asian valuations: P/B

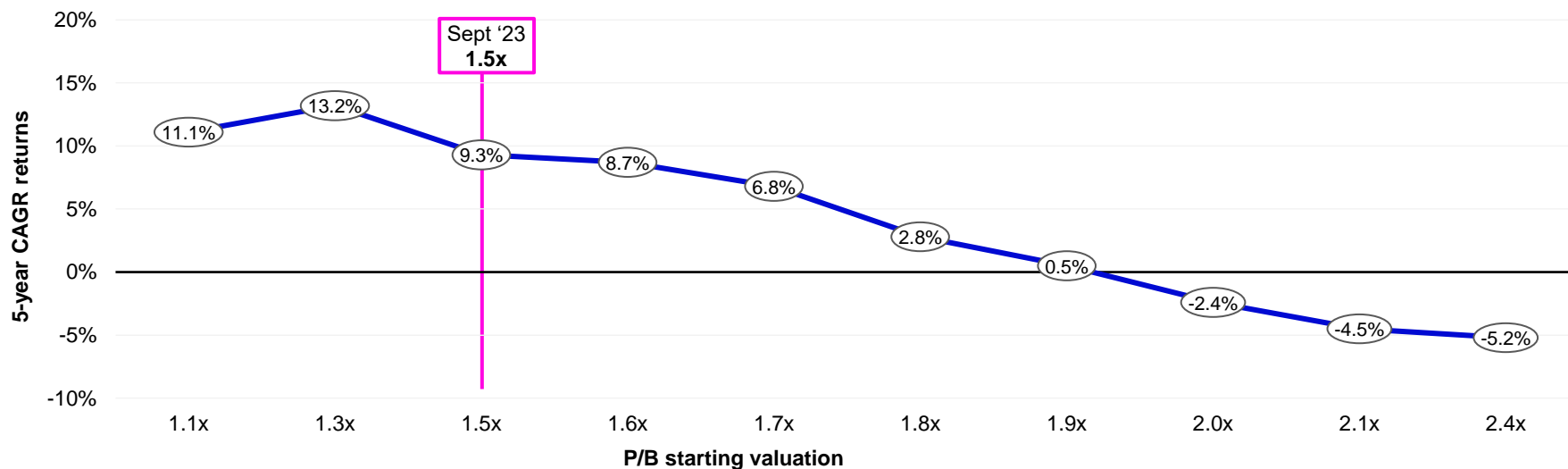
## MSCI AC Asia ex Japan trailing price-to-book ratio



Source: Refinitiv as at 30 September 2023. Shaded areas represent years of significant fund manager outperformance since the GFC.

# Asian starting valuation matters to subsequent returns

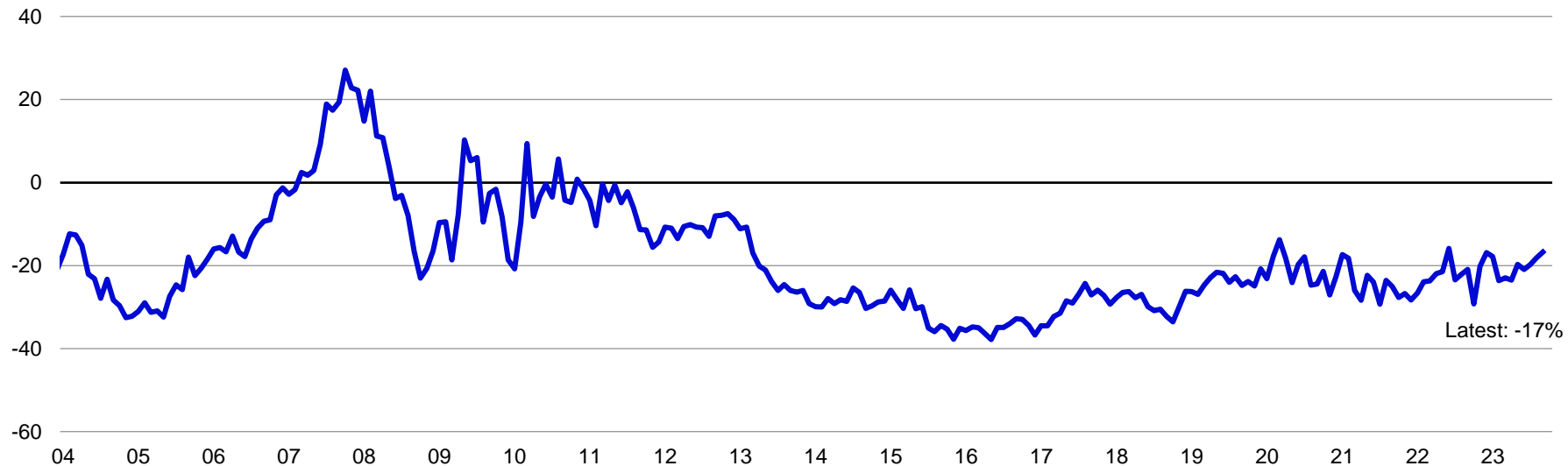
5-year Compound Annual Growth Rate returns for the Asia ex-Japan index at different starting Price to Book valuations



Source: Bloomberg, Invesco. Weekly returns and valuation levels of MSCI AC Asia ex Japan index from February 1995 to 30 September 2023. The chart divides into deciles the historic price-to-book valuation of the index and the subsequent average 5-year CAGR returns. Using these observations, we can infer that investing in the MSCI AC Asia ex-Japan index at an average valuation level of 1.6x book value (4th decile) has historically led to a 5-year CAGR return of 8.7% on average.

# Asia – relative valuation

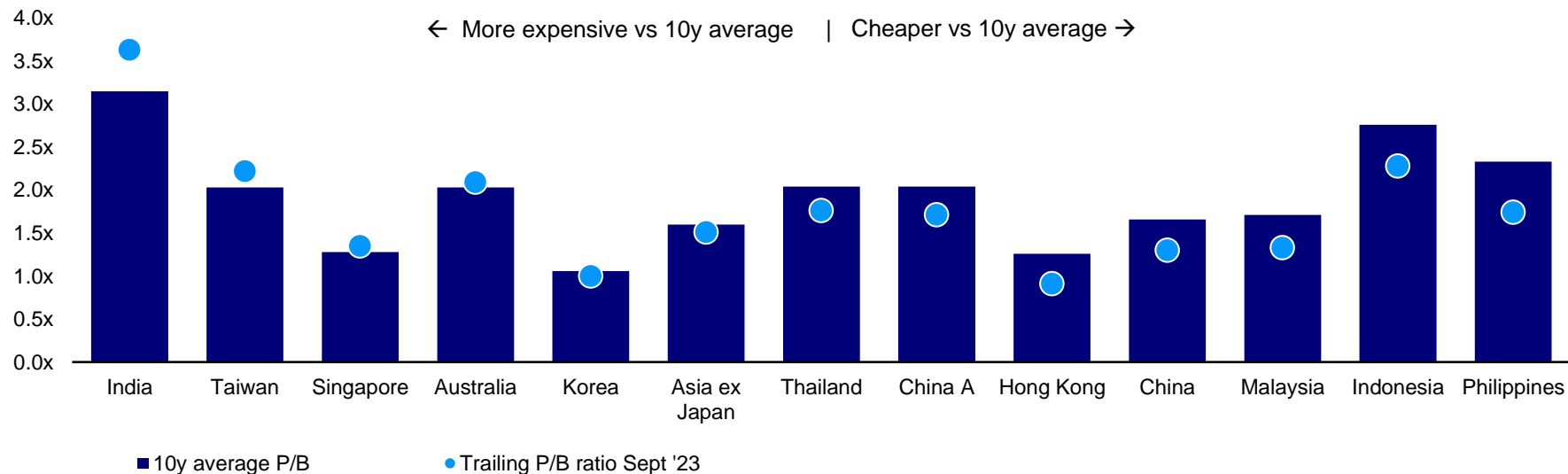
Asia ex Japan P/E valuation discount relative to the World index, %



Source: Refinitiv as at 30 September 2023.

# Asia – valuations by country

## Trailing price-to-book ratios



Source: Refinitiv, MSCI data to 30 September 2023. Ranked by highest to lowest valuation gap vs 10y average.



# China valuations: Price to Book

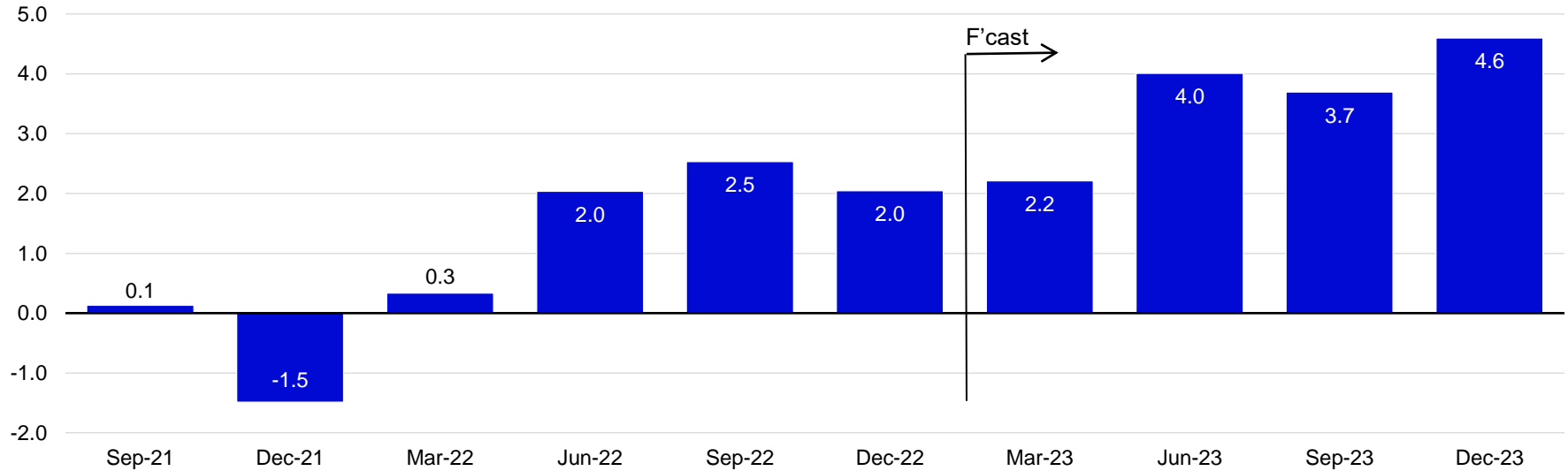
## MSCI China Index trailing price-to-book ratio



Source: Refinitiv as at 30 September 2023.

# Growth differentials moving in Asia's favour

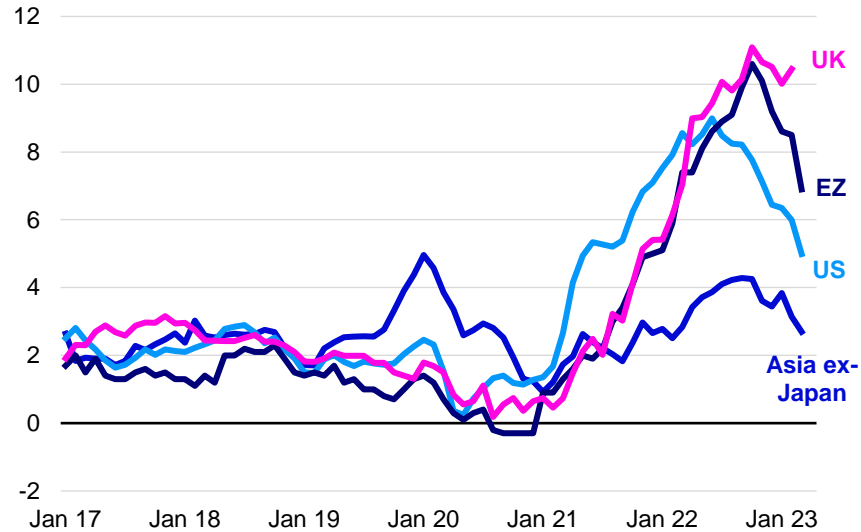
Asia-US growth differential (%pt)



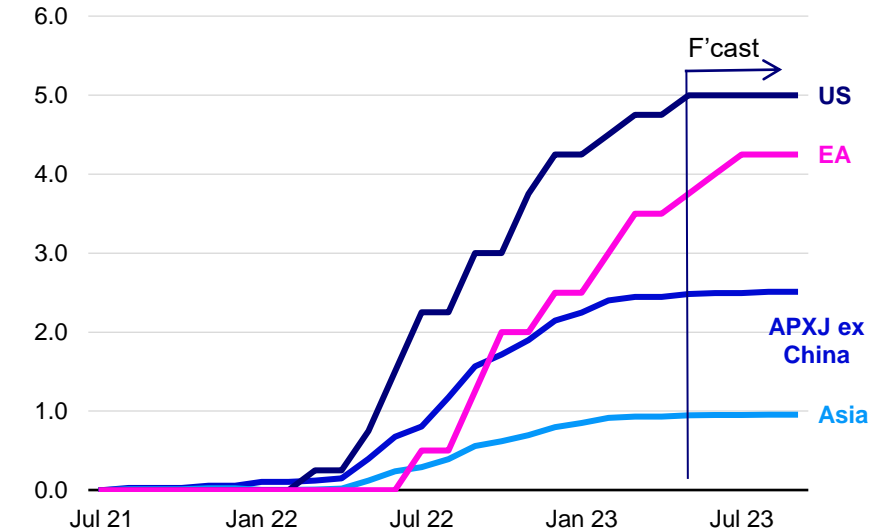
Source: CEIC, Morgan Stanley Research forecasts as at 10 May 2023.

# Asia – lower inflation and less tightening

CPI, % y/y



Change in policy rate since Jul-21 (%pt)



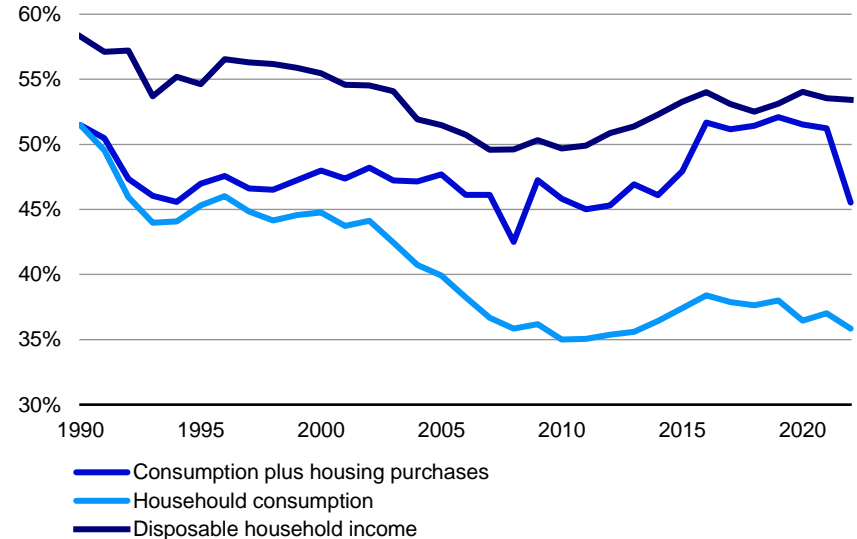
Source: Haver, Bloomberg, Morgan Stanley Research forecasts as at 31 March 2023.

