Invesco Balanced-Risk Allocation Fund

Fund Update

November 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 18.76 b in assets across their investment strategies (as at 30 September 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 769.85 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)[3]
Entry charge	Up to 5.00%
Ongoing charges[1]	(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 so the portfolio has the potential to perform well in various economic environments. 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

The outcome of the US presidential election was the primary driver of performance in November with markets rebounding and continuing their trek higher after October's pullback. The US meaningfully outperformed other regions with US equities posting their best month of the year. Relative US performance was also driven by resilient economic data and a strengthening US dollar, which reached its highest level since 2022. Most major central banks continued to lower interest rates, supporting government bond prices. Gains were limited though, countered by concerns that Trump's proposed policies could be inflationary, potentially ending the monetary policy easing cycle. Commodities delivered a small gain with mixed results across the four primary sub-complexes, as energy and agriculture advanced while precious and industrial metals declined.

Performance Analysis

The fund underperformed the reference benchmark for the month.

Strategic exposure to the growth macro factor contributed to performance, with three of the six markets advancing. US equities were the top contributor with both the S&P 500 Index and Russell 2000 Index reaching new all-time highs during the month. US small caps soared, indicating a broadening of the market rally beyond the previously concentrated gains in a handful of US tech mega caps. UK equities rose, driven by strength in the financial sector, the largest sector in the index. However, European equities detracted from results due to concerns over US trade policy and weaker-than-expected economic data. Japanese equities also weighed on strategy performance, impacted by a tech-related sell-off at the beginning of the month and the strengthening yen in the export-heavy region. Emerging market equities were the top detractor within the growth macro factor, reflecting concerns over potential future trade conflicts and the strong US dollar continuing to pose a challenge. Exposure to defensive put options detracted from strategy performance and equity markets broadly rose during the month.

Strategic exposure to the defensive macro factor contributed to strategy performance, with Japanese government bonds the only detractor. German bunds were the top contributor as weak demand boosted investor optimism that the European Central Bank would cut interest rates further. UK gilts also added to performance, as elevated inflation led the Bank of England to cut rates again while simultaneously raising its inflation projection for 2025. In Australia, government bonds produced gains despite the Reserve Bank of Australia maintaining a hawkish stance with a strong labor market and core inflation still too high to consider a near-term interest rate cut. US Treasury bonds advanced following another rate cut by the Federal Reserve; however, softening inflation lowered investor expectations of future rate cuts. Despite a higher-than-expected inflation print in Canada, government bonds contributed to performance as inflation remained within the Bank of Canada's target range. In Japan, where the central bank recently initiated monetary policy tightening, higher-than-expected inflation increased the likelihood of another rate hike in December, further pushing the yen's appreciation against the dollar higher. Exposure to defensive factor premia contributed to performance as factors outperformed their base indexes.

Strategic exposure to the real return macro factor detracted from strategy performance. At the sub-complex level, energy was the only contributor due to the strong performance of natural gas as oil and refined products exposures declined while trading in a narrow range. Exposure to agriculture detracted from performance mostly due to exposure to sugar and the soy complex. Industrial metals were also a net detractor, led by copper, as market participants realized the impact of China's September stimulus package remains uncertain while the combination of Trump's tariff policy and a slowdown in energy transition efforts provided headwinds. Precious metals were the largest sub-complex detractor given the market's "risk-on" posture resulting from election relief and optimism due to a resilient US economy and a stronger dollar.

Tactical positioning detracted from performance with losses in stocks and bonds. At the asset class level, tactical positioning within bonds was the largest detractor due to a tactical overweight to Japan and underweights across the remaining five markets. Within equities, the tactical overweight to US small caps proved timely but gains were outweighed by losses from positioning in the remaining markets. Tactical positioning within commodities was additive to strategy performance due to underweights in agriculture and precious metals.

1 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 30 November 2024. The performance data shown does not take account of the commissions and costs incurred on the issue and redemption of units. [2] 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"). [3] 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[2]
Invesco Balanced-Risk Allocation Fund Z-Acc Shares	0.30	-0.59	7.25	4.70	7.27	-2.81	1.29	91.21	4.34	-19.12	7.49
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)[3]	3.62	3.36	5.08	7.46	11.44	-0.97	1.97	87.52	4.21	-18.58	8.38

