

## Fund Update

July 2024

**This marketing communication is for professional investors and qualified clients/ sophisticated investors only. Investors should read the legal documents prior to investing.**



The Invesco Balanced-Risk Allocation Fund is managed by the Invesco Global Asset Allocation team. The team manages USD 18.14 b in assets across their investment strategies (as at 31 July 2024).

Fund facts	
Fund name	Invesco Balanced-Risk Allocation Fund
Management team	Invesco Global Asset Allocation team – Atlanta, GA (USA)
Inception date	1 September 2009
Domicile	Luxembourg
Legal structure	A sub-fund of Invesco Funds (Luxembourg SICAV)
Currency	EUR
Fund size	EUR 825.60 m
Share type	Accumulation - Z
Reference Index	50% Bloomberg Germany Govt. Over 10 Year Index (Total Return), 25% MSCI World Index EUR-Hedged (Net Total Return) & 25% S&P Goldman Sachs Commodity Index EUR-Hedged (Total Return) <sup>3</sup>
Entry charge	Up to 5.00%
Ongoing charges <sup>1</sup>	(Z) 0.90%
Minimum investment	(Z, Z-EUR) EUR 1,000
ISIN	(Z acc) LU0955861710
Bloomberg	(Z acc) INBAEUA LX

### 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. Debt instruments are exposed to credit risk which is the ability of the borrower to repay the interest and capital on the redemption date. 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. Investment in instruments providing exposure to commodities is generally considered to be high risk which 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.

### Fund objective

The fund aims to achieve a positive total return over a market cycle with a low to moderate correlation to traditional financial market indices. The fund seeks to achieve its objective via exposure primarily to equities, debt and commodities. For the full objectives and investment policy, please consult the current prospectus.

### Summary of manager approach

The overall volatility of the fund is managed with the intention of being consistent with a balanced portfolio of equity and debt securities. Over a full market cycle, however, this may not be achieved, and the fund can experience high volatility. The portfolio is built with a focus on economic diversification, balancing risk. The team classifies assets by macro factor (growth, defensive and real return) rather than asset class, resulting in a unique approach to portfolio construction.

### Market Background

In July, global markets continued to be driven by investor sentiment around the trajectory of monetary policy. Yields declined as disinflation and softening economic data out of the US reinforced expectations that major central banks would begin or continue cutting interest rates. With lowered yields and weakness in Big Tech, equity markets experienced a meaningful rotation toward interest rate sensitive asset classes most notably US small caps. Government bonds also benefited from the lower yield environment, but commodities, in aggregate, lost ground.

### Performance Analysis

The fund underperformed the reference benchmark for the month.

Strategic exposure to the growth macro factor contributed to results, with mixed performance across markets. There was a notable broadening of what had been an extremely narrow equity rally. Equities experienced a rotation to US small caps away from the mega-cap tech stocks that have been propelling the global equity market. Increased investor optimism that central banks will soon begin cutting interest rates boosted the rate-sensitive small-cap market, leading to its widest monthly outperformance of US large caps in 10 years (as measured by the Russell 2000 Index and S&P 500 Index) and outperformance of the tech-heavy Nasdaq-100 in over 20 years. UK equities also contributed to performance amid improving economic conditions in the region. The opposite was true for their European neighbors where equities declined as the latest European purchasing managers' index (PMI) print indicated that growth was slowing in the region. Emerging equities posted muted results as China's economy continues to be challenged by its real estate sector. Japanese equities detracted due to pressure from the strengthening yen and the pullback in the technology sector. Performance from exposure to defensive put options was flat as market performance was mixed.

Strategic exposure to the defensive macro factor was the top contributor to strategy performance at the macro factor level, with five of the six markets in which the strategy invests posting gains. Canadian government bonds were the top contributor as the Bank of Canada cut rates for the second time in a row at its July meeting. Both UK gilts and Australian government bonds contributed to performance despite sticky inflation, which challenges their central banks' ability to cut rates. German bunds also produced gains in July. After initiating a first rate cut in June, the European Central Bank (ECB) held rates steady in July as officials wait to see if inflation is in fact under control. In the US, Treasury yields fell following a soft June consumer price index (CPI) print and a weakening labor market reinforcing expectations for the Federal Reserve (Fed) to cut interest rates. In contrast to other regions, the Bank of Japan continued to normalize monetary policy by increasing its policy rate, leading Japanese government bonds to be the sole detractor from performance within the defensive macro factor. Exposure to defensive factor premia produced gains as factors outperformed their base indexes.