# Chinese consumer confidence is weak despite abundant savings...

## China consumer confidence index



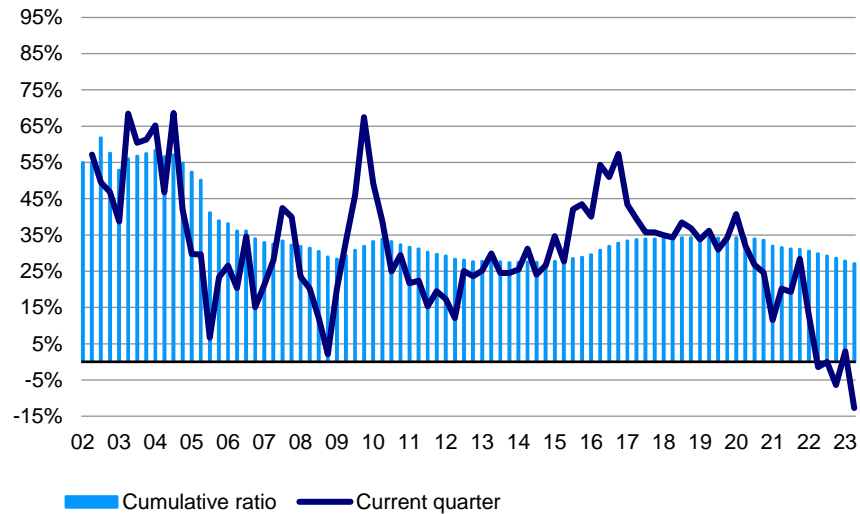
## Share of GDP



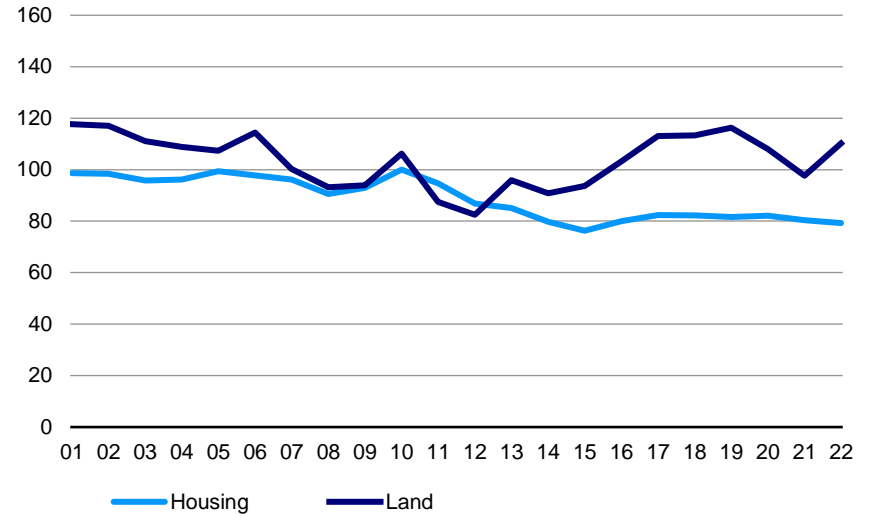
Source: LHS: Bloomberg; period covered is 6 September 2008 to 30 April 2023. RHS: Emerging Advisers Group as at 23 August 2023.

## ...and solid balance sheets

**Mortgage loan to value: net new mortgages relative to residential sales**



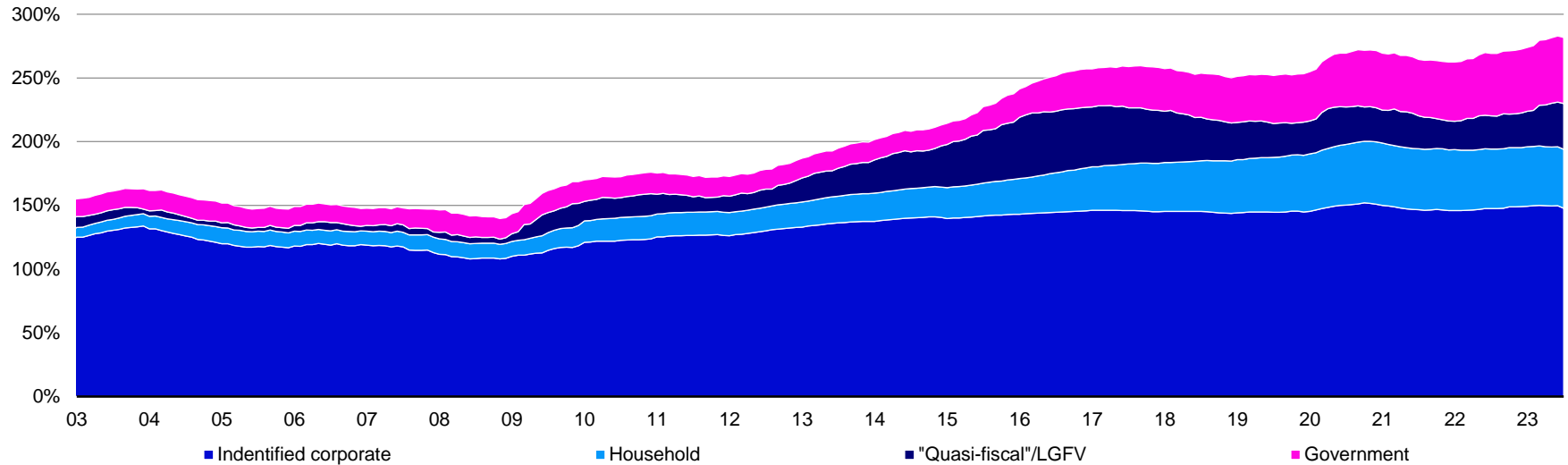
**China land and property: Price/income ratio (index 2005=100 6mma)**



Source: Emerging Advisers Group as at 23 August 2023.

# China has been making progress on de-risking the finance sector

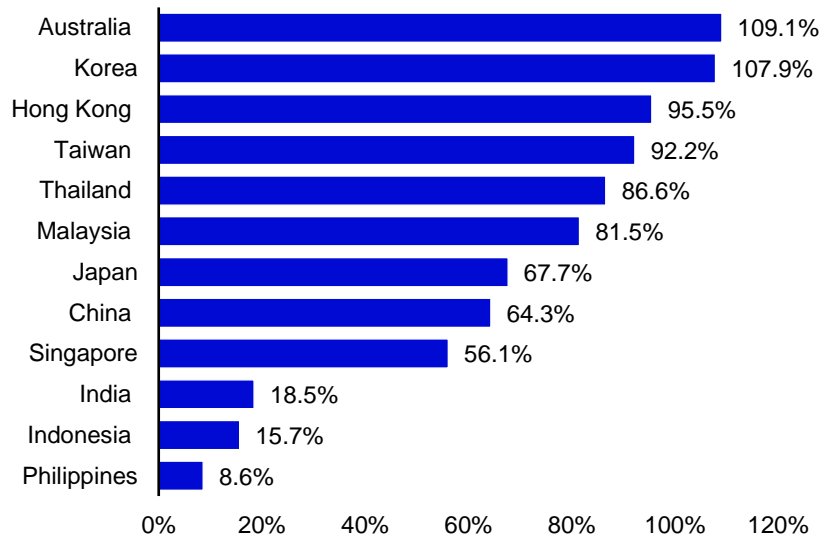
Total credit claims by category: total domestic financial claims (% of GDP)



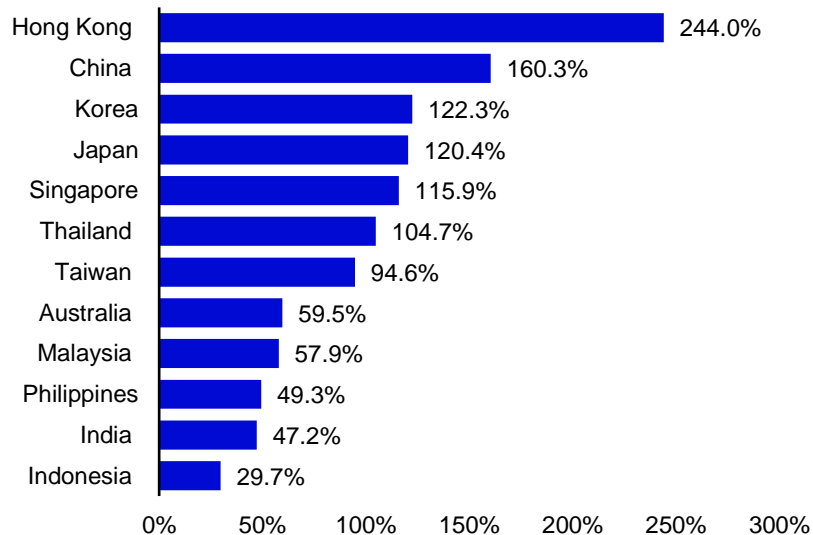
Source: Emerging Advisers Group as at 23 August 2023.

# Business cycle favourable in India and Indonesia

## Household debt to GDP



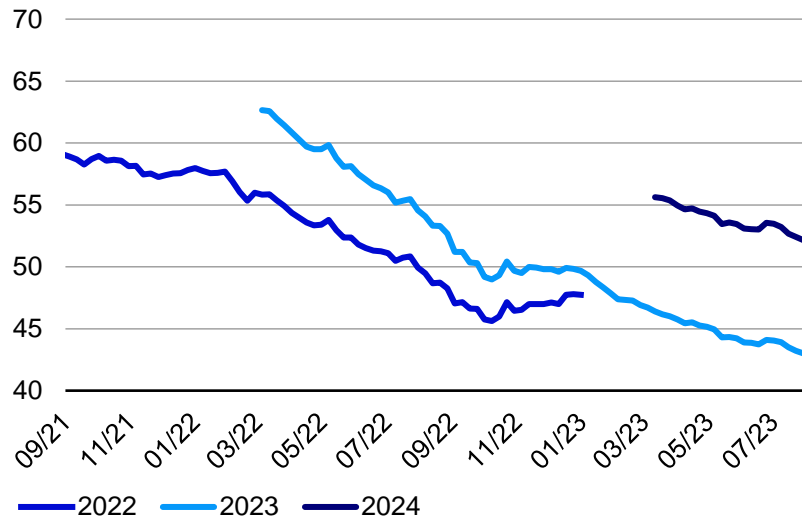
## Non-financial corporate debt to GDP



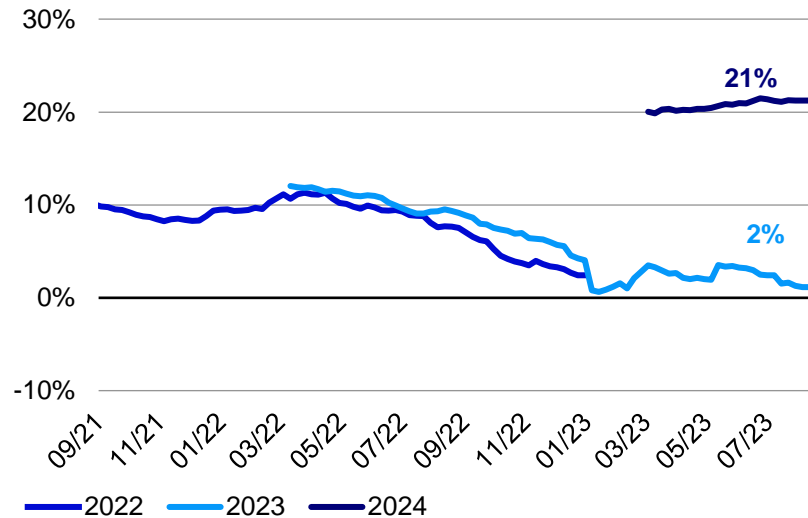
Source: CEIC, Morgan Stanley Research estimates as at 10 May 2023.

# Asian EPS expectations have been revised down and turning up

## Consensus Asia ex Japan EPS level estimates (US\$)



## Consensus Asia ex Japan EPS growth estimates

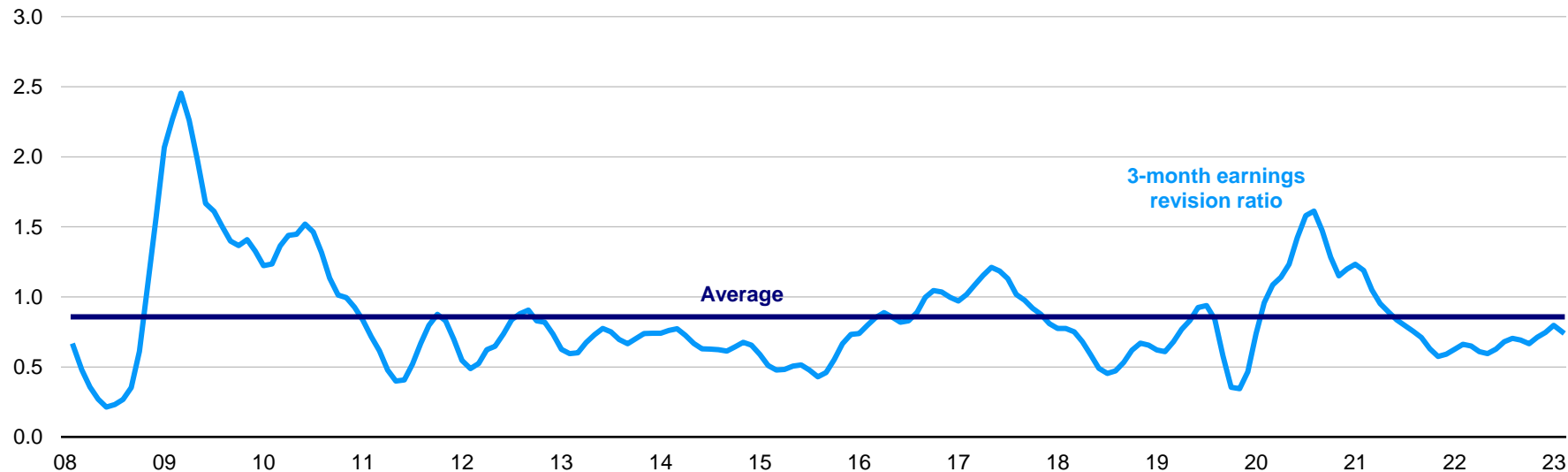


Source: Refinitiv, as at 25 August 2023.



