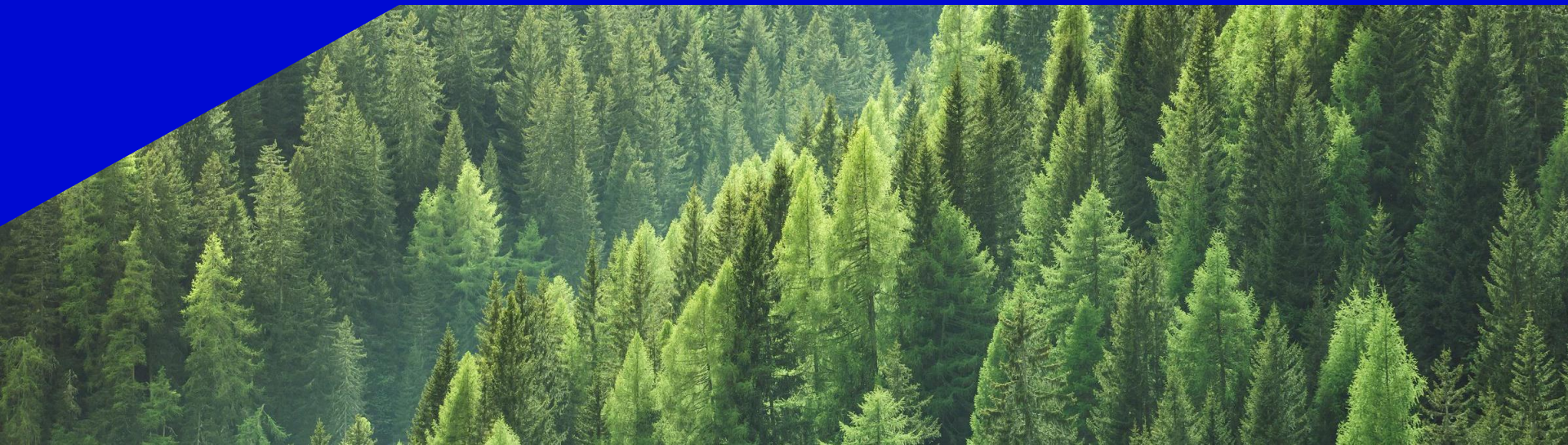


# Invesco Sustainable Allocation Fund

Q4 / 2022

As of 30 September 2022

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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. Changes in interest rates will result in fluctuations in the value of the fund. The fund uses derivatives (complex instruments) for investment purposes, which may result in the Fund being significantly leveraged and may result in large fluctuations in the value of the fund. The fund may invest in a dynamic way across assets/asset classes, which may result in periodic changes in the risk profile, underperformance and/or higher transaction costs.

The Fund intends to invest in securities of issuers that manage their Environmental, Social and Governance (ESG) exposures better relative to their peers. This may affect the Fund's exposure to certain issuers and cause the Fund to forego certain investment opportunities. The Fund may perform differently to other funds, including underperforming other funds that do not seek to invest in securities of issuers based on their ESG ratings.

# Invesco Sustainable Allocation Fund

A strategy based on asset allocation and security selection integrating strict ESG considerations

<b>1</b>	<b>ESG approach</b>	<ul style="list-style-type: none"><li>▪ Strict ESG policy focussing on best-in-class selection, positive screening and exclusion criteria</li><li>▪ Portfolio construction process with ESG integration</li><li>▪ Active ownership through proxy voting and company engagement</li></ul>
<b>2</b>	<b>Portfolio construction</b>	<ul style="list-style-type: none"><li>▪ Equity selection: Systematic process targeting to exploit factor premia using proprietary definitions (Quality, Momentum, Value)</li><li>▪ Bond selection: Predominantly international high-quality government bonds and supranationals</li></ul>
<b>3</b>	<b>Asset allocation</b>	<ul style="list-style-type: none"><li>▪ Determine allocation for equities, bond duration and foreign currency exposures</li><li>▪ Dynamic approach based on tactical models</li><li>▪ Strong focus on limiting portfolio volatility</li></ul>

Source: Invesco, for illustrative purposes only. The investment concerns the acquisition of units in an actively managed fund and not in a given underlying asset. Any investment decision should take into account all the characteristics of the fund as described in the legal documents. For sustainability related aspects, please refer to <https://www.invescomanagementcompany.lu>.