Strategic exposure to the real return macro factor detracted from results for the month. Precious metals were the only contributor at the sub-complex level due to gains in gold while silver declined given its semi-industrial applications. Gold closed the month at a record high as Fed Chairman Jay Powell stated that an interest rate cut was in the cards if inflation remains contained. Agriculture was the macro factor's largest detractor due to losses in cotton, sugar, soybeans, soymeal, wheat and corn. Within agriculture, soy exposures were collectively the largest detractor as soybeans traded to the lowest level since 2020 due to a strong dollar, tepid demand and good weather. Industrial metals also detracted led by losses in aluminum. Poor sentiment regarding Chinese economic growth and softer data out of the US hit aluminum hardest as China recently reached record levels of production as output was unrestrained by last year's restriction on hydro power that resulted from low rainfall. Energy exposure also declined, led by natural gas. The price of natural gas fell to three-month lows, marking its worst month since November 2023, which was also the last time the commodity experienced a monthly loss of more than 20%.

Tactical positioning detracted from results as losses from the underweight to bonds outweighed gains from underweights to agriculture and overweight to energy.

<sup>1</sup> Costs may increase or decrease as result of currency and exchange rate fluctuations. Consult the legal documents for further information on costs.

The ongoing charges figure is based on annualised expenses for the period ending August 2023. This figure may vary from year to year. It excludes portfolio transaction costs except in the case of an entry or exit charge paid by the fund when buying or selling shares/units in another fund. The investment concerns the acquisition of units in an actively managed fund and not in a given underlying asset.

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

Source: DataStream, Invesco Global Asset Allocation, as at 31 July 2024. The performance data shown does not take account of the commissions and costs incurred on the issue and redemption of units. <sup>2</sup> Standard deviation based on monthly returns and a 250 trading day year. As the Fund is actively managed, it is not intended that the performance of the Share Class will track the performance of "50% Bloomberg Germany Govt. Over 10 Year Index (Total Return), 25% MSCI World Index EUR-Hedged (Net Total Return) & 25% S&P Goldman Sachs Commodity Index EUR-Hedged (Total Return)" (the "Benchmark"). <sup>3</sup> Between 30.11.2015 and 01.10.2021, the performance of the Share Class was compared to another benchmark: 60% MSCI World (EUR-hedged) and 40% JP Morgan Global Government Bond Europe. Prior to 30.11.2015, the performance of the Share Class was compared to another benchmark: 60% MSCI World Index (Net Total Return) & 40% JP Morgan GBI Global Europe (Traded) Index (Total Return). The performance shown illustrates solely the current reference index and does not consider the previous reference index.

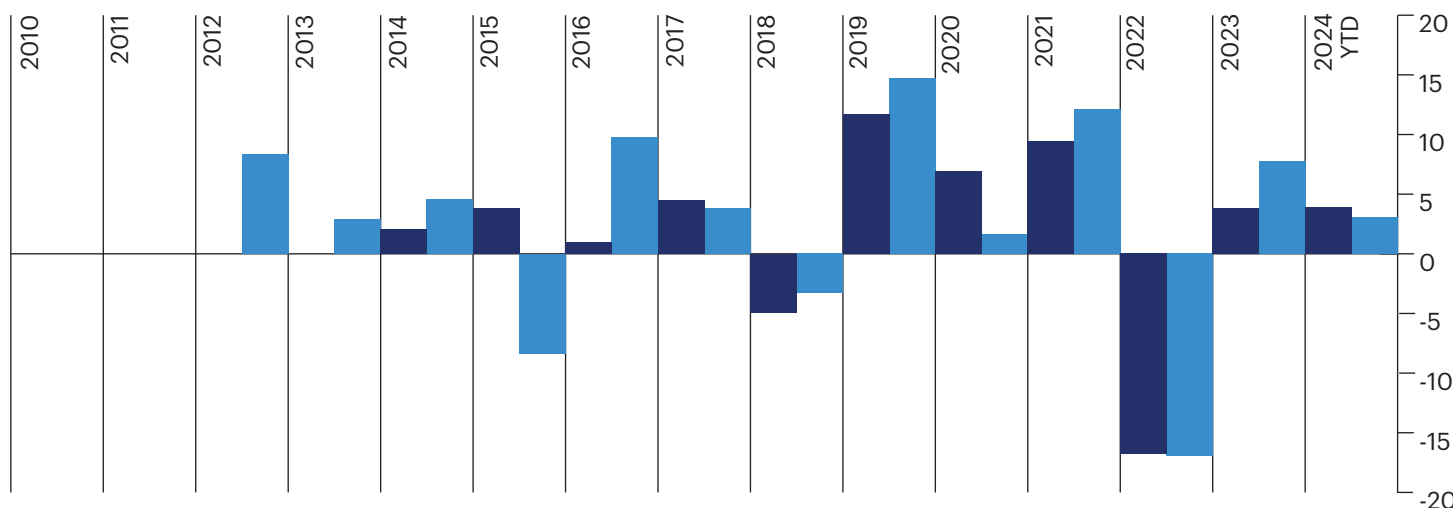
**Performance (Z shares, accumulation, in EUR, net of fees, inception date 1 September 2009)**