# Asian earnings revisions are turning up

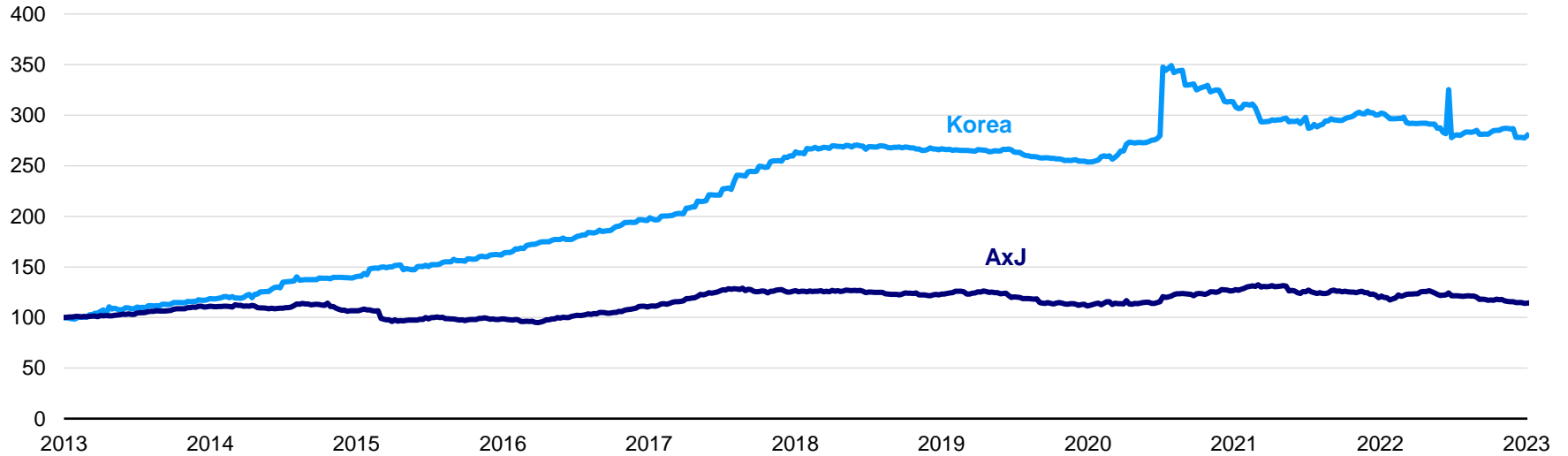
## 3-month earnings revisions ratio (ERR)



Source: Refinitiv as at 8 September 2023.

# Korea – dividend growth

Dividend per share: MSCI Korea index vs MSCI AC Asia ex Japan: Oct 2013 = 100



Source: Refinitiv as at 10 October 2023.

# Key points

- **Asian valuations** have become more attractive
- **More prudent monetary and fiscal policy** in Asia provides a more stable backdrop and some flexibility
- **Valuation discrepancies** exist between markets and sectors
- **A flexible** investment approach can exploit such opportunities at the stock level
- **Our focus** is to buy companies for less than they are worth
- **Healthy** balance sheets a focus

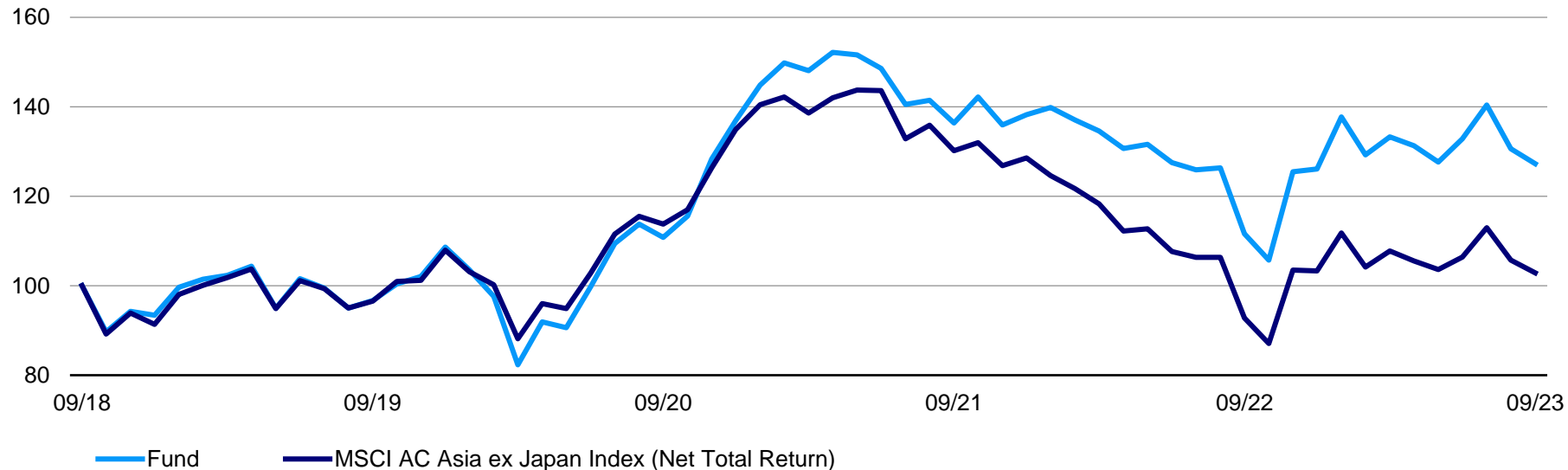
# Portfolio performance and positioning

# Invesco Asian Equity Fund

## Indexed performance

Past performance does not predict future returns.

### Indexed performance



Source: © 2023 Morningstar as at 30 September 2023. Fund returns are inclusive of gross income re-invested and net of the ongoing charge and portfolio transaction costs, cumulative, in fund currency. The figures do not reflect the entry charge payable by individual investors. As the Fund is actively managed, it is not intended that the performance of the Share Class will track the performance of MSCI AC Asia ex Japan Index (Net Total Return) (the "Benchmark"). Share class currency: USD.

# Invesco Asian Equity Fund

## Net cumulative and calendar year performance

Past performance does not predict future returns. Returns may increase or decrease as a result of currency fluctuations.

Cumulative performance % <sup>1</sup>	YTD	1 month	1 year	3 years	5 years
Fund	0.91	-2.55	14.02	14.84	27.26
Reference benchmark <sup>2</sup>	-0.42	-2.68	10.88	-9.60	2.85

Calendar year performance % <sup>1</sup>	2018	2019	2020	2021	2022
Fund	-13.22	16.33	26.02	0.98	-8.77
Reference benchmark <sup>2</sup>	-14.37	18.17	25.02	-4.72	-19.67

Rolling 12 Month Performance % to end of <sup>1</sup>	30.09.14	30.09.15	30.09.16	30.09.17	30.09.18	30.09.19	30.09.20	30.09.21	30.09.22	30.09.23
Fund	10.80	-13.76	23.86	23.16	1.18	-3.33	14.63	23.06	-18.15	14.02
Reference benchmark <sup>2</sup>	8.24	-12.40	16.84	22.68	1.45	-3.44	17.83	14.42	-28.75	10.88

1 Source: © 2023 Morningstar as at 30 September 2023. The historical performance shown in the chart above up to 7 September 2018 relates to the historical performance of the Irish-domiciled fund, which was merged into the Luxembourg-domiciled fund on that date. This change has no impact on the investment objective, strategies, risk profile or fee structures of the fund. Fund Z AD share class performance figures are inclusive of reinvested income and net of the ongoing charges and portfolio transaction costs. The figures do not reflect the entry charge paid by individual investors. The performance data shown does not take account of the commissions and costs incurred on the issue and redemption of units. Any reference to a ranking, a rating or an award provides no guarantee for future performance results and is not constant over time. As at 2 August 2021, this share class is now the Primary share class for this fund. As this share class was launched on 10 September 2018, for the periods prior to this launch date, performance figures are that of the A share class, without any adjustment for fees. Index: Net total return, in USD.

2 MSCI AC Asia ex Japan Index (Net Total Return).

As the Fund is actively managed, it is not intended that the performance of the Share Class will track the performance of MSCI AC Asia ex Japan Index (Net Total Return) (the "Benchmark"). The benchmark is shown for performance comparison purposes only. The Fund does not track the benchmark. The investment concerns the acquisition of units in an actively managed fund and not in a given underlying asset.

# Invesco Asian Equity Fund

## Issuers and active weights

### Issuers and active weights

(total holdings: 60)

Top 10 issuers	%
Samsung Electronics Co Ltd	7.70
Taiwan Semiconductor	7.00
Tencent	5.50
Alibaba	4.10
HDFC Bank	3.90
AIA	3.20
NetEase	2.80
Samsung Fire & Marine Insurance	2.80
JD.com	2.40
ICICI Bank ADR	2.40

Top 10 overweight	+
HDFC Bank Ltd	3.00
Samsung Electronics Co Ltd	2.80
Samsung Fire & Marine Insurance Co Ltd	2.70
Shriram Finance Ltd	2.10
NetEase Inc	2.10
Bank Negara Indonesia Persero Tbk PT	1.90
JD.com Inc	1.80
Gree Electric Appliances Inc of Zhuhai	1.70
Largan Precision Co Ltd	1.70
Chroma ATE Inc	1.60

Top 10 underweight	-
Reliance Industries Ltd	1.50
Meituan	1.10
PDD Holdings Inc	1.00
Infosys Ltd	1.00
China Construction Bank Corp	1.00
Hong Kong Exchanges & Clearing Ltd	0.80
DBS Group Holdings Ltd	0.80
Hon Hai Precision Industry Co Ltd	0.70
Tata Consultancy Services Ltd	0.70
Baidu Inc	0.70

Source: Invesco as at 30 September 2023.

This is no financial advice and no recommendation to buy/hold/sell these securities. There is no guarantee that Invesco will keep these securities in its funds in the future.

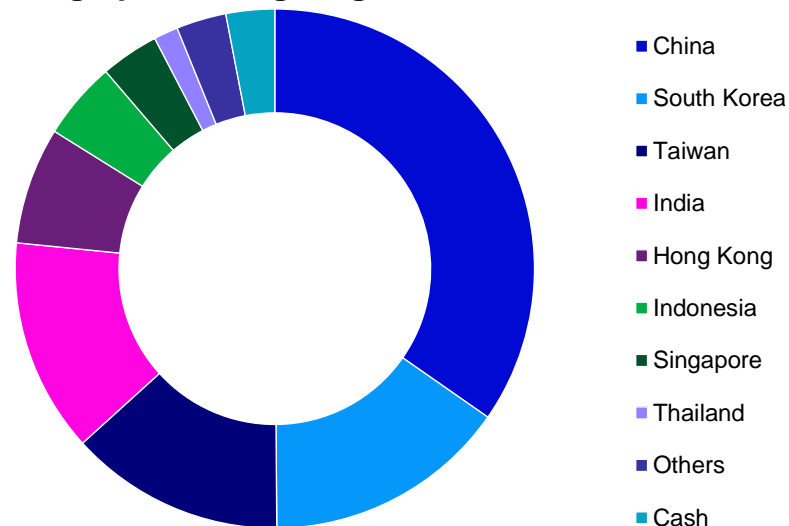
# Invesco Asian Equity Fund

## Geographical weightings

### Geographical weightings

in %	Fund	Reference benchmark
China	34.69	34.97
South Korea	15.19	13.99
Taiwan	13.39	16.75
India	13.32	18.08
Hong Kong	7.28	5.29
Indonesia	4.85	2.28
Singapore	3.63	3.71
Thailand	1.51	2.14
Others	3.11	2.79
Cash	3.03	0.00

### Geographical weightings of the fund in %



Source: Invesco as at 30 September 2023.

Reference benchmark: MSCI AC Asia ex Japan Index (Net Total Return).

Portfolio weightings can change any time and without warning.



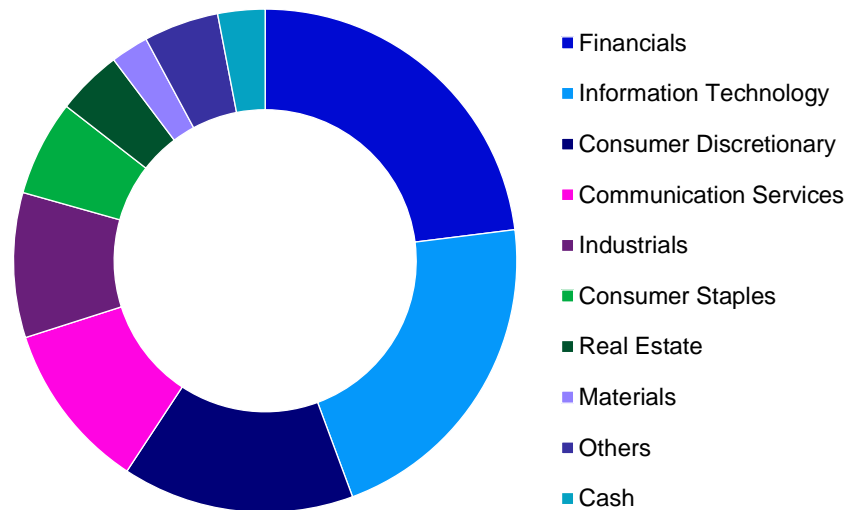
# Invesco Asian Equity Fund

## Sector weightings

### Sector weightings

in %	Fund	Reference benchmark
Financials	23.03	21.12
Information Technology	21.33	23.07
Consumer Discretionary	14.90	14.90
Communication Services	10.81	9.85
Industrials	9.31	7.40
Consumer Staples	6.14	5.04
Real Estate	4.21	3.18
Materials	2.43	5.33
Others	4.82	10.10
Cash	3.03	0.00

### Sector weightings of the fund in %



Source: Invesco as at 30 September 2023.

Reference benchmark: MSCI AC Asia ex Japan Index (Net Total Return)

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# Invesco Asian Equity Fund

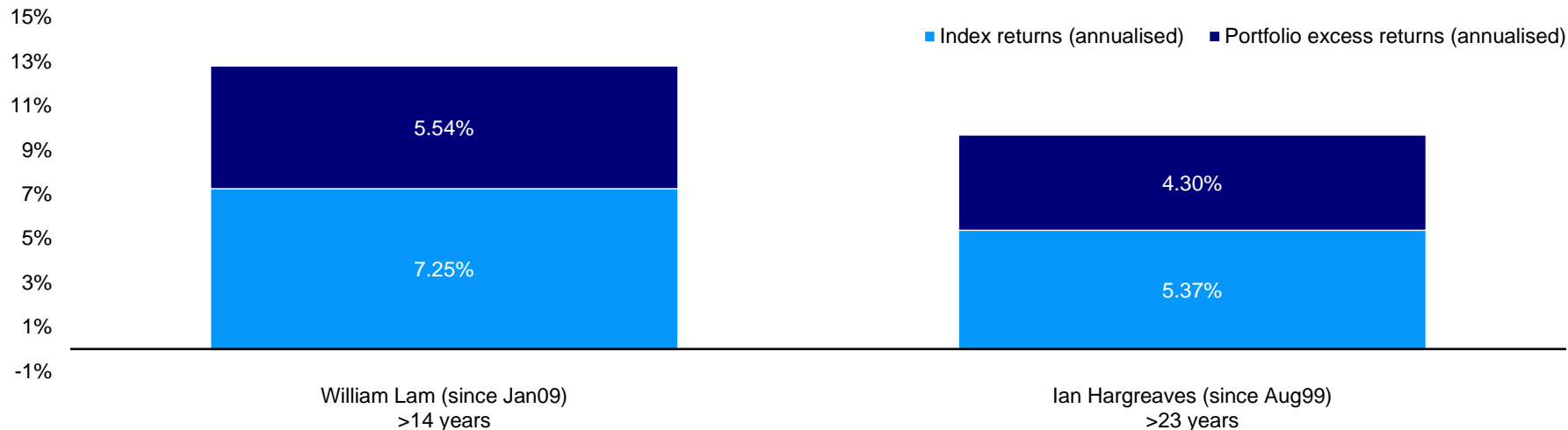
Financial characteristics	USD bn
Average weighted market capitalisation	108.06
Median market capitalisation	16.80

Source: Invesco as at 30 September 2023.

