Invesco

Invesco Balanced-Risk Allocation Fund

Fund Update

May 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 18.03 b in assets across their investment strategies (as at 31 March 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 1,089.14 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. 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 risk rally continued in May after a brief pullback in April as investors grew increasingly optimistic that central banks would begin cutting rates in June. US economic growth continued to outperform global peers, but signs that economies outside the US were catching up boosted international equities. Government bonds rose on investor anticipation of rate cuts this summer, although mixed macro data releases across regions hinted at a divergence in timing among central banks. Commodities advanced for the third consecutive month, reaching 15-month highs on gains in three of the four subcomplexes.

Performance Analysis

The fund outperformed the reference benchmark for the month.

Strategic exposure to the growth macro factor contributed to results, with five of the six markets posting gains while Japanese equities were flat. US equities (both large and small cap) led results, fueled by strong earnings and continued enthusiasm around artificial intelligence (AI). Emerging market equities pulled through with gains despite a late-month sell-off in Chinese equities triggered by wavering confidence in the government's policy-induced rally. Europe and UK equities posted gains as market participants reacted to economic growth data indicating that both regions had emerged from a technical recession in the first quarter of the year. European equities also benefited from investor optimism that the European Central Bank (ECB) may be one of the first major central banks to cut rates. In Japan, equity performance was muted as the Japanese economy showed signs of slowing while the yen remained under downward pressure. Exposure to defensive put options detracted from performance as markets rose.

Strategic exposure to the defensive macro factor was a slight detractor from results for the month. Economic data releases across regions were mixed, causing a divergence in investor expectations about central bank policy. US Treasurys were the top contributor, rallying on comments from Federal Reserve (Fed) Chairman Jerome Powell that although inflation appears to be sticky, future rate hikes were unlikely. Canadian bonds also posted gains as inflation inched closer to its 2% target and weak growth made a rate cut in June more likely. In the UK, the likelihood of a June rate cut became less likely as inflation eased but was still higher than expected. However, UK gilts still edged out minor gains. Performance from Australian government bonds was flat as the Reserve Bank of Australia held rates steady following inflation data that was slightly higher than expected. In Europe, inflation accelerated for the first time this year, leading to a decline in German bunds. In contrast to their Western peers, Japanese government bonds were the top detractor as declining growth and a weaker yen increased the likelihood of a rate hike. Exposure to defensive factor premia slightly detracted from results and ultimately offset the positive gains from bonds as our factor exposure underperformed their base indexes.

Strategic exposure to the real return macro factor weighed on results due to losses from energy. Precious metals were the largest contributor, with silver reaching 11-year highs and handily outpacing gold. A positive contribution from agriculture was due to gains in wheat, soybeans, soymeal and soybean oil. Industrial metals provided a small gain as prices rallied furiously and then corrected sharply in the last week of the month. Copper grabbed headlines as its price reached a record high in May when the metal experienced some AI-induced price mania due to numerous reports about the large amount of electrical infrastructure that will be required to support data centers. Energy was the only detractor at the sub-complex level due to declines in refined products and oil exposures.

Tactical positioning detracted from results due to the aggregate underweight to bonds and positioning within commodities. The tactical overweight to equities produced a small gain.

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 31 May 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	0.08	2.07	3.93	2.78	7.24	-3.08	1.82	87.69	4.36	-19.12	7.56
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]	0.05	0.37	3.63	1.14	8.60	-0.96	1.79	76.48	3.93	-18.58	8.46