	1 month	3 months	YTQ	YTD	1 year	3 year (Ann.)	5 year (Ann.)	Since Inception (Cum.)	Since Inception (Ann.)	Max Drawdown SI	Std Dev SI <sup>2</sup>
Invesco Balanced-Risk Allocation Fund Z-Acc Shares	-0.37	0.83	3.93	3.55	4.11	-3.64	1.41	89.09	4.36	-19.12	7.52
50% Bloomberg Germany Govt. Over 10 Year Index (Total Return), 25% MSCI World Index EUR-Hedged (Net Total Return) & 25% S&P Goldman Sachs Commodity Index EUR-Hedged (Total Return) <sup>3</sup>	0.87	2.83	3.05	3.94	6.44	-1.83	1.33	81.39	4.07	-18.58	8.42

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

**Performance – calendar year (%)**

■ Invesco Balanced-Risk Allocation Fund Z Acc  
 ■ 50% Bloomberg Germany Govt. Over 10 Year Index (Total Return), 25% MSCI World Index EUR-Hedged (Net Total Return) & 25% S&P Goldman Sachs Commodity Index EUR-Hedged (Total Return)<sup>3</sup>



**The performance data shown does not take account of the commissions and costs incurred on the issue and redemption of units.**

<sup>3</sup> Between 30.11.2015 and 01.10.2021, the performance of the Share Class was compared to another benchmark: 60% MSCI World (EUR-hedged) and 40% JP Morgan Global Government Bond Europe. Prior to 30.11.2015, the performance of the Share Class was compared to another benchmark: 60% MSCI World Index (Net Total Return) & 40% JP Morgan GBI Global Europe (Traded) Index (Total Return). The performance shown illustrates solely the current reference index and does not consider the previous reference index. The benchmark index is shown for performance comparison purposes only. The Fund does not track the index.

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

**Rolling 12 - month returns (%)**

	31.07.14 31.07.15	31.07.15 31.07.16	31.07.16 31.07.17	31.07.17 31.07.18	31.07.18 31.07.19	31.07.19 31.07.20	31.07.20 31.07.21	31.07.21 31.07.22	31.07.22 31.07.23	31.07.23 31.07.24
Invesco Balanced-Risk Allocation Fund Z-Acc Shares	-0.46	5.96	3.20	3.52	1.46	-1.52	21.74	-8.06	-6.52	4.11
50% Bloomberg Germany Govt. Over 10 Year Index (Total Return), 25% MSCI World Index EUR-Hedged (Net Total Return) & 25% S&P Goldman Sachs Commodity Index EUR-Hedged (Total Return) <sup>3</sup>	-3.78	1.78	-1.78	9.39	6.28	-5.20	19.10	-1.55	-9.72	6.44

Source: Invesco Global Asset Allocation. Based on monthly gross returns beginning 1 October 2009 (first full month) of the Invesco Balanced-Risk Allocation Fund and shows the attribution to total return by asset class. The tactical attribution is the result of over-/under-weights of the various asset class exposures vs. the strategic allocation. The attribution/contribution figures are estimates and should be used for indicative purposes only. Data cleansing and retrospective information availability may cause changes. Between 01.10.2021 and 30.11.2023, the performance of the Share Class was compared to another benchmark: 50% FTSE German Government Bond 10 Years+ Index (Total Return), 25% MSCI World Index EUR-Hedged (Net Total Return) & 25% S&P Goldman Sachs Commodity Index EUR-Hedged (Total Return). Between 30.11.2015 and 01.10.2021, the performance of the Share Class was compared to another benchmark: 60% MSCI World (EUR-hedged) and 40% JP Morgan Global Government Bond Europe. Prior to 30.11.2015, the performance of the Share Class was compared to another benchmark: 60% MSCI World Index (Net Total Return) & 40% JP Morgan GBI Global Europe (Traded) Index (Total Return). The performance shown illustrates solely the current reference index and does not consider the previous reference index. The benchmark index is shown for performance comparison purposes only. The Fund does not track the index.