# Fund manager track records at Invesco

## William Lam & Ian Hargreaves

**Annualised index returns and FM outperformance at Invesco. Past performance does not predict future returns.**



Source: Invesco as at 30 September 2023. William Lam's performance figures are based on the chain-linked performance of Asia Pacific ex-Japan sub-portfolios (from 1 Jan. 2009 to April 2015) and the Invesco Asian Fund (UK) (from May 2015 onwards). Ian Hargreaves' performance figures are based on the chain-linked performance of Invesco Asia Alpha (31/07/99-30/06/09); the Asian sub-portfolio of the IP Global Equity Fund (31/10/07-31/12/09); Invesco Asia Trust (31/12/2009-present). The Composite benchmark consists of MSCI Far East ex-Japan index (31/07/99-30/06/09); MSCI Asia ex-Japan index (31/10/07-31/12/09); MSCI AC Asia Pacific ex-Japan index (31/12/2009-30/04/2015); MSCI AC Asia ex-Japan index (30/04/2015-present). The figures are in USD, inclusive of reinvested income, gross of the Ongoing Charge and net of portfolio transaction costs. Not GIPS compliant. For illustrative purposes only. Please note the indices are not a target, constraining or comparator benchmark of the portfolios. The comparative information shown here is to illustrate the fund manager's active investment approach and provide broader market context.

# Team & investment approach

## Proposition

***“We manage active equity portfolios across Asia and emerging markets, derived through bottom-up analysis with a tight focus on valuation and a contrarian mindset at the point of purchase”***

The strategies aim to achieve long-term capital growth by investing in shares of Asian and Emerging Market companies.

# Henley-based Asian & Emerging Market Equities Team

Independent thinkers | close interaction | culture of challenge | client aligned

## Fund Managers/Analysts

### Ian Hargreaves

Co-Head of Asia & EM Equities  
29 years<sup>1</sup>/ 29 years<sup>2</sup>



### William Lam

Co-Head of Asia & EM Equities  
23 years<sup>1</sup>/ 17 years<sup>2</sup>



### Fiona Yang

Fund Manager  
11 years<sup>1</sup>/ 6 years<sup>2</sup>



### Charles Bond

Fund Manager  
13 years<sup>1</sup>/ 11 years<sup>2</sup>



### James McDermottroe

Fund Manager  
10 years<sup>1</sup>/ 10 years<sup>2</sup>



### Tony Roberts

Fund Manager  
28 years<sup>1</sup>/ 23 years<sup>2</sup>



### Marc Ye

Analyst  
6 years<sup>1</sup> / 2 years<sup>2</sup>



### Douglas Turnbull

Fund Manager  
16 years<sup>1</sup>/ 6 years<sup>2</sup>



### Matthew Pigott

Deputy Fund Manager  
9 years<sup>1</sup>/ 1 year<sup>2</sup>



## Product Directors

### John Pellegru

Product Director  
28 years<sup>1</sup>/ 21 years<sup>2</sup>



### Patrick Garvin

Product Director  
21 years<sup>1</sup>/ 13 years<sup>2</sup>



### Zoe Dunkley

Product Director  
4 years<sup>1</sup>/ 4 years<sup>2</sup>



## Fund Manager Assistant

### Karen Holroyd

Personal Assistant  
7 years<sup>1</sup>/ 7 years<sup>2</sup>



Experienced investment team with US\$13.4bn under management

Source: Invesco as at 30 September 2023, unless otherwise stated. <sup>1</sup>Years of financial industry experience. <sup>2</sup>Years at Invesco. Subject to rounding.

# Henley-based Asian & Emerging Market Equities Team

## Investment capabilities by assets under management

Capabilities	AuM breakdown
Asia ex Japan (\$4.8bn)	2 funds: \$2.8bn 3 separate institutional accounts: \$2.1bn
Asia Pacific ex Japan (\$7.0bn)	2 funds: \$3.1bn 4 separate institutional accounts: \$3.9bn
Asia Pacific including Japan (\$459m)	2 funds: \$459m
Emerging Markets (\$805m)	2 funds: \$492m 2 separate institutional accounts: \$314m
EM ex China (\$254m) <sup>1</sup>	1 fund: \$195m 1 separate institutional account: \$60m <sup>1</sup>

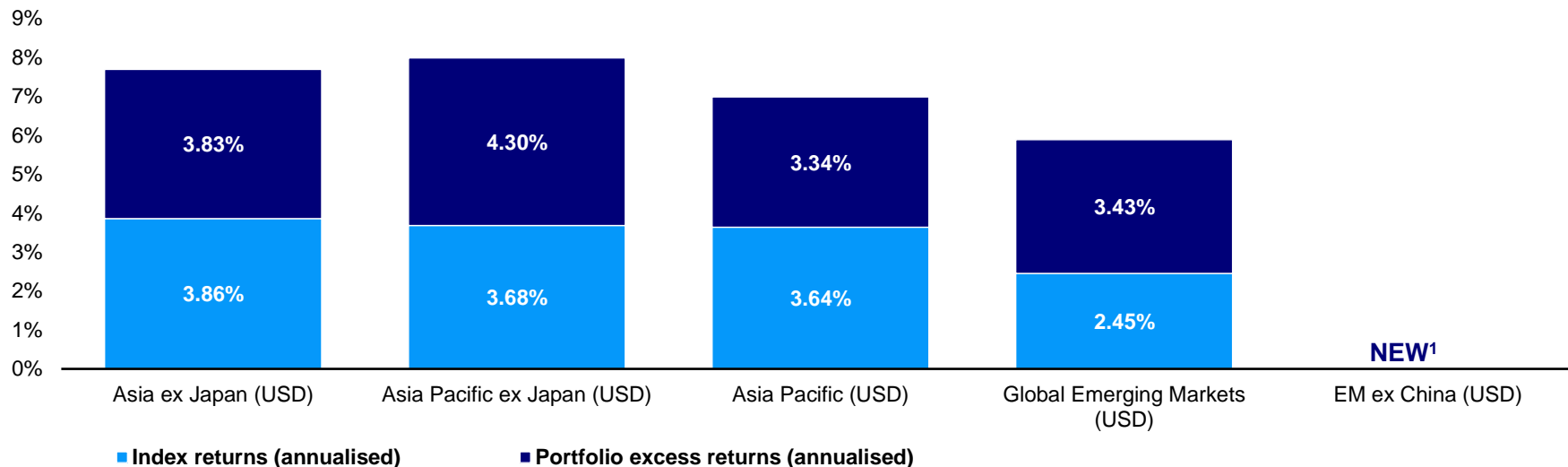
**Total team assets under management: \$13.4bn**

Source: Invesco. AUM data as at 30 September 2023. Figures subject to rounding. Capabilities (eg "Asia ex Japan") reflect the closest index against which the funds/institutional accounts are compared/benchmarked. <sup>1</sup>Asia ex China mandate. \$=USD.

# Track record of outperformance

## Alpha generation consistent across Asia and EM capabilities over the last decade

10-year annualised index and excess returns. Past performance does not predict future returns.



Source: Invesco as at 30 September 2023. Annualised total returns gross-of-fees in US\$. From left to right, the data shown relates to the Asia ex Japan Equity Composite, Asia Pacific ex Japan Core Equity Composite, Asia Pacific Equity Composite and Emerging Markets Equity Retail Composite. Indices = AxB; MSCI AC Asia ex Japan-GR, APxJ; MSCI AC Asia Pacific ex Japan Index-GR, Asia Pacific; MSCI AC Pacific Index-GR, GEMs; MSCI Emg Mkts IX GR. Not GIPS compliant. This slide is supplemental to the GIPS compliant presentation at the end of this document. <sup>1</sup>The EM ex China capability was launched on 31 March 2022; the team have also been running an Asia ex China mandate since 5 June 2021.



# Overview of our investment principles

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We tend to initiate positions in stocks temporarily out of favour, increasing the potential rewards without relying on undue optimism

## Balance sheet strength

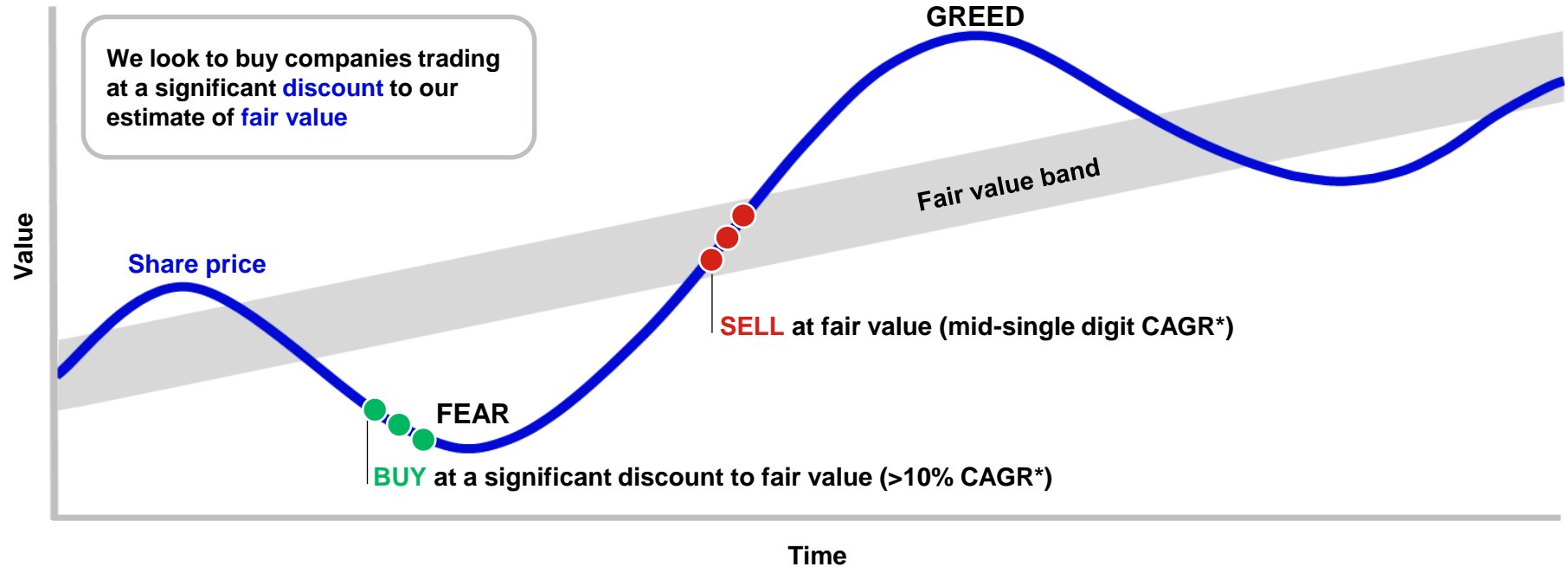
We favour conservative balance sheets as a form of insurance should the investment case not play out as anticipated

**A selection of around 60 companies held in the Invesco Asian Equity Fund**

\*Please note there is no guarantee this performance target will be achieved.

# Overview of our investment approach

## The typical investment lifecycle



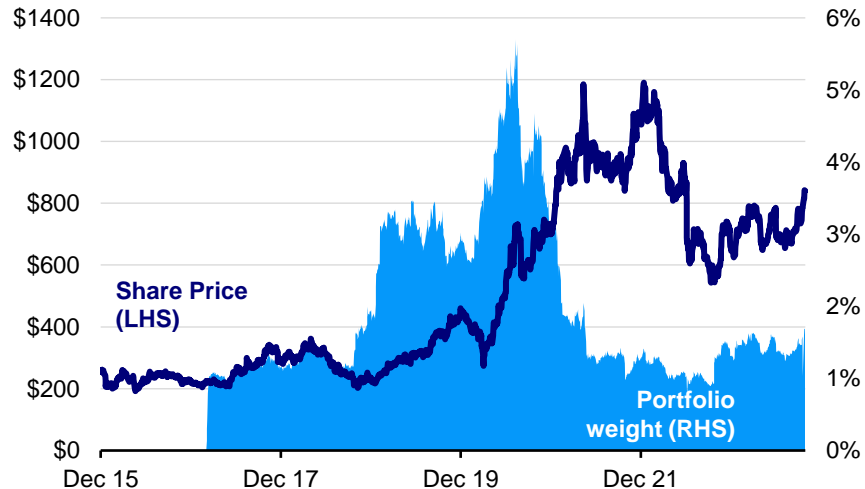
Source: Invesco. For illustrative purposes only. \*>10% CAGR is considered to be attractive over a 3-5-year period as it is well above the mid-single digit CAGR returns (~5-7%) historically delivered by the market as a whole – and a return expectation at the stock level which we would consider to be 'fair value'.