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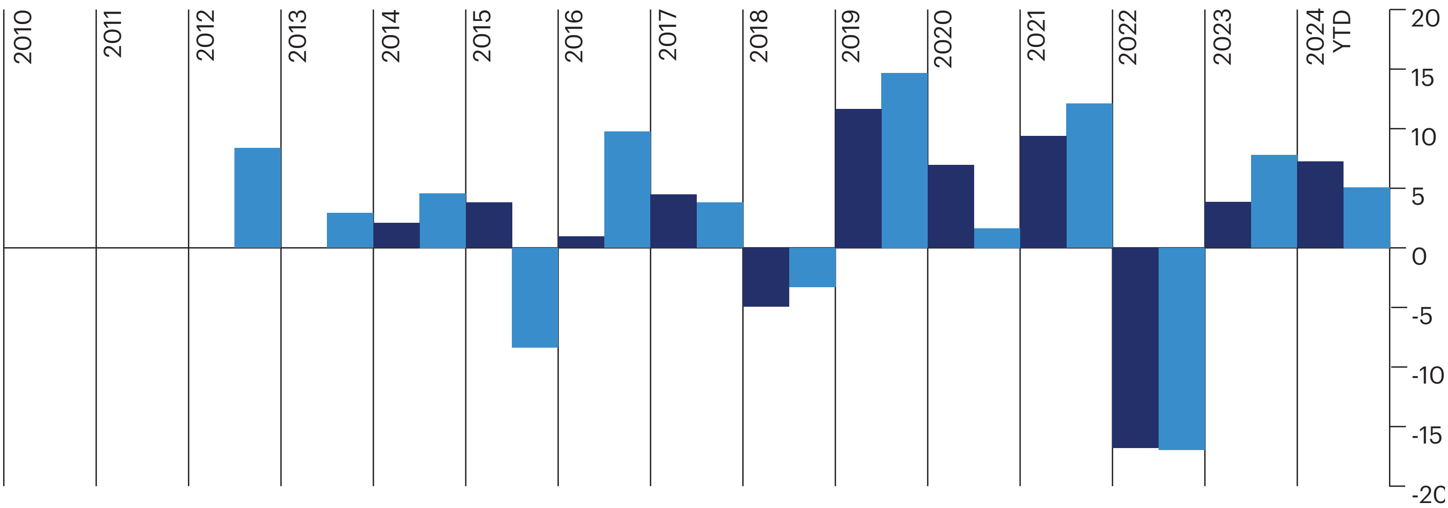
Performance – calendar year (%)

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)[3]



The performance data shown does not take account of the commissions and costs incurred on the issue and redemption of units.
[3] 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.
Performance figures are shown inclusive of reinvested income and net of ongoing charges and portfolio transaction costs.
Past performance does not predict future returns. Returns may increase or decrease as a result of currency fluctuations.

Rolling 12 - month returns (%)

	30.11.14 30.11.15	30.11.15 30.11.16	30.11.16 30.11.17	30.11.17 30.11.18	30.11.18 30.11.19	30.11.19 30.11.20	30.11.20 30.11.21	30.11.21 30.11.22	30.11.22 30.11.23	30.11.23 30.11.24
Invesco Balanced-Risk Allocation Fund Z-Acc Shares	-3.45	7.53	8.84	-5.95	8.98	4.45	11.04	-12.91	-1.71	7.27
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)[3]	-6.77	3.62	4.96	0.81	10.31	-0.13	13.64	-10.11	-3.05	11.44

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.

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

Performance attribution (gross % as at 30 November 2024)

	1 month	3 months	YTD	Since Inception (Ann.)
Growth asset exposure	0.36	0.25	2.69	2.16
Defensive asset exposure	0.81	-0.75	-0.47	1.52
Real return exposure	-0.66	0.16	-0.54	0.28
Tactical positioning	-0.38	-0.80	0.53	0.93
Cash	0.24	0.79	3.37	0.55
Total gross performance	**0.37**	**-0.36**	**5.57**	**5.43**

	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	7.25
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)[3]	-	-	8.38	2.91	4.58	-8.35	9.75	3.80	-3.29	14.68	1.64	12.11	-16.96	7.78	5.08

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

Market outlook and positioning

After a steep climb to restrictive interest rates to curtail rapidly rising prices, most central banks all but declared victory over inflation this year. However, many of the world's major economies have been showing signs of slowing. Pockets of weakness, such as a slipping eurozone purchasing managers' index, rising unemployment rates and faltering consumer confidence, have pushed central banks to cut interest rates in the latter half of the year. Looking ahead, the key question remains whether central banks can steer the world's major economies toward moderate growth while keeping inflation in check. New and old challenges, including geopolitical tensions and a new administration in the US, introduce uncertainties in the path ahead. Therefore, we continue to believe in the importance of broad diversification given the uncertainty in today's investing landscape.

Positioning for December remains largely unchanged from November. The portfolio's equity allocation remains at the maximum allowable risk contribution level of 50%. Risk contribution from bonds, which had been nearing the minimum limit, remains underweight but the magnitude of the underweight has decreased slightly. The underweight to commodities, which was nearing neutral in November, increased slightly. The strategy rebalances each month by over- or underweighting assets versus the strategic allocation, which balances risk across stocks, bonds and commodities. Total portfolio risk increased from November.

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	
	November	December	November	December
Growth	3.83	4.33	49.45	50.00
Defensive	1.45	2.05	18.74	23.67
Real Return	2.46	2.28	31.81	26.33
Total	**7.75**	**8.66**	**100.00**	**100.00**

As of date: 30 November 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

Total notional weights by Asset Class (%)	November	December
Equities	45.07	50.39
Options	19.66	29.64
Bonds	47.24	57.86
Commodities	28.84	28.30
Total	**140.82**	**166.19**

Equities represent cap-weighted equity beta.

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