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Performance attribution (gross % as at 31 July 2024)				
	1 month	3 months	YTD	Since Inception (Ann.)
Growth asset exposure	0.56	1.24	2.37	2.19
Defensive asset exposure	0.82	1.66	-0.83	1.53
Real return exposure	-1.82	-2.22	-0.95	0.26
Tactical positioning	-0.17	-0.56	1.27	1.00
Cash	0.31	0.93	2.24	0.48
<b>Total gross performance</b>	<b>-0.30</b>	<b>1.05</b>	<b>4.09</b>	<b>5.46</b>

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 YTD
Invesco Balanced-Risk Allocation Fund Z-Acc Shares	-	-	-	-	2.08	3.81	0.95	4.49	-4.91	11.66	6.94	9.40	-16.79	3.84	3.93
50% Bloomberg Germany Govt. Over 10 Year Index (Total Return), 25% MSCI World Index EUR-Hedged (Net Total Return) & 25% S&P Goldman Sachs Commodity Index EUR-Hedged (Total Return) <sup>3</sup>	-	-	8.38	2.91	4.58	-8.35	9.75	3.80	-3.29	14.68	1.64	12.11	-16.96	7.78	3.05

Note: Fund returns: Net, Benchmark returns: Gross.

### Market outlook and positioning

Overall, markets continue to be driven primarily by investor expectations. Divergence has emerged as a key theme that came into sharper focus in July, with individual economies likely to see various growth and inflation experiences going forward. "Higher for longer" interest rates and the broadening of equity performance to small-cap and non-US markets have also become major themes that are likely to continue through the year. However, there is still the potential for near-term volatility due to policy uncertainty and geopolitical risks in a year with major elections. We continue to believe in the importance of broad diversification over the long term.

Total portfolio risk contribution relative to the strategic risk balanced allocation for August maintains an overweight to equities and reduced the underweight to bonds. The aggregate overweight to commodities moved to an underweight. Tactical overweights to all equity assets increased month-over-month. Within bonds, four of the six markets in which the strategy invests moved to overweight from underweight while underweights to Japan and US government bonds were reduced. Within commodities, the underweight to agriculture increased with overweights only to coffee and live cattle. The overweight to energy and the underweight to precious metals were reduced while industrial metals moved from overweight to underweight.

### Macro factor diversification framework

#### Real Return

- High correlation with unexpected inflation

#### Exposure

- Commodities
  - Agriculture
  - Energy
  - Industrial Metals
  - Precious Metals



#### Growth

- Positive beta to real economic growth

#### Exposure

- Public Market Equities
  - Developed
  - Emerging

#### Defensive

- Effective "shock absorber" during recessions and crises

#### Exposure

- Long-Term Government Bonds (FX hedged)
- Equity Index Options
- Equity Factors

Source: Invesco analysis. For illustrative purposes only. Asset allocation/diversification does not guarantee a profit or eliminate the risk of loss.

Risk allocations and weights (in %) by Macro Factor	Target marginal risk		Target risk contribution		Total notional weights by Asset Class (%)		
	July	August	July	August		July	August
Growth	3.64	3.96	44.75	43.58	Equities	43.36	48.37
Defensive	1.36	2.62	16.67	28.81	Options	19.70	20.03
Real Return	3.14	2.51	38.58	27.61	Bonds	48.05	66.55
<b>Total</b>	<b>8.14</b>	<b>9.09</b>	<b>100.00</b>	<b>100.00</b>	Commodities	31.52	30.60
					<b>Total</b>	<b>142.64</b>	<b>165.55</b>

As of date: 31 July 2024. Source: Invesco Global Asset Allocation. Target risk, risk contribution and notional asset weights represent positioning for the month ahead.  
**Growth** represents cap-weighted equity beta and long put options  
**Defensive** represents government bonds and equity factor premia  
**Real Return** represents commodities

Equities represent cap-weighted equity beta.

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