# Overview of our investment approach

## Investment approach in practice

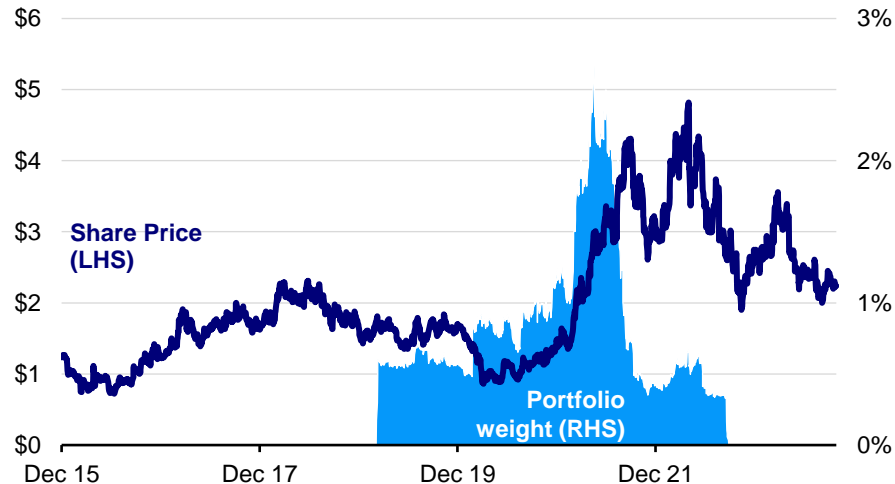
### Mediatek

Taiwanese supplier of 5G chips



### Pacific Basin Shipping (HK)

World leading handysize dry-bulk operator

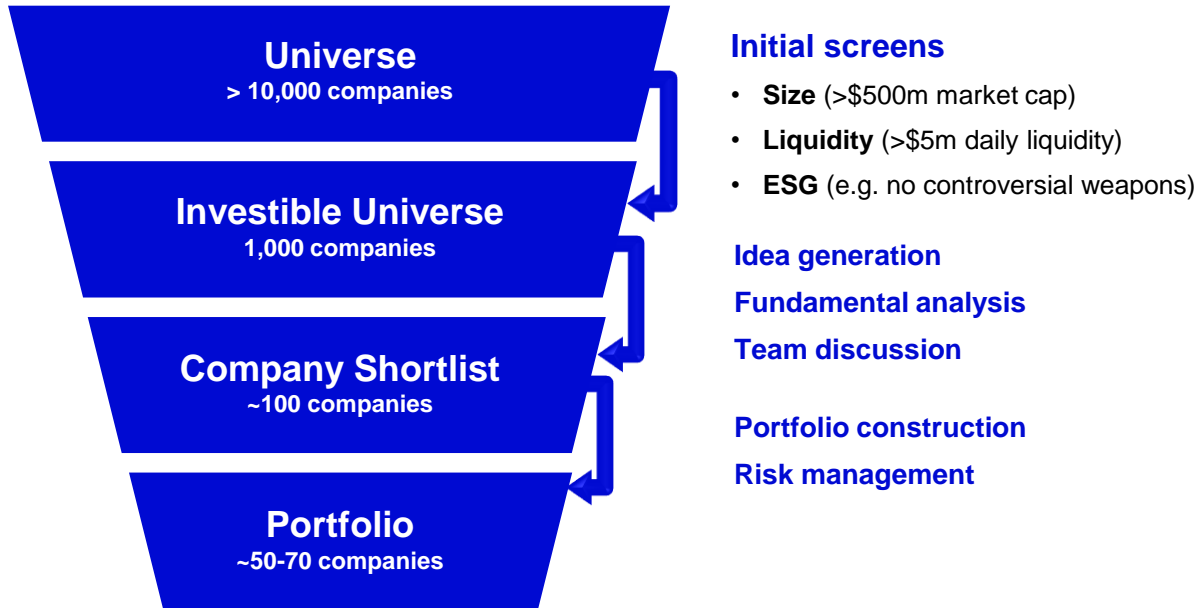


#### Past performance does not predict future returns.

Source: Invesco, Bloomberg. Chart data to 16 October 2023. Mediatek in Taiwanese dollars. Pacific Basin in HK dollars. Data cleansing and retrospective information availability may cause changes. For illustrative purposes only. The data shown relates to a representative account of the Invesco Asia ex Japan Equity Strategy. Portfolios managed in accordance with the strategy may differ due to specific investment restrictions and guidelines. This information is supplemental to the GIPS composite information.

# Investment approach

## Narrowing down the investment universe



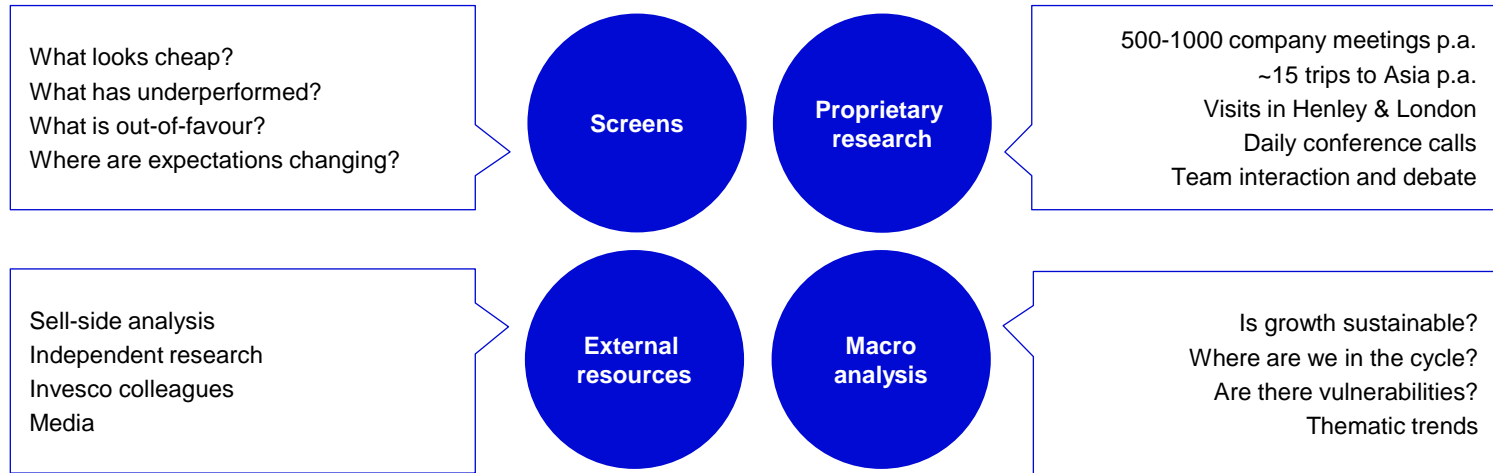
Source: Invesco. For illustrative purposes only.

# Investment approach

## Idea generation



### How do we generate ideas?



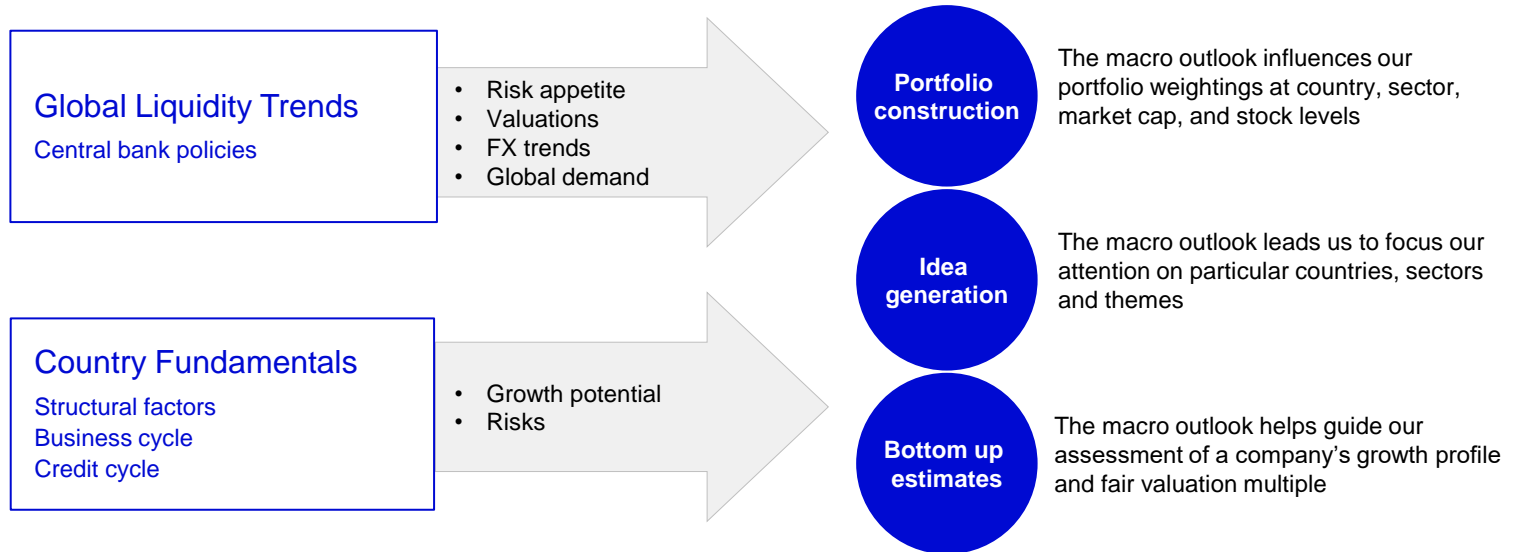
Source: Invesco. For illustrative purposes only.

# Investment approach

## Macro-economic analysis



### How can the macro-economic outlook influence the portfolio?



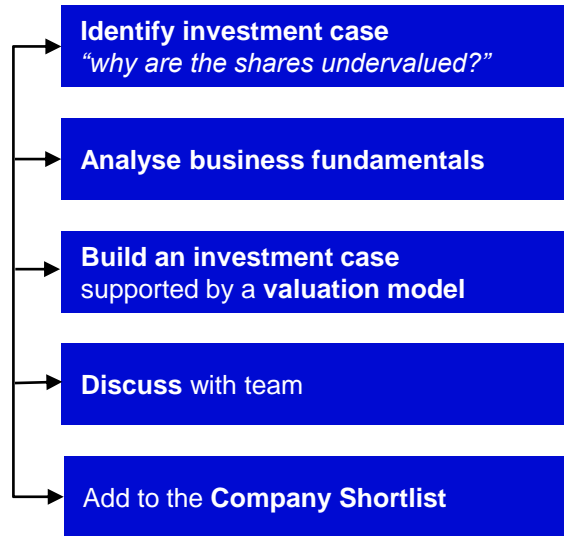
Source: Invesco. For illustrative purposes only.

# Investment approach

## Fundamental analysis



### Turning a stock idea into a buy opportunity



#### To understand a business, we focus on:

##### Industry dynamics

- Market share trends
- Barriers to entry
- Competitive environment

##### Financials

- Balance sheet health
- Profitability & cyclicality
- Cash flow dynamics
- Accounting quality

##### ESG & Management quality

- Historic capital allocation decisions & corporate governance
- Approach to addressing ESG-related negative externalities
- Track record meeting guidance and internal targets
- Feedback from competitors, suppliers, and clients

#### Fundamental analysis helps to form a view on:

- Future earnings growth
- The fair P/E multiple for the business
- Future dividends

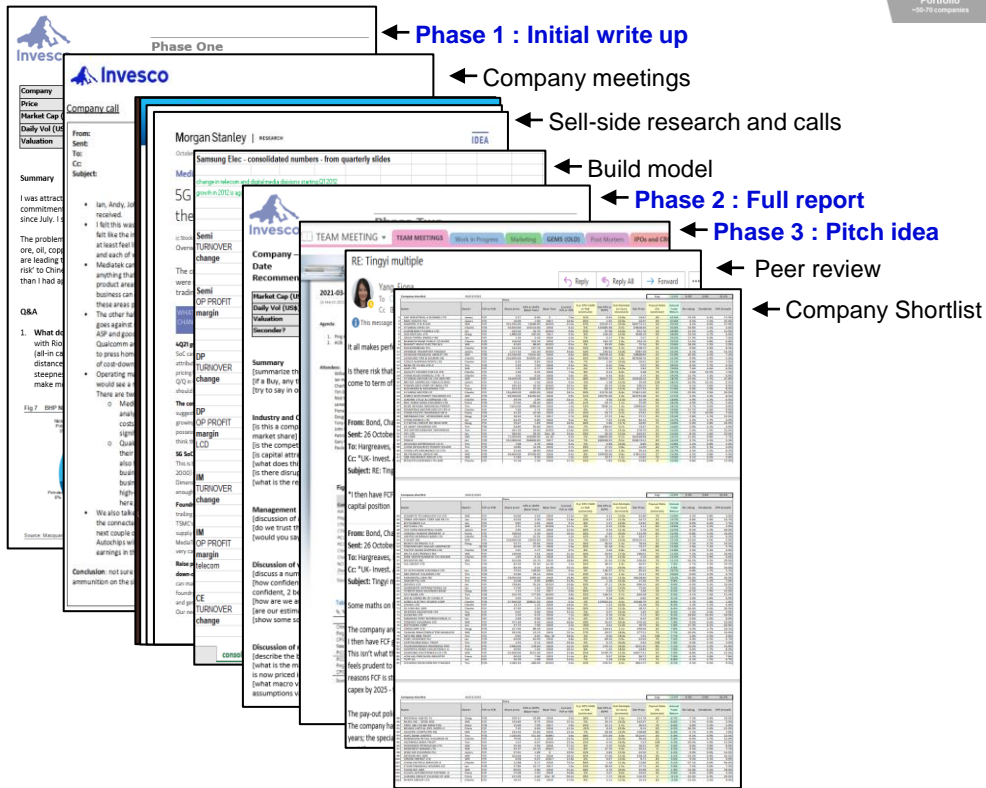
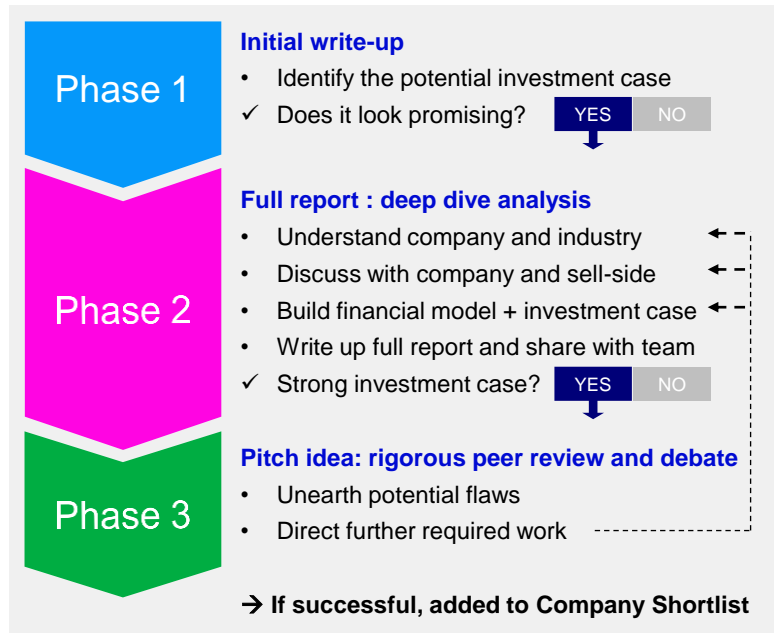
Source: Invesco. For illustrative purposes only.

# Investment approach

## Team discussion



### Scrutinising an idea

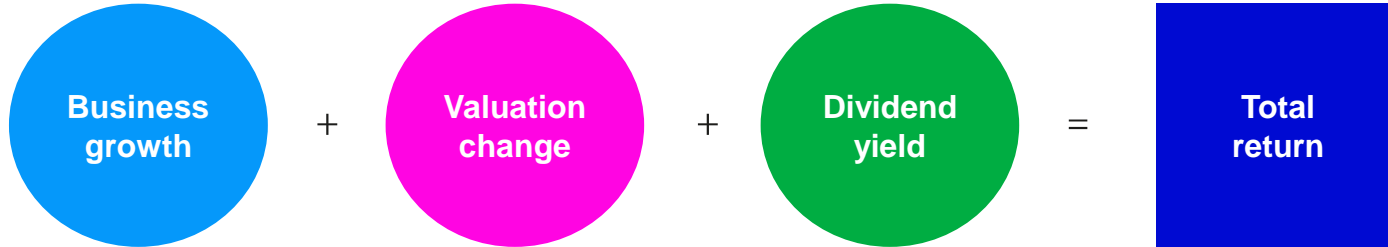


Source: Invesco. For illustrative purposes only.



