Invesco Pan European Equity Fund

Monthly Report August 2024 (covering July)

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Fund manager(s)

John Surplice
Fund Manager

James Rutland
Fund Manager

Martin Walker
Fund Manager

Investment Risks

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.

Summary of fund objective

The Fund is actively managed.The Fund aims to provide long-term capital growth by investing in a portfolio of equity or equity related instruments of European companies with an emphasis on larger companies. The investment concerns the acquisition of units in a fund and not in a given underlying asset.

Fund Performance

At a sector level, stock selection within health care and industrials proved most favourable, followed by energy and financials exposures. The only notable detractors were consumer staples and materials. Banking names Unicredit and Caixabank once again delivered strong performance having reported resilient Q2 results. Avoiding index heavyweight names ASML (which has traded meaningfully lower on the back of weakness in the sector) and Novo-Nordisk (softer as new weight-loss drugs from rival pharmaceutical companies began threatening their dominance in the space) was of relative benefit. Furthermore, the avoidance of LVMH was of benefit as the consumer discretionary name declined in July as China weakness proved a key drag in a poor set of results for the luxury goods maker. Finally, energy name Neste delivered double-digit gains (improving biofuels market) and industrial holding St Gobain was also strong (good margin delivery in H1). Conversely, STMicro shares declined after the chip-maker reduced its full-year outlook citing lower demand for chips used in cars, while Infineon shares were also lower on similar news. BE Semiconductor shares also slumped after the company reported a miss in guidance despite orders meeting expectations. Stellantis shares suffered a double-digit decline on the back of poor H1 sales, materials name UPM-Kymmene shares slid on a weak Q2 report and brewing firm Heineken fell on disappointing H1 results.

Fund Positioning

We remain well diversified across a broad range of sectors and continue to believe in the long-term market-wide themes such as decarbonisation, digitalisation and the improvement of the efficiency and security of supply. For cyclical exposure, we are selectively invested in areas where valuations still suggest a recessionary scenario and the opportunity ahead has been overlooked by the markets such as in chemicals, and areas of basic materials such as paper and packaging. Within technology, we believe the opportunity is particularly interesting in the analogue space and expect the semiconductor cycle here to turn in the second half of the year so have exposure selectively. Consumer discretionary is more difficult given valuations and also the risk of a weaker Chinese consumer but again we have selectively built positions in names where there is an idiosyncratic transition thesis, and the valuation looks attractive. We also have some selective exposure to autos which are cheap and returning significant capital to shareholders. We remain positive on the banks which are broadly exercising large buybacks but we are also now invested in those which we believe have good sustainability of earnings even in a world where interest rates normalise. To provide some defensive balance to the portfolio, we also have significant exposure to utilities where we again believe in the sustainability of earnings (despite the power price backdrop), pharmaceuticals (where there is the combination of returning capital and R&D), telecoms as well as food retail. The team's over-arching approach is one of a balanced portfolio where each individual holding has the potential for tangible, positive change and a supportive valuation.

Outlook

European equity markets have made good upward progress so far this year, despite the recent French politics induced volatility. However, this positive market performance has been driven by a highly concentrated basket of mega cap stocks, themselves spurred on by momentum. We believe that an improving macroeconomic backdrop and normalising interest rates will support a broadening out of the market performance which is also why we are optimistic for our fundamental stock-picking approach as we go into the second half of 2024 - investing in companies that are undergoing positive change that have been overlooked by the markets.
Looking at the current macroeconomic picture in more detail, PMI data is turning a corner, and we believe this will drive earnings. We see a pickup in real wage growth which is supportive of consumption and therefore another tailwind (when consumers spend, so corporates gain confidence and invest). Furthermore, inventory levels appear to have bottomed and so de-stocking has come to an end – another important change in the macroeconomic backdrop. With all of this, GDP estimates look well-supported if not potentially at risk to the upside. This is all at odds with the US economy where PMIs and GDP is slowing, and the consumer is squeezed. Relatively speaking, and for the first time in a long time, the economic gap between the US and Europe appears to be narrowing and it is this directional change that makes us believe that the valuation gap between the two is too wide. We believe that we are at the beginning of a new economic cycle in Europe and that suggests some very interesting opportunities for investors.