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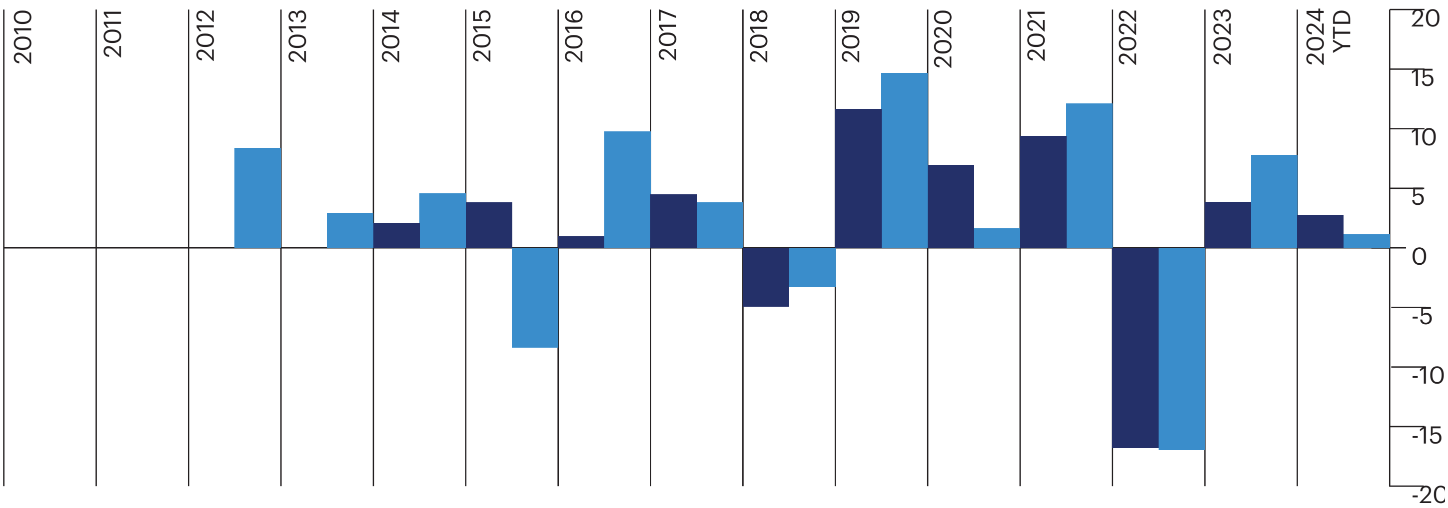
Performance – calendar year (%)

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]



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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 (%)

	31.05.14 31.05.15	31.05.15 31.05.16	31.05.16 31.05.17	31.05.17 31.05.18	31.05.18 31.05.19	31.05.19 31.05.20	31.05.20 31.05.21	31.05.21 31.05.22	31.05.22 31.05.23	31.05.23 31.05.24
Invesco Balanced-Risk Allocation Fund Z-Acc Shares	4.07	-1.33	8.11	5.25	-3.56	-3.28	24.28	-3.07	-12.40	7.24
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]	1.83	-5.03	0.62	9.26	0.82	-4.69	18.03	3.60	-13.66	8.60

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 May 2024)

	1 month	3 months	YTD	Since Inception (Ann.)
Growth asset exposure	0.36	1.34	1.10	2.14
Defensive asset exposure	-0.02	-2.11	-2.51	1.44
Real return exposure	-0.09	1.10	1.29	0.42
Tactical positioning	-0.42	1.09	1.82	1.06
Cash	0.32	0.95	1.29	0.43
Total gross performance	**0.15**	**2.37**	**3.00**	**5.48**

	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	2.78
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	1.14

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

Market outlook and positioning

All eyes are on central banks as we move into June with investors anticipating interest rate cuts to begin this month. However, there is increasing divergence in the timing of rate cuts across central banks. As of writing, both the Bank of Canada and the ECB have already cut rates with the US Fed, Bank of Japan, Reserve Bank of Australia and Bank of England convening in the coming weeks. While global central banks appear to largely be headed to the same destination, the uncertainty around timing along with upcoming elections in several regions may cause volatility in the short term.

Relative to the strategic allocation, which balances risk equally across asset classes, risk contribution from tactical positioning for June maintains an overweight to equities and commodities and underweight to bonds, which remains at the lowest allowable limit (16.67%). Within equities, tactical overweights to all assets increased from the previous month with US large and small caps moving from underweight to overweight. All bond exposures remain tactically underweight, with increased underweights to all markets except Canadian and UK government bonds, which saw decreased underweights. Within commodities, underweights to agriculture and precious metals and the overweight to energy was reduced while the overweight to industrial metals slightly increased.

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	
	May	June	May	June
Growth	3.22	3.39	41.93	43.09
Defensive	1.28	1.31	16.67	16.68
Real Return	3.18	3.16	41.40	40.23
Total	**7.69**	**7.86**	**100.00**	**100.00**

As of date: 31 May 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 (%)	May	June
Equities	38.79	40.34
Options	18.80	19.15
Bonds	45.80	46.61
Commodities	31.76	32.26
Total	**135.15**	**138.36**

Equities represent cap-weighted equity beta.

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