# Investment approach

Estimating the three components of total return for each company



**We target a double digit annualised total return from each stock we buy<sup>1</sup>**

Source: Invesco. For illustrative purposes only.

<sup>1</sup>Please note there is no guarantee this performance target will be achieved.

# Investment approach

## Fundamental analysis



### Our company shortlist: ~100 stocks

3 components of total return

Company	EPS growth 3y CAGR* (estimate)	Current P/E	Fair P/E in 3 years (estimate)	P/E re-rating 3y CAGR*	Dividends Yield p.a. (estimate)	Total return 3-y CAGR*
Stock A	-2%	5x	8x	17%	5%	<b>+20%</b>
Stock B	8%	11x	12x	3%	4%	<b>+15%</b>
Stock C	20%	25x	20x	-7%	1%	<b>+14%</b>
Stock Y	12%	20x	16x	-7%	2%	<b>+7%</b>
Stock Z	0%	8x	8x	0%	3%	<b>+3%</b>

**Stocks are ranked by our estimated total annual return for the next 3 years**

Source: Invesco. For illustrative purposes only. This table is an illustration and simplification of our proprietary stock comparison tool with earnings-per-share, earnings-based fair valuation ratio (P/E), and dividend yield estimates as inputs to derive a total return expectation for each stock. A more complete version of the stock comparison table, particularly for financial companies, would include return-on-equity estimates and asset-based valuation ratios such as the price-to-book ratio as inputs. \*CAGR: cumulative annual growth rate.

# Investment approach

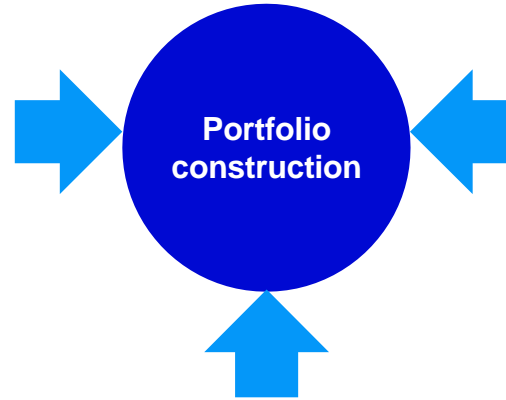
## Portfolio construction



### Considerations that shape the portfolio

#### Stock-level considerations

- Expected return
- Conviction
- Liquidity
- Downside support
- ESG considerations



#### Portfolio diversification

- Exposure maintained to several countries
- Exposures to sectors or themes are monitored to ensure they accurately reflect our views
- Typically 50 - 70 stocks

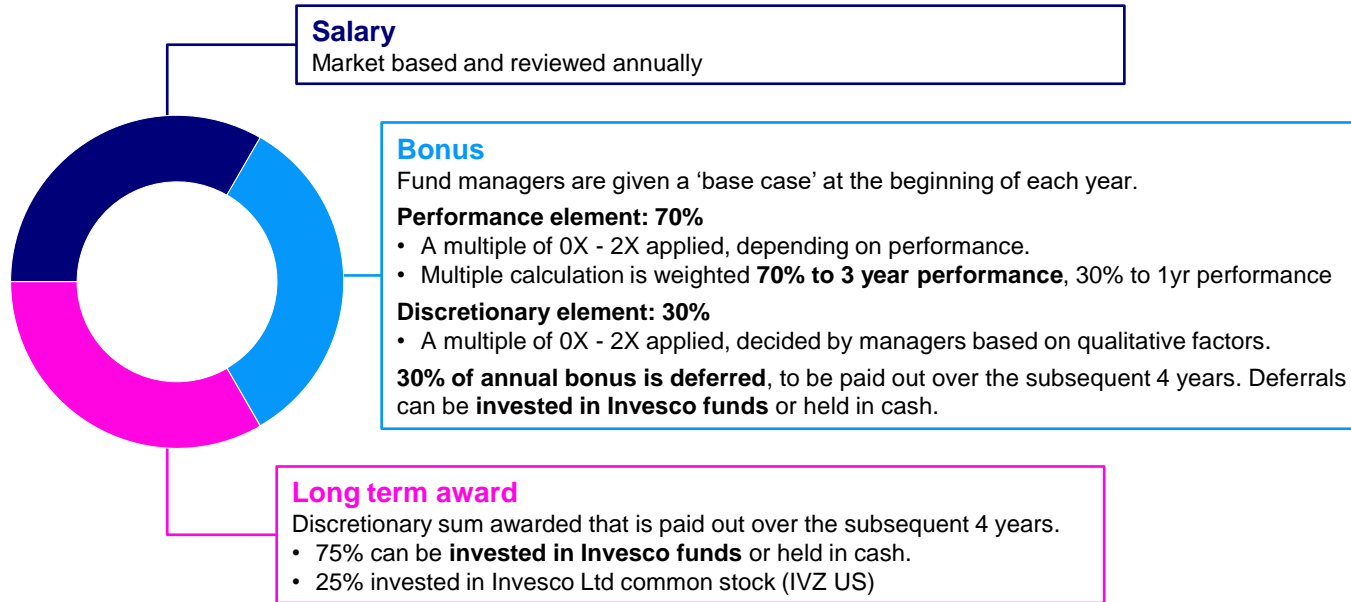
#### Risk oversight

- CIO challenge process
- Henley Investment Oversight team
- Independent Investment Risk team
- Internal audit and compliance
- Global ESG team oversight

Source: Invesco. For illustrative purposes only.

# How we are aligned with clients

## Remuneration structure



**Variable elements (bonus and long term award) increase as a proportion of total remuneration with seniority**

Source: Invesco as at 31 December 2022.

# ESG integration

# How ESG is integrated into our process

## ESG has evolved as have our internal resources

### Principles:

- We believe ESG considerations can have a material impact on a company's fair value
- We believe active engagement is a superior approach to exclusion

### Objective:

- We seek to quantify the impact of material ESG factors on our estimate of a company's fair value
- We actively engage with company management on ESG issues to help enhance the value of our investment

### Resources:

- All analysts and fund managers systematically integrate ESG into their stock analysis
- Invesco's dedicated ESG team and proprietary ESG ratings tool (ESGintel)

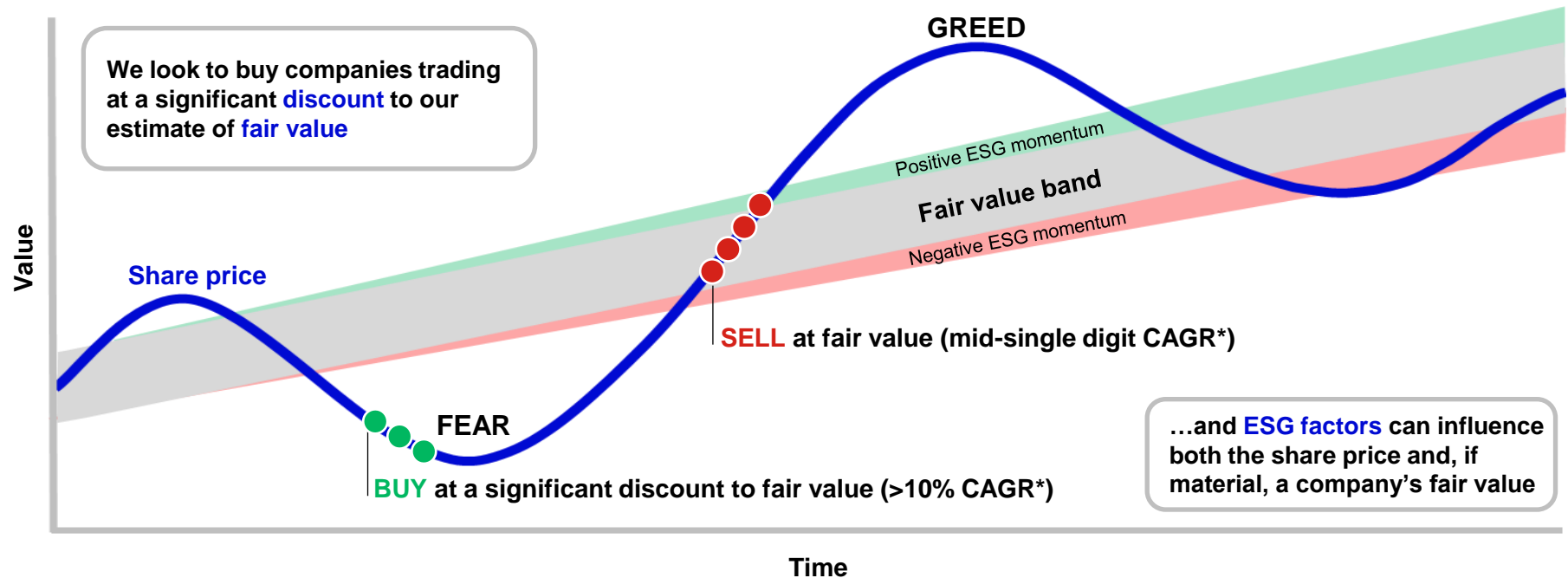
### In practice, material ESG considerations:

- Affect our estimates of earnings growth, valuation multiple, and dividends
- Affect our likely position size for a stock

Source: Invesco. For illustrative purposes only. <sup>1</sup>There is no guarantee this target will be achieved.

# Overview of our investment approach

## The typical investment lifecycle



Source: Invesco. For illustrative purposes only. \*>10% CAGR is considered to be attractive over a 3-5-year period as it is well above the mid-single digit CAGR returns (~5-7%) historically delivered by the market as a whole – and a return expectation at the stock level which we would consider to be 'fair value'.

# How ESG is integrated into our stock comparison framework

## ESG-based adjustments can make a stock fundamentally more or less attractive

3 components of total return

Company	EPS growth	Current P/E	Fair P/E	P/E re-rating	Dividends	Total return	ESG
	3y CAGR* (estimate)			in 3 years (estimate)			
Stock A	29%	21x	12x (-1x)	-17%	3%	+13% (-3%) ↓	(-) (Case study 1)
Stock B	9% (+1%)	13x	15x (+2x)	5%	1%	+15% (+6%) ↑	(+) (Case study 2)
Stock C	75%	78x	22x	-34%	0%	+15%	(=) (Case study 3)
Stock Y	12%	20x	16x	-7%	2%	+7%	=
Stock Z	0%	8x	8x	0%	3%	+3%	=

### Stocks are ranked by our estimated total annual return for the next 3 years

Source: Invesco. For illustrative purposes only. This table is an illustration and simplification of our proprietary stock comparison tool with earnings-per-share, earnings-based fair valuation ratio (P/E), and dividend yield estimates as inputs to derive a total return expectation for each stock. A more complete version of the stock comparison table, particularly for financial companies, would include return-on-equity estimates and asset-based valuation ratios such as the price-to-book ratio as inputs. \*CAGR: cumulative annual growth rate. <sup>1</sup>(-)/(+) refers to the investment team's positive/negative adjustments embedded in their bottom up estimates to reflect their holistic assessment/view of a company's ESG credentials purposely highlighted in this version of the Company Shortlist and potential for improvement.



# Case study 1 : Astra International (Stock A)

## Example of ESG engagement and how ESG views can affect underlying estimates

### Key ESG Issues

#### Issue

- Astra operate multiple businesses in the coal and palm oil supply chain which were growing in the mix of business.

#### Material ESG issues:

**E:** Coal and palm oil related businesses

**S:** Negligible

**G:** Negligible

#### What we did

- Engagement:** we encouraged Astra to reduce exposure to coal and palm oil, improve disclosure, and produce a plan to diversify their business. We also engaged individual subsidiaries on their specific ESG approaches. The company have subsequently brought forward a new sustainability plan. We feel that the company could go further and continue to encourage them to do so.
- Quantifying ESG:** we ascribed a **lower fair P/E multiple** to reflect the environmental risk associated with operating these assets and the risk that their productive life is shorter than the market expects.
- Action:** We voted FOR resolutions including changes in the Board of Commissioners and remuneration; we encouraged better disclosure overall and highlighted how their coal and palm oil exposure in one of their subsidiaries could lead to investors divesting

### Quantifying the ESG materiality

Company	EPS growth	Current P/E	Fair P/E	PE re-rating	Dividend yield	Total return p.a.	ESG assessment
Stock A – Astra International	29%	21x	13x	-15%	3%	+16%	
Stock A – Astra International (ESG adj.)	29%	21x	12x ↓	-17%	3%	+13% ↓	(-) stranded asset risk

For illustrative purposes only. The above estimates illustrate the influence of ESG in the team's assessment of a company's fair value and return expectations, not their current views. Whilst the fund manager considers ESG aspects they are not bound by any specific ESG criteria and have the flexibility to invest across the ESG spectrum from best to worst in class with the exception of funds which adhere to the exclusionary framework developed by Invesco to comply with Article 8 of the Sustainable Finance Disclosures Regulation (SFDR). This is not financial advice and not a recommendation to buy / hold / sell these securities. There is no guarantee that Invesco will hold these securities within its funds in the future.

# Case study 1 : Astra International (Stock A)

## ESG engagement history

### Key ESG Issues

#### Material ESG issues:

**E: Coal and palm oil related businesses**

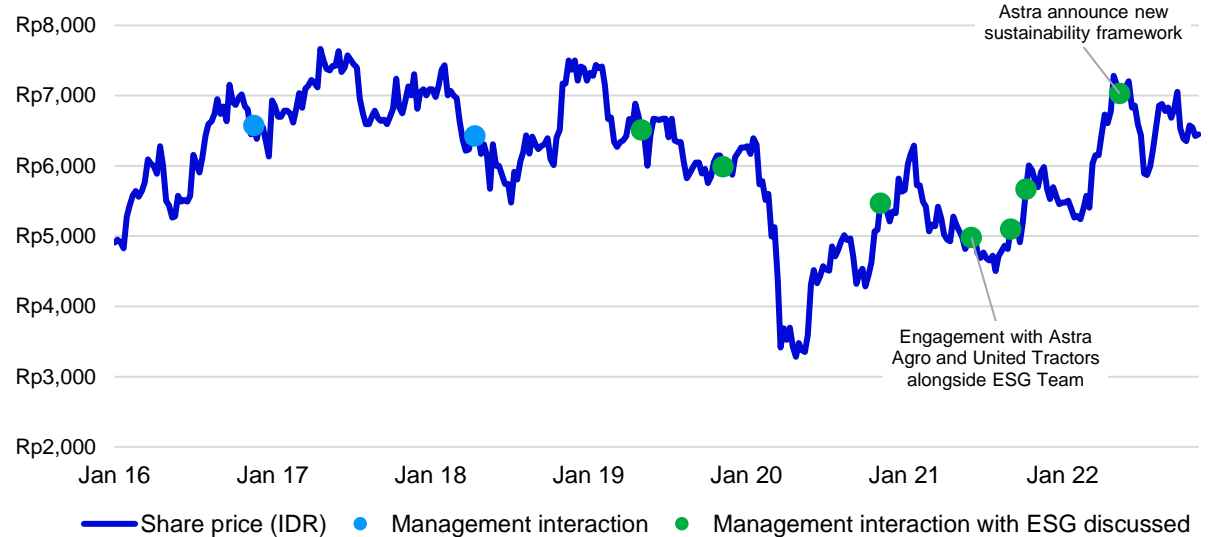
**S: Negligible**

**G: Negligible**

#### Our engagement:

- We encouraged Astra to reduce exposure to coal, improve disclosure, and produce a plan to diversify their business.
- We also engaged individual subsidiaries on their specific ESG approaches.
- The company have subsequently brought forward a new sustainability plan.
- We feel that the company could go further and continue to encourage them to do so.