# Invesco Sustainable Allocation Fund

## Key characteristics



Global investment universe



Flexible and dynamic asset allocation



Strong focus on limiting the volatility of the fund\*



A highly structured and clearly defined investment process



Best-in-class, ESG criteria, Active ownership – Febelfin Towards Sustainability label

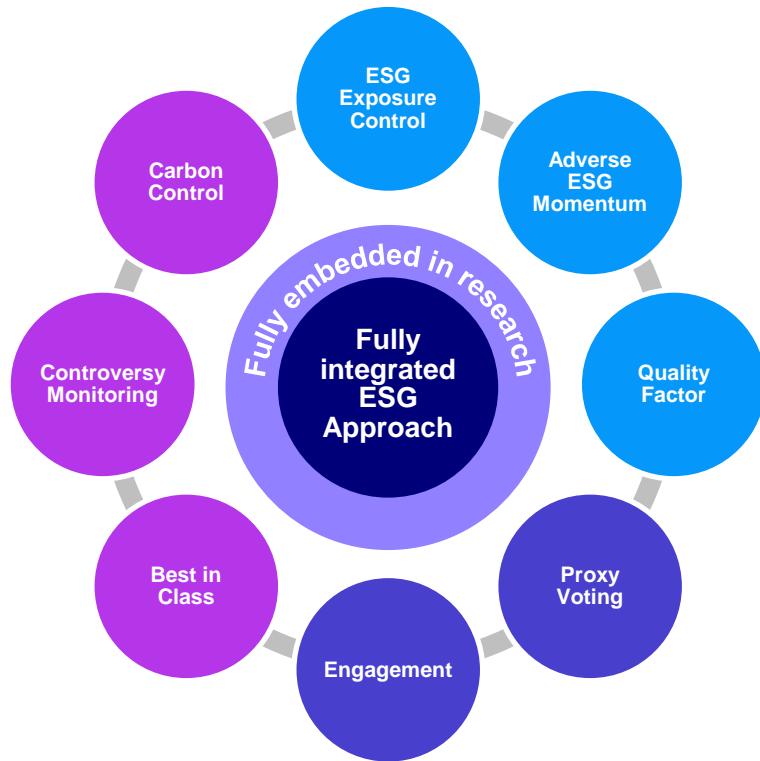
Unique combination of ESG, dynamic asset allocation and active multi-factor investing – offers potential for attractive total return with limited drawdown



# ESG approach

# Holistic ESG consideration in our investment process

## Integrating key aspects of ESG



We **consider ESG at several layers** in our investment process:

- Standardized explicit and implicit incorporation of ESG key aspects into our investment process
- Active dialog with companies and investor-driven proxy voting using Invesco's proprietary Proxy Voting Platform
- Offering optionality to implement additional, customized ESG criteria tailored towards the client's needs
- ESG fully embedded in research processes and analytics and documented in every research note

# ESG screening for equities and bonds

## Equities



- Best-in-Class
  - Negative/ Exclusion criteria
  - Controversy Monitoring
  - Carbon Control
- 
- Flexible use through an individual definition of over 250 ESG criteria
  - Global universe of over 6,000 companies

## Bonds



- Best-in-Class
  - Negative/ Exclusion criteria
  - Country-specific ESG indicators
- 
- Flexible use through a wide range of country-specific ESG indicators
  - Ratings for more than 180 countries
  - Coverage of all OECD countries