Fund Facts

Z-share ISIN	LU1625225310
Bloomberg	INVPEZA LX
Domicile	Luxembourg
AuM	1.36bn EUR
Launch Date	02 Jan 1991
Reference Index**	MSCI Europe Index (Net Total Return)
Fund Managers***	John Surplice, James Rutland and Martin Walker

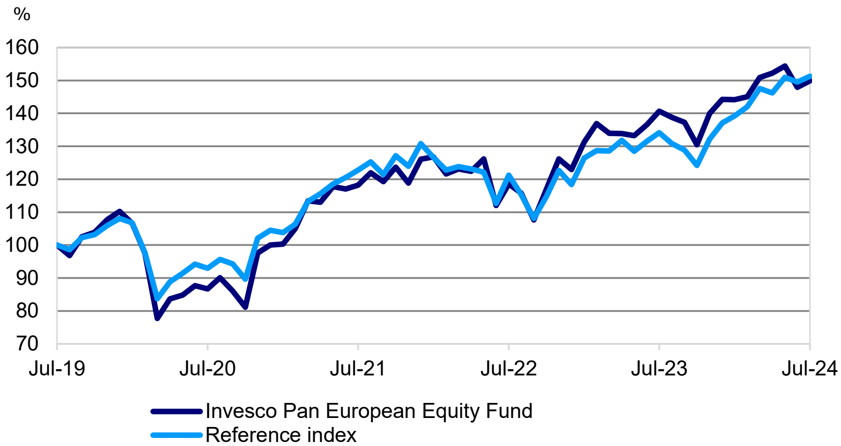
** The benchmark index is shown for performance comparison purposes only. The fund does not track the index.

*** John Surplice since July 2003, James Rutland since December 2023 and Martin Walker since July 2024

Past performance does not predict future returns.

Performance (EUR) [1]

5 Year Active Return



Cumulative	**YTD**	**YTQ**	**1M**	**1Y**	**3Y**	**5Y**
Fund (Z-shares)	3.90	2.53	1.34	6.59	26.78	49.90
Reference Index	10.33	9.05	1.17	12.77	23.18	51.27
Active return	-6.43	-6.52	0.17	-6.18	3.60	-1.37

Calendar Year	**2019**	**2020**	**2021**	**2022**	**2023**
Fund (Z-shares)	18.88	-9.26	26.04	-2.48	17.37
Reference Index	26.05	-3.32	25.13	-9.49	15.83

Rolling 12 Months	**31.07.14**	**31.07.15**	**31.07.16**	**31.07.17**	**31.07.18**
	31.07.15	**31.07.16**	**31.07.17**	**31.07.18**	**31.07.19**
Fund (Z-shares)	19.93	-20.65	21.31	6.28	-9.94
Reference Index	19.86	-11.38	13.54	6.44	1.61
Peer Group	18.29	-13.95	17.03	3.83	-4.88

	31.07.19	**31.07.20**	**31.07.21**	**31.07.22**	**31.07.23**
	31.07.20	**31.07.21**	**31.07.22**	**31.07.23**	**31.07.24**
Fund (Z-shares)	-13.33	36.42	0.26	18.63	6.59
Reference Index	-7.06	32.13	-1.26	10.63	12.77
Peer Group	-12.80	33.65	-3.12	12.46	11.69

Source fund/sector: Morningstar as of 31 July 2024

Source index: RIMES as at 31 July 2024, on a total return basis in EUR

Peer Group: Morningstar Category EAA Fund Europe Large-Cap Value Equity

Fund Characteristics

(Annualised Data)

	3Y	**5Y**
Alpha (statistical)	1.13	-1.25
Batting Average	58.33	58.33
Gain/Loss Ratio	1.56	1.52
Information Ratio	0.15	-0.03
Sharpe Ratio	0.43	0.39
Tracking Error	6.25	7.01

Awards & Gradings

Morningstar Rating 31.07.24

Any reference to a ranking, a rating or an award provides no guarantee for future performance results and is not constant over time.

[1]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. Returns may increase or decrease as a result of currency fluctuations.

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