### Engagement track record



Source: Invesco as at 30 September 2022. For illustrative purposes only.

# Case study 2 : Mahindra & Mahindra (Stock B)

## Example of ESG engagement and how ESG views can affect underlying estimates

### Key ESG Issues

Material ESG issues:

**E:** Negligible

**S:** Negligible

**G: Capital Allocation / Board Structure & Independence**

### Issue

- Mahindra proposed a \$400m investment in SsangYong Motor which we thought was a very poor use of shareholder funds.

### What we did

- Engagement:** we actively engaged with management and explained our opposition to the investment. The company reversed their investment decision, reshuffled senior management team (including the board) and improved capital allocation policy.
- Quantifying ESG:** we ascribed a **higher fair P/E multiple** to reflect better governance and capital allocation, and expected **higher business growth** given its renewed focus on its core businesses
- Action:** we voted FOR new board members; we recommended a majority independent board, with two new independent nominations; reiterated timeline for disposal of SsangYong; reviewing of CEO's 'over-boarding' and remuneration structure

### Quantifying the ESG materiality

Company	EPS growth	Current P/E	Fair P/E	PE re-rating	Dividend yield	Total return p.a.	ESG assessment
Stock B - M&M	8%	13x	13x	0%	1%	+9%	
Stock B - M&M (ESG adj.)	9% ↑	13x	15x ↑	5%	1%	+15% ↑	(+) better cap. alloc.

For illustrative purposes only. The above estimates illustrate the influence of ESG in the team's assessment of a company's fair value and return expectations, not their current views. Whilst the fund manager considers ESG aspects they are not bound by any specific ESG criteria and have the flexibility to invest across the ESG spectrum from best to worst in class with the exception of funds which adhere to the exclusionary framework developed by Invesco to comply with Article 8 of the Sustainable Finance Disclosures Regulation (SFDR). This is not financial advice and not a recommendation to buy / hold / sell these securities. There is no guarantee that Invesco will hold these securities within its funds in the future.

# Case study 2 : Mahindra & Mahindra (Stock B)

## ESG engagement history

### Key ESG Issues

#### Material ESG issues:

**E:** Negligible

**S:** Negligible

**G: Capital Allocation / Board Structure & Independence**

#### Overall view:

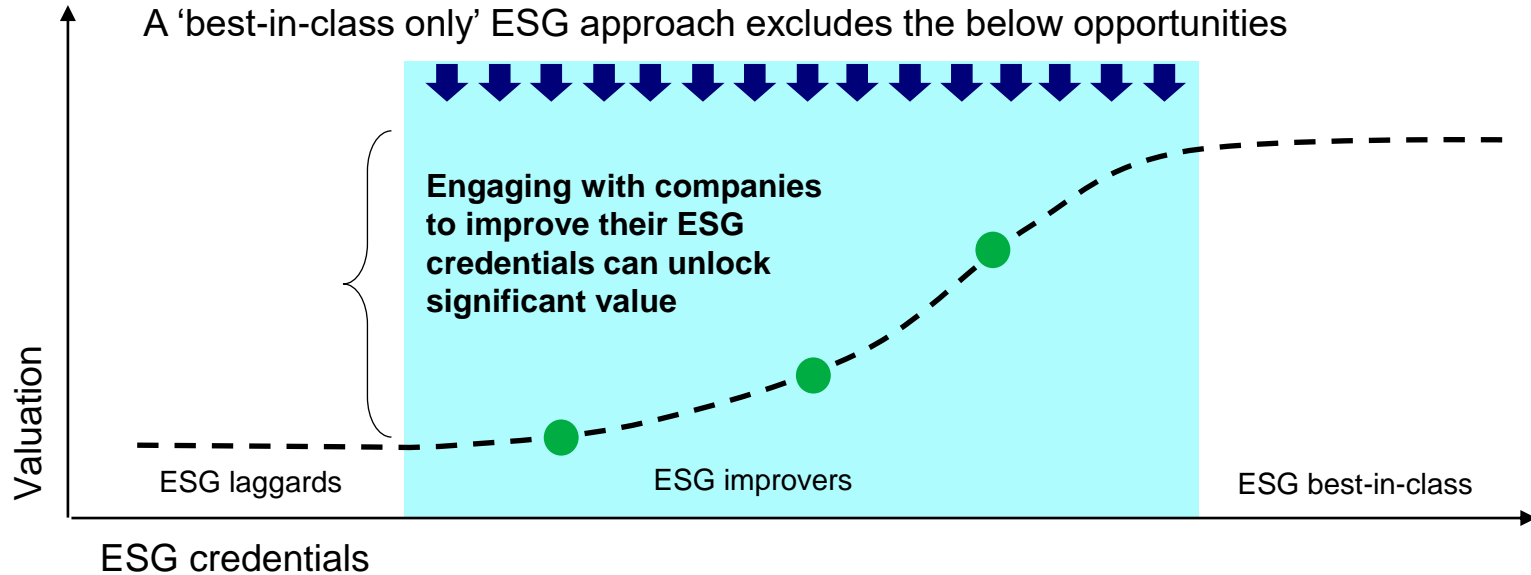
- M&M has been responsive to our concerns about asset allocation
- Our engagement helped to establish that ESG concerns were being overly discounted and the company acknowledged that we played a part in their decision to refrain from further malinvestment in their subsidiary.

### Engagement track record



Source: Invesco as at 30 September 2022. For illustrative purposes only.

# Positive ESG engagement is a superior approach to divestment



Source: Invesco. For illustrative purposes only.

# ESG Engagements

Period	Company Meetings*	Total ESG Engagements*	Combination of E, S, or G	E	S	G	% of meetings where ESG was discussed
Q2 2023	162	131	29	20	11	71	81%
Q1 2023	270	187	54	31	13	89	69%
FY 2022	763	530	154	107	33	236	69%
Q4 2022	197	131	38	27	5	61	66%
Q3 2022	165	111	37	18	6	50	67%
Q2 2022	218	154	47	25	12	70	71%
Q1 2022	183	134	32	37	10	55	73%
FY 2021	718	534	197	114	51	172	74%
FY 2020	708	520	187	55	94	184	73%

## ESG engagements take two forms:

- Meetings dedicated to ESG
- ESG discussions within a wider meeting

Source: Invesco, as at 30 June 2023. \*Total company meetings and ESG engagements across the Asia & EM Equities team capabilities.

## Company Voting – Q2 2023

- We review AGM and EGM proposals taking into account our own knowledge of the companies in which our funds are invested, as well as the comments and recommendations of ISS and Glass Lewis
- Especially where there are situations of controversy or differing views between the consultants mentioned above we will draw on the deep expertise of our internal ESG team for advice
- There will be times when we will follow the recommendations made by ISS and Glass Lewis but times where we disagree with the stance being taken
- Voting in line with management recommendations should not be seen as evidence of a lack of challenge on our part, but rather that the governance of the companies in which we are invested is already good and worthy of support

Category	Total Number	Total (%)
Ballots Voted	89	97.8%
Proxy Contests Voted	0	0%
Ballots against management recommendations	38	41.8%
Ballots against ISS recommendations	23	25.3%

Source: Invesco, relates to the period 31 March 2023 to 30 June 2023. ISS = Institutional Shareholder Services.

# Quarterly risk-return analysis



## Key Messages

- 
- |          |                    |  |
|----------|--------------------|--|
| <b>1</b> | <b>Performance</b> | Valuation-led investment approach led to <b>outperformance of the MSCI AC Asia Ex JPN</b> by <b>26.3%</b> over the last 5 years. |
| <b>2</b> | <b>Consistency</b> | Since share class inception the <b>fund outperformed its reference index in 82.4% of all 3 year rolling periods.</b>             |
| <b>3</b> | <b>Risk/Return</b> | Strong Sharpe, Sortino and Information ratio <b>in top quartile</b> of peer group over 1, 3 & 5 years.                           |
- 

Source: Invesco, Morningstar as of 30th of June 2023. Fund performance figures are for Z acc share class, inclusive of reinvested income and net of the ongoing charge and portfolio transaction costs. Returns may increase or decrease as a result of currency fluctuations. The performance data shown does not take account of the commissions and costs incurred on the issue and redemption of units. More information on the peer groups can be found at [www.morningstar.com](http://www.morningstar.com). The benchmark index is shown for performance comparison purposes only. The Fund does not track the index.

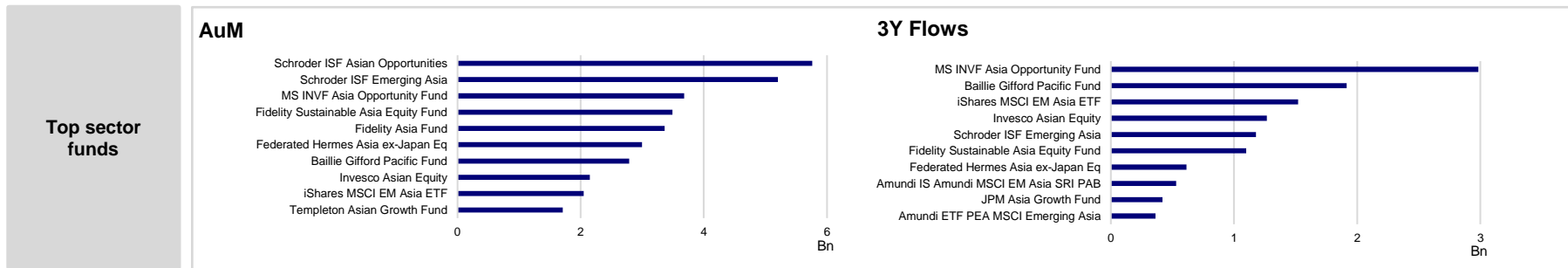
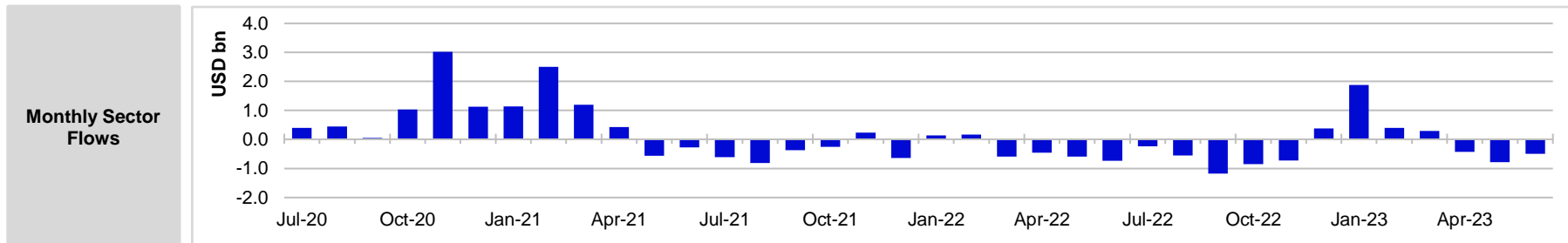
The investment concerns the acquisition of units in an actively managed fund and not in a given underlying asset.

# Peer Group Overview

## Invesco Asian Equity Fund

### Asia ex. Japan equity sector

Key Peer Group Statistics	Funds	Firms	AuM	AuM Top 10	Index Funds	ETF	SFDR 8/9	YTD Flows	1Y Flows	3Y Flows	3Y Flows Top 10
		195	117	68.9	33.2	5	14	97	0.9bn	-2.3bn	3.7

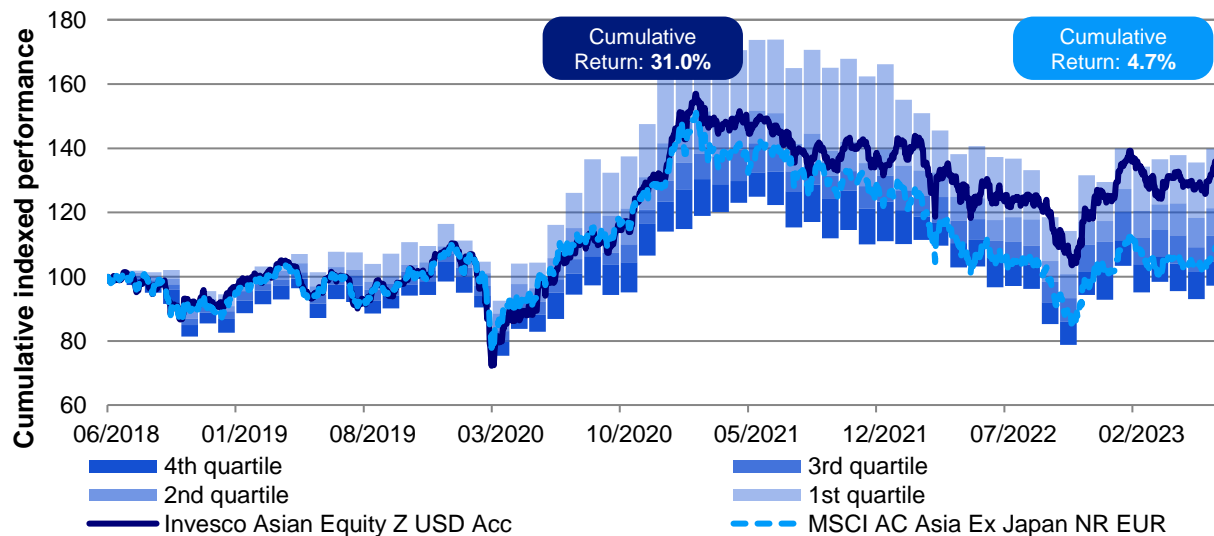


Source: Morningstar, Data as of 30<sup>th</sup> June 2023. Currency: USD. Universe: All Europe domiciled funds/ETFs