## Main ESG Focus



### Equities

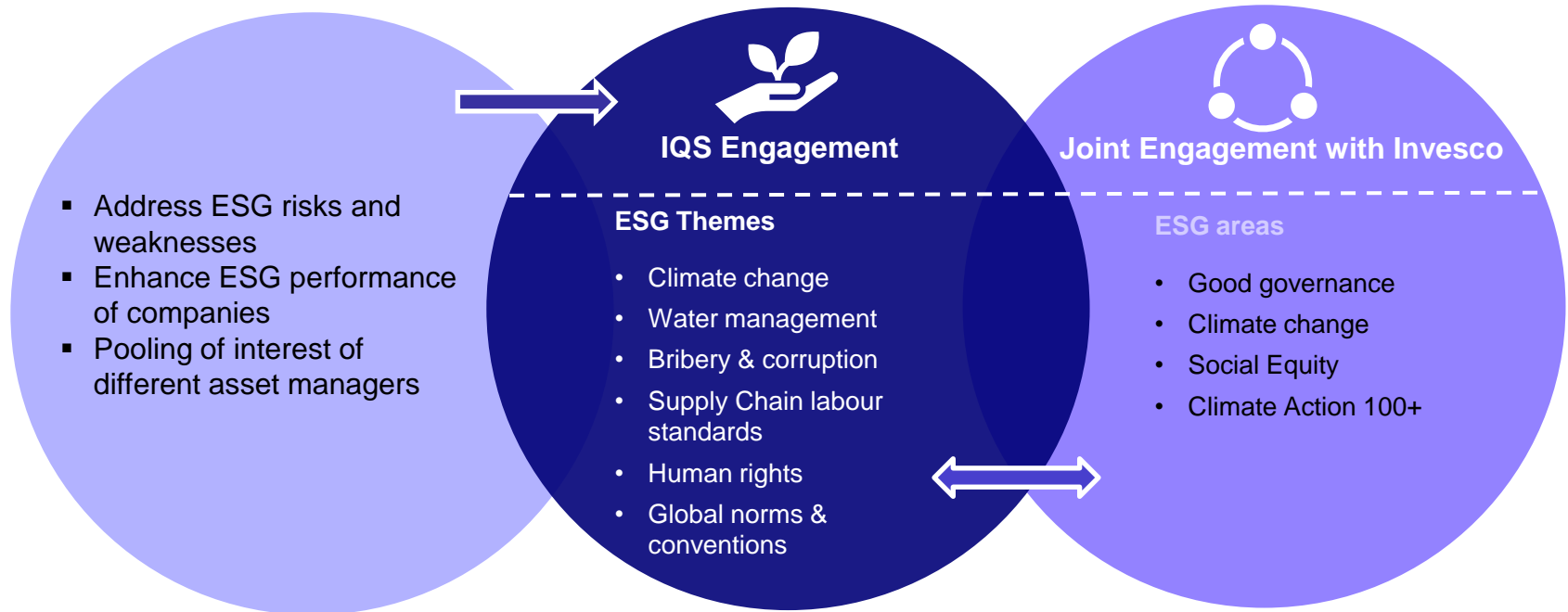
- UN Global Compact
- Climate Change; carbon control
- Human rights
- Controversial activities

### Bonds

- Environmental protection
- Climate change
- Social protection
- Public health
- Human rights; labour rights

# Engagement

## Direct dialogue with companies





# Proxy Voting – Our good Governance Principles

Support of ESG shareholder proposals through Invesco's proprietary platform PROXYintel



- Gender Pay Gap Proposals
- Political Contributions Disclosure/Political Lobbying; Activities & Action
- Data Security, Privacy, and Internet Issues
- Report on Climate Change/Climate Change Action
- Gender Diversity on Public Boards

# Portfolio construction

# How we get to the equity portfolio

We are using intuitive, well-proven equity factors

We use proven factors and expect:



cheap to outperform expensive [Value]



trends to persist for a while [Momentum]



high quality to beat low quality [Quality]



# How we get to the bond portfolio

## Defensive positioning of the portfolio

**1. ESG screening** of the underlying bond universe



**2. Investments** in high-quality long-term government bonds and supranationals only



**3. Balanced risk contributions** between markets



**4. Duration** can range between 0 to 7 years depending on asset allocation model outcome



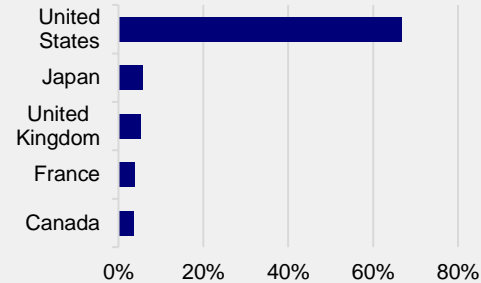
# Invesco Sustainable Allocation Fund

## Summary and conclusion

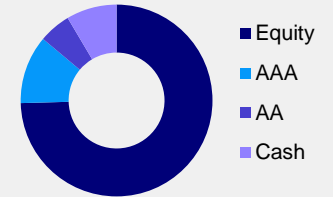
### Key features

- A fund focussing on sustainable investments and a dynamic asset allocation
- Follows a **highly structured** and **clearly defined** investment process
- **ESG approach:** Best-in-class, ESG criteria, active ownership
- Potential for **attractive total return with limited drawdown** characteristics

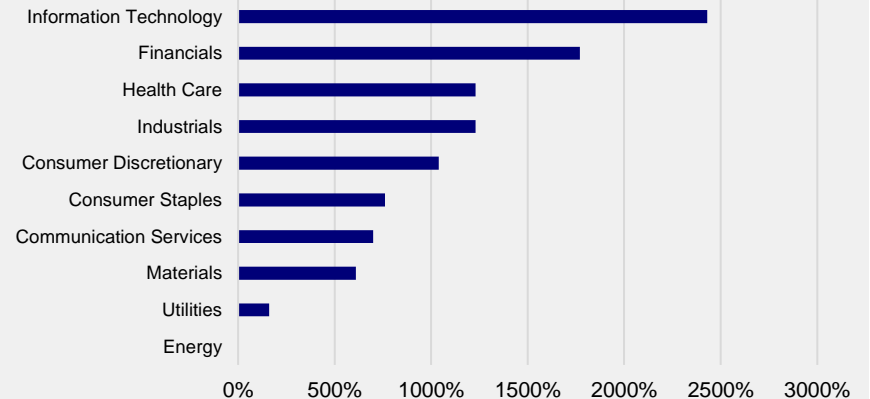
### Top 5 Country Weightings\*



### Credit Rating



### Sector Weightings\*

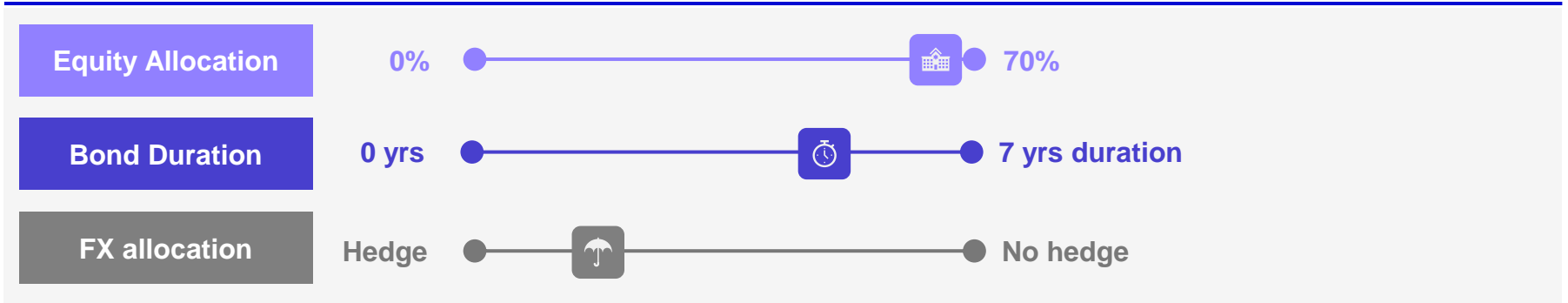


# Asset allocation

# Invesco Sustainable Allocation Fund

## Overview of systematic asset classes allocation

### Asset selection & ranges



### Asset allocation building blocks



**Strategic** allocation as starting point



**Tactical** allocation to consider prevailing market environment



**Downside control** based on daily evaluation of market risk



# Tactical allocation

## Analysing three factors to evaluate the market environment

### Valuation

Is the market properly priced?