# High conviction investments in well selected investment ideas has led to an outperformance

Past Performance does not predict future returns

## 5-year investment growth



# 26.3pp

Outperformance of the reference index on a cumulative basis resulted in the

# 1<sup>st</sup> quartile

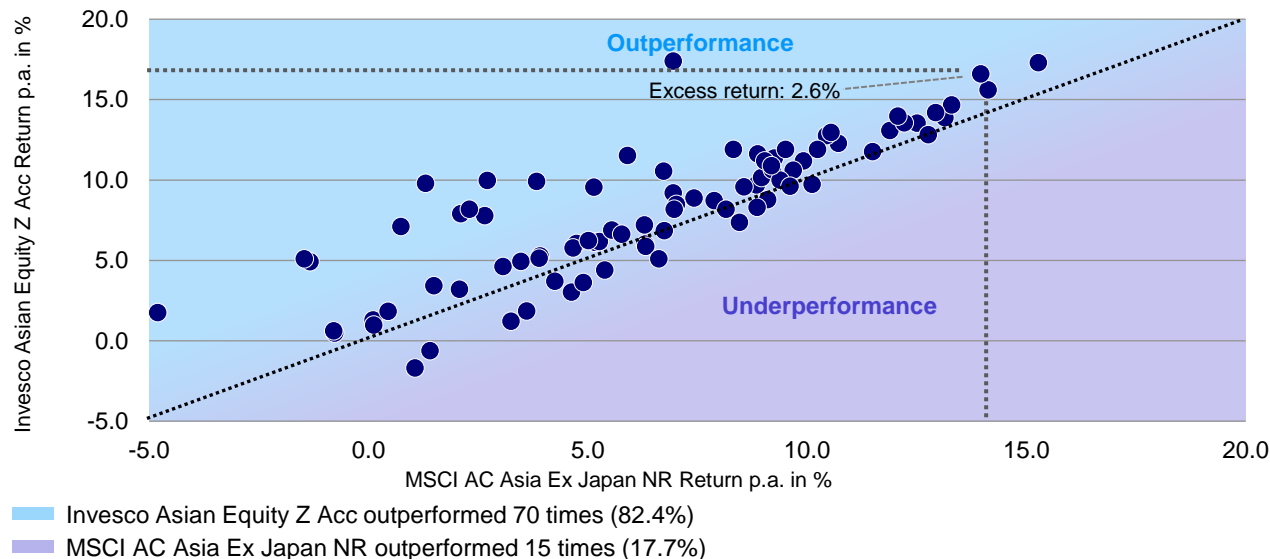
of the peer group

Source: Invesco, Morningstar as of 30<sup>th</sup> of June 2023; daily total returns in USD. Time period: 01/07/2018 to 30/06/2023, Peer group (5–95%): EAA Fund Asia ex-Japan Equity. Peer group information can be found here: [www.Morningstar.com](http://www.Morningstar.com). Fund performance figures are for Z acc share class, inclusive of reinvested income and net of the ongoing charge and portfolio transaction costs. The performance shown in the chart above up to 7 September 2018 relates to the performance of the Irish-domiciled fund, which was merged into the Luxembourg-domiciled fund on that date. Returns may increase or decrease as a result of currency fluctuations. The performance data shown does not take account of the commissions and costs incurred on the issue and redemption of units. The benchmark index is shown for performance comparison purposes only. The Fund does not track the index.

# Consistent outperformance of the reference index

## Past Performance does not predict future returns

### 3 year rolling out-/underperformance vs. reference index over past 10 years



# 82.4%

Outperformed the reference index in all 3-year periods over the past 10 years.

#### Zero Excess Return Line

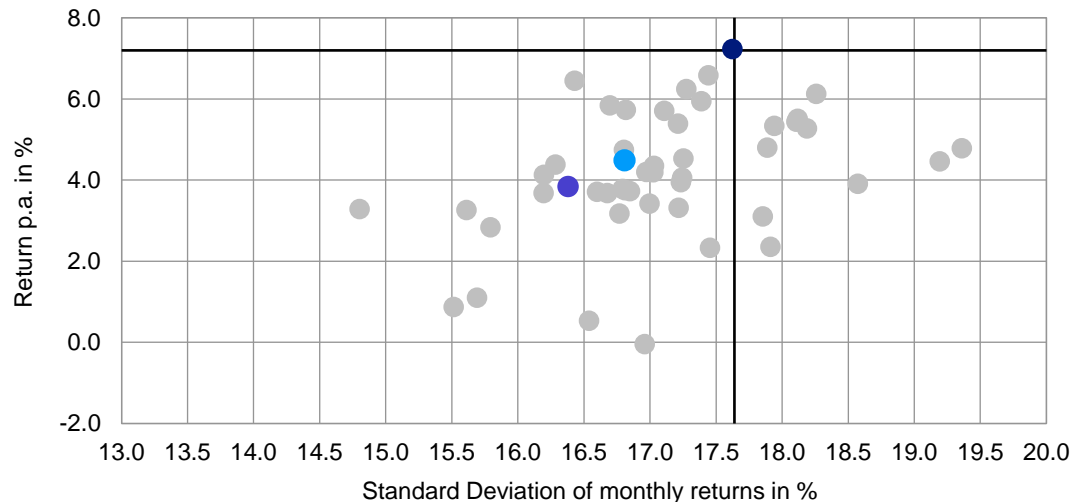
Dots on the zero excess return line represent equal returns between the fund and the benchmark. Dots above/below represent an out-/underperformance of the benchmark

Source: Invesco, Morningstar, as of 30<sup>th</sup> of June 2023; monthly total returns in USD. Time period: 01/07/2013 to 30/06/2023. Rolling window: 3 years 1 month shift; calculation reference index: MSCI AC Asia Ex Japan NR. The investment concerns the acquisition of units in an actively managed fund and not in a given underlying asset. Returns may increase or decrease as a result of currency fluctuations. The performance data shown does not take account of the commissions and costs incurred on the issue and redemption of units. The benchmark index is shown for performance comparison purposes only. The Fund does not track the index.

# Outstanding risk/return profile

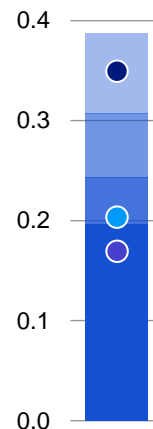
## Past Performance does not predict future returns

### Risk/return over past 10 years



● Invesco Asian Equity Z USD Acc ● EAA Fund Asia ex-Japan Equity ● MSCI AC Asia Ex Japan NR EUR

### Sharpe ratio



## 270bps<sub>p.a.</sub>

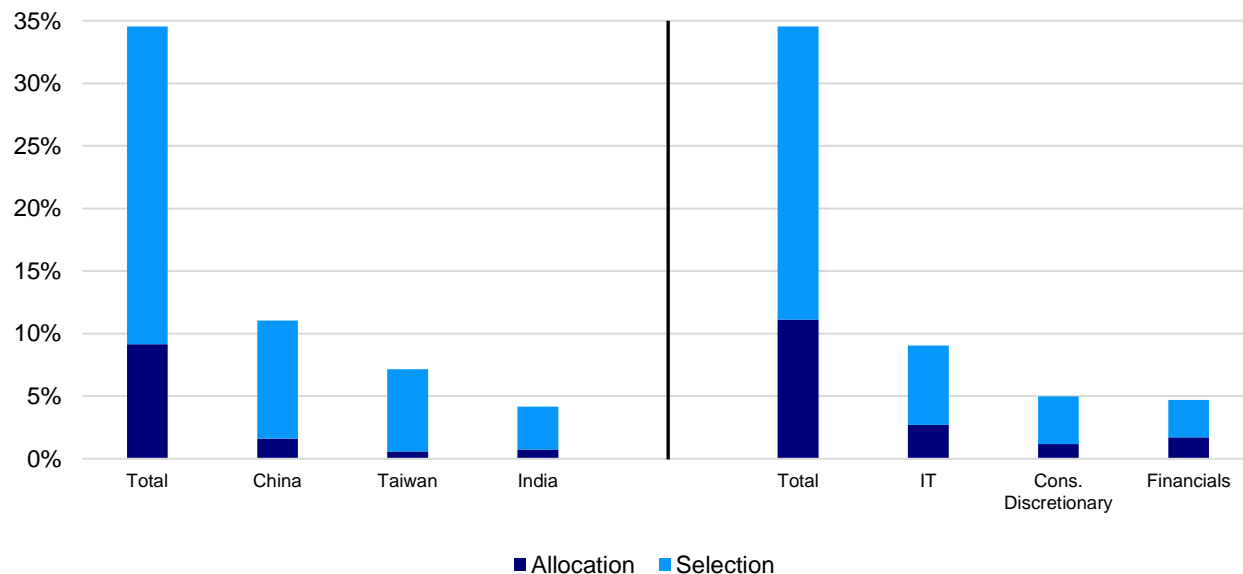
Outperformance of reference index of 270bps p.a. over the past 10 years led to an above average Sharpe ratio.

Source: Invesco, Morningstar, as of 30<sup>th</sup> of June 2023; monthly total returns in USD. Time period: 01/07/2018 to 30/06/2023. Calculation reference index: MSCI AC Asia Ex Japan NR USD. Peer group (5–95%): EAA Fund Asia ex-Japan Equity. The investment concerns the acquisition of units in an actively managed fund and not in a given underlying asset. Returns may increase or decrease as a result of currency fluctuations. The performance data shown does not take account of the commissions and costs incurred on the issue and redemption of units. The benchmark index is shown for performance comparison purposes only. The Fund does not track the index.

## Excellent stock picking skills led to an outperformance over 5 years

Past Performance does not predict future returns.

### Performance attribution over 5-year period



**High stock selection** skills delivered an outperformance of the portfolio vs. its reference index.

On a country level as well as on a sector level **performance was driven through stock selection**

Source: Invesco, as of 30<sup>th</sup> of June 2023; monthly total returns in USD (**gross of fees**). Time period: 01/07/2018 to 30/06/2023. calculation benchmark: MSCI AC Asia Ex Japan NR. The attribution/contribution figures are estimates and should be used for indicative purposes only. Data cleansing and retrospective information availability may cause changes.

# Appendix

## FY 2022 attribution

# Invesco Asian Equity Fund

## Performance attribution analysis – FY 2022 (%)

### By country – US\$

Country	Average weight		Total return		Attribution Analysis		
	Portfolio	Benchmark	Portfolio	Benchmark	Allocation Effect	Stock Selection Effect*	Total Effect
China	33.31	35.69	-10.74	-21.82	0.02	3.96	3.98
Hong Kong	9.72	7.36	14.63	-5.19	0.31	1.54	1.86
Korea	13.26	13.58	-19.20	-29.36	0.10	1.55	1.65
Taiwan	13.61	17.07	-25.57	-29.81	0.52	0.63	1.16
Indonesia	5.84	2.13	6.54	3.59	0.94	0.22	1.15
Australia	3.52	--	5.60	--	0.81	--	0.81
Singapore	2.56	3.60	18.82	-10.99	-0.07	0.68	0.61
Cash	3.02	--	1.31	--	0.53	--	0.53
India	12.98	15.67	-3.59	-7.95	-0.11	0.56	0.45
Cayman Islands	--	0.13	--	-29.28	0.02	--	0.02
Vietnam	0.24	--	3.81	--	0.01	--	0.01
Philippines	--	0.86	--	-13.92	-0.05	--	-0.05
Thailand	1.95	2.22	4.19	4.97	-0.04	-0.01	-0.05
Malaysia	--	1.70	--	-5.78	-0.24	--	-0.24
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>-7.79</b>	<b>-19.67</b>	<b>2.74</b>	<b>9.15</b>	<b>11.88</b>

### Past performance does not predict future returns.

Source: Invesco (Factset). Time period 1 January 2022 to 31 December 2022. Benchmark: MSCI AC Asia ex Japan. Portfolio returns and attributions are shown in USD and are gross of management fees and expenses. The attribution figures are estimates and should be used for indicative purposes only. Data cleansing and retrospective information availability may cause changes. \*The "Interaction Effect", which is the relative return that is not solely attributed to either asset allocation or stock selection has been included in the "Stock Selection Effect".



# Invesco Asian Equity Fund

## Performance attribution analysis – FY 2022 (%)

By sector – US\$

Sector	Average weight		Total return		Attribution Analysis		
	Portfolio	Benchmark	Portfolio	Benchmark	Allocation Effect	Stock Selection Effect*	Total Effect
Communication Services	10.40	8.71	3.96	-19.69	-0.06	2.70	2.64
Consumer Discretionary	19.32	12.86	1.05	-10.92	0.14	2.27	2.41
Financials	21.41	22.62	18.66	7.73	-0.07	2.14	2.07
Information Technology	16.87	19.55	-21.13	-24.46	0.65	0.81	1.46
Energy	3.68	3.88	87.52	22.25	0.05	1.36	1.41
Industrials	9.47	6.41	10.47	-3.07	0.13	1.18	1.31
Real Estate	3.81	4.28	22.55	-4.64	-0.01	1.22	1.21
Cash	2.71	--	7.58	--	0.22	--	0.22
Consumer Staples	3.80	5.20	5.39	0.77	-0.14	0.19	0.05
Utilities	0.17	2.91	14.76	3.09	-0.24	0.13	-0.11
Health Care	1.38	5.21	-39.11	-9.86	0.15	-0.58	-0.43
Materials	7.00	8.35	-3.47	7.91	-0.18	-0.59	-0.77
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>-7.79</b>	<b>-19.67</b>	<b>1.98</b>	<b>9.91</b>	<b>11.88</b>

### Past performance does not predict future returns.

Source: Invesco (Factset). Time period 1 January 2022 to 31 December 2022. Benchmark: MSCI AC Asia ex Japan. Portfolio returns and attributions are shown in USD and are gross of management fees and expenses. The attribution figures are estimates and should be used for indicative purposes only. Data cleansing and retrospective information availability may cause changes. \*The "Interaction Effect", which is the relative return that is not solely attributed to either asset allocation or stock selection has been included in the "Stock Selection Effect".

# Invesco Asian Equity Fund

## Top stock-level attribution impact – FY 2022 (%)

Stock	Average active weight <sup>1</sup>	Stock return (in USD)	Portfolio impact
<b>Positive</b>			
CNOOC Limited	0.93	35.81	1.06
PT Bank Negara Indonesia (Persero) Tbk	2.06	26.90	0.90
ICICI Bank Limited	2.20	11.11	0.71
United Overseas Bank Ltd. (Singapore)	1.80	19.58	0.67
China Overseas Land & Investment Limited	1.72	17.14	0.65
<b>Negative</b>			
Aurobindo Pharma Ltd	1.79	-45.93	-0.53
Reliance Industries Limited*	-1.64	-3.13	-0.24
Pinduoduo, Inc.*	-0.46	39.88	-0.23
DBS Group Holdings Ltd*	-0.75	8.97	-0.19
China Construction Bank Corporation*	-1.10	-2.93	-0.18

Source: Invesco as at 31 December 2022. <sup>1</sup>Benchmark: MSCI AC Asia ex Japan. The attribution figures are estimates and should be used for indicative purposes only. Data cleansing and retrospective information availability may cause changes. Note: Combines ordinary shares, preference shares and GDRs/ADRs when applicable. \*Not held.

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