### Economic environment

Are the current and forecasted monetary and economic environments favorable for the assets?

### Investor positioning

- **Trend:** Has the market out- or underperformed its long-term average over the past?
- **Risk aversion:** How are investors positioned towards risk?



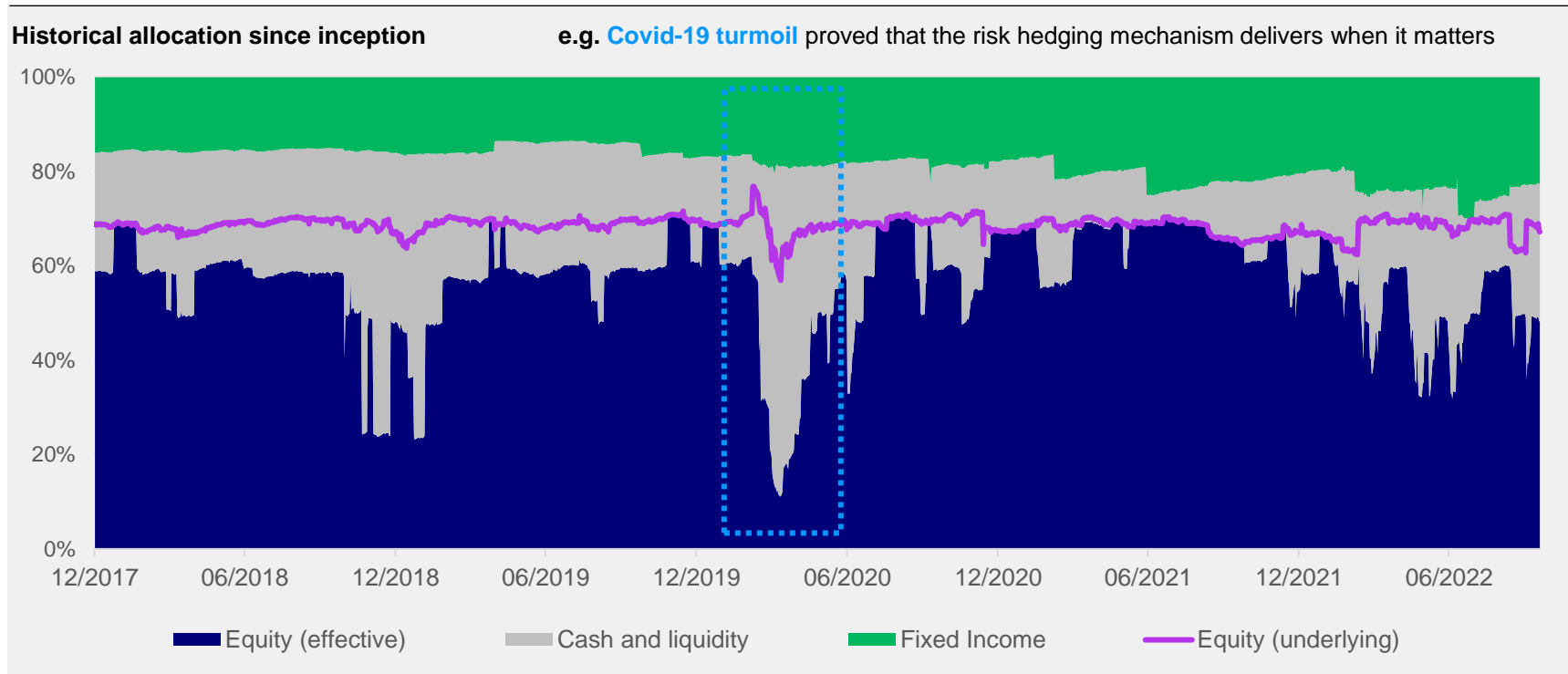
### Final outlook

Combination of three factors



# Asset Allocation over time

Combines intelligent drawdown control with equity market participation

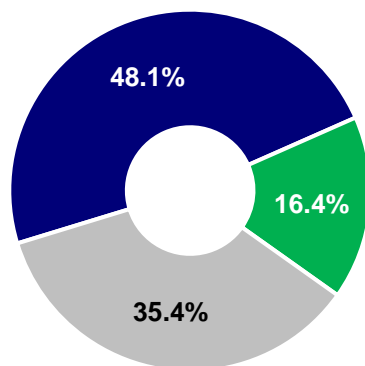
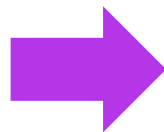
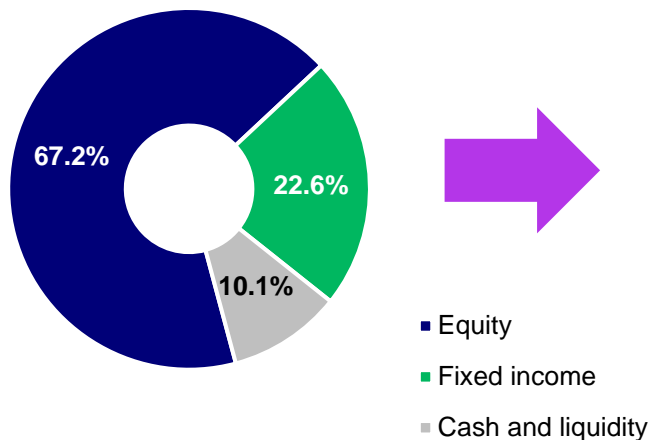


# Implementation of the asset allocation in the portfolio

## Comparison of the positioning before and after risk management

Asset allocation of the Fund (in %, physical)

Asset allocation of the Fund (in %, incl. hedging)



### Fixed income positioning

#### Credit Rating

AAA	68.6%
AA	31.4%
A	0%
BBB	0%
Mod. Duration Portfolio (in Years)*	0.64
Mod. Duration excl. Hedging (Years)*	1.35

# Invesco Sustainable Allocation Fund

## Return since inception (net of fees in EUR)

Past performance does not predict future returns.

Invesco Sustainable Allocation Fund A-shares EUR (indexed)



	YTD	1 year	3 years*	Since inception*
<b>Invesco Sustainable Allocation Fund (A-shares EUR, net)</b>	-13.54%	-10.10%	2.47%	0.75%
<b>Euribor 3 months</b>	-0.10%	-0.24%	-0.39%	-0.37%

Source: Invesco, Bloomberg. As of 30 September 2022. Inception: 12 December 2017. A Shares, net of fees. \*annualized. Returns may increase or decrease as a result of currency fluctuations. The benchmark index is shown for performance comparisons purposes only. The fund does not track the index. There is currently a discretionary cap on the ongoing charge of 1.20% in place. This discretionary cap may positively impact the performance of the Share Class.

# The case for the Invesco Sustainable Allocation Fund



Launched in 2017: Limited drawdown during Covid-crisis, positive return in 2020



ESG management and promotion are fundamental elements for the fund's strategy



Dynamic asset allocation and factor investing as key return drivers



Proven track record, Article 8 compliance and Febelfin Towards Sustainability label



# Invesco Sustainable Allocation Fund

## Fund facts

Febelfin Towards Sustainability certified



<b>Share classes and management fees</b>	A EUR: LU1701702372 (0.90%) C EUR: LU1701702612 (0.55%) Z EUR: LU1701704584 (0.45%)
<b>Fund manager</b>	Manuela von Ditfurth, Dr. Martin Kolrep, Frankfurt am Main
<b>Investment team</b>	Invesco Quantitative Strategies
<b>Legal status and domicile</b>	Luxembourg SICAV
<b>Launch date</b>	12 December 2017
<b>Fund volume</b>	EUR 55,9 mn

# Appendix

# ESG Implementation Equities: Transparency on exclusion criteria

	Controversial Activities	Excluded if
<b>Coal</b>	Turnover derived from thermal coal mining	>=5%
	Turnover derived from burning coal for power generation	>=5%
	Proportion in electricity generation fuel mix from coal	>=10%
<b>Unconventional oil &amp; gas</b>	Revenues that comes from projects or the extraction of tar sands and oil shale, as well as the proportion of reserves in tar sands or oil shale	0%
	Involvement in fracking activities	Yes
	Involvement in arctic drilling activities	Yes
<b>Fossil fuel industry</b>	Revenues are derived from fossil fuel industries	>=5%
<b>Nuclear power</b>	Turnover from nuclear power	>=5%
	Proportion in electricity generation fuel mix from nuclear power	>=5%
<b>Chemicals of concern</b>	Production of restricted chemicals	Yes
<b>Animal welfare</b>	Animal testing and extensive farming operations	
	Proportion of turnover (expressed as a threshold) that comes from the production of cosmetics tested on animals and/or from intensive farming operations	>=5%
<b>Genetically modified organisms (GMO)</b>	Production of GMOs for human consumption or industrial uses	
	No policy to avoid or to label food products containing GM ingredients in supply of food/beverages and supermarket catering	Yes

	Controversial Activities	Excluded if
<b>Civilian firearms</b>	Manufacture or sale of civilian firearms or related products	>=5%
	Manufacture of civilian firearms or related products	>=5%
<b>Military</b>	Sales that are related to military sales including key parts or services for conventional weapons	>= 5%
	Controversial weapons: cluster munition and/or anti-personnel landmines	0%
<b>Tobacco</b>	Turnover from production and distribution	>=10%
	Turnover from production	>=5%
<b>Adult entertainment</b>	Turnover from pornography and adult entertainment services or facilitating	>= 10%
	Turnover from pornography and adult entertainment services	>=5%
<b>Biodiversity</b>	Controversies in the field of endangering biodiversity	Yes
<b>Labour &amp; Human rights</b>	Controversies regarding human rights in the community in particular freedom of association & collective bargaining	
	Controversies in integrating social standards into supply chain	Yes
	Controversies with respect to child & forced labour	
<b>Community involvement</b>	Controversies with respect to discrimination and diversity	
	Controversies in the field of community involvement (including e.g. impact of operations on the local economy, responsible tax strategy, transfer of technology and skills)	Yes
<b>UN Global Compact</b>	Fail to pass the global compact screening	Yes
<b>Recreational cannabis</b>	Involvement in recreational cannabis	Yes



# Rolling 10 years performance (net) in EUR

Past performance does not predict future returns.

	30/09/2021	30/09/2020	30/09/2019	30/09/2018	30/09/2017	30/09/2016	30/09/2015	30/09/2014	30/09/2013	30/09/2012
	–	–	–	–	–	–	–	–	–	–
12 months rolling returns (%)	30/09/2022	30/09/2021	30/09/2020	30/09/2019	30/09/2018	30/09/2017	30/09/2016	30/09/2015	30/09/2014	30/09/2013
Invesco Sustainable Allocation Fund – Share Class A Accumulation	-10.10%	16.69%	2.58%	-4.29%	n/a	n/a	n/a	n/a	n/a	n/a
Euribor 3 Month Index (EUR)	-0.24%	-0.54%	-0.40%	-0.33%	n/a	n/a	n/a	n/a	n/a	n/a
Excess Return	-9.86%	17.23%	-2.97%	-3.95%	n/a	n/a	n/a	n/a	n/a	n/a

Return last five calendar years (%)	2021	2020	2019	2018	2017
Invesco Sustainable Allocation Fund – Share Class A Accumulation	15.17%	4.68%	7.80%	-7.18%	-0.63%
Euribor 3 Month Index (EUR)	-0.55%	-0.43%	-0.36%	-0.32%	-0.01%
Excess Return	15.72%	5.11%	8.16%	-6.86%	-0.62%

Source: Invesco. Data as of 30 September 2022. The figures do not reflect the entry charge payable by individual investors. Fund returns are inclusive of gross income re-invested and net of the ongoing charge and transaction costs. The performance data shown does not take account of the commissions and costs incurred on the issue and redemption of units. Returns may increase or decrease as a result of currency fluctuations. The benchmark index is shown for performance comparisons purposes only. The fund does not track the index. There is currently a discretionary cap on the ongoing charge of 1.20% in place. This discretionary cap may positively impact the performance of the Share Class.



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