Invesco

Invesco Balanced-Risk Allocation Fund

Fund Update

March 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 1,163.80 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

Monetary policy was the main driver of market behavior in March as investors continued to reassess the timing and magnitude of central bank rate cuts. Stronger-than-expected growth combined with mixed inflation data dampened expectations of imminent policy easing while raising the prospect that longer-term rates would remain elevated. The risk rally continued with equities outperforming bonds. Dovish forward guidance from Federal Reserve (Fed) Chairman Jay Powell also boosted commodities, with the Bloomberg Commodity Index marking its best monthly return since July 2023.

Performance Analysis

The fund outperformed the reference benchmark for the month.

Strategic exposure to the growth macro factor contributed to results, with gains in all markets in which the fund invests. US equities charged ahead with the S&P 500 Index reaching a record high in the month as investors reacted favorably to stronger growth forecasts paired with more gradual interest rate reductions expected from the Fed later this year. Heightened expectations of a soft landing for the US economy led to a rotation out of last year's leaders, with energy, materials and industrials leading the way while technology fell to the bottom of the pack. US small caps, which have greater exposure to domestic economic conditions compared to large caps, outperformed their large-cap counterparts because they benefited from the resilience of the US economy. UK equities advanced, with recent data suggesting that despite having gone into a mild technical recession at the end of 2023, economic conditions have begun to stabilize. Chinese equities continued to stay afloat on the back of supportive stock market policy, which boosted emerging market equities. European equities posted gains for the month as investors reacted to dovish tones from major central banks. The Swiss National Bank initiated a surprise rate cut during the month, which increased investor expectations that the European Central Bank (ECB) will follow suit. Japanese equities reached a new all-time high (as measured by the Nikkei 225 Index), surpassing its previous record set in 1989. The weakness of the yen boosted exporting, which benefited equities. Exposure to defensive put options detracted from results as equity markets rose.

Strategic exposure to the defensive macro factor contributed to results, led by UK gilts. Despite a welcome dip in inflation, the Bank of England kept rates on hold as UK inflation has been stickier than in other developed economies. Australian government bonds rose as the Reserve Bank of Australia held rates steady while shifting from a hawkish to a neutral tone, signaling they may be done with their tightening cycle. German bunds produced gains as the ECB seemingly remains on track to cut rates in June and is expected to take a cautious approach to easing policy. US Treasurys contributed to results despite the Fed holding rates steady for the fifth consecutive meeting amid hotter-than-expected Consumer Price Index readings and resilient economic growth. Canadian government bonds produced small gains as yields fell slightly amid lower-than-expected inflation data, which increased chances that the Bank of Canada would cut rates in the near term. Japanese government bonds produced flat results after the Bank of Japan announced the end of its formal yield curve control policy and raised rates for the first time in 17 years. Governor Ueda's dovish comments and lack of guidance on future rate hikes sent Japanese government bond yields lower and further weakened the yen. Exposure to defensive factor premia provided a small contribution to performance as factors performed in line with their base indexes.

Strategic exposure to the real return macro factor contributed to results for the month with positive returns from all four sub-complexes. Precious metals were the fund's largest contributor as silver outperformed gold. Gold provided a larger contribution than silver due to its higher weight as the metal recorded multiple all-time highs during the month due to Powell's dovishness and in spite of stronger-than-expected US inflation data that could potentially delay the beginning of the US rate cut cycle. Industrial metals traded higher, after declining in January and February, as copper rose on the news that 19 Chinese smelters were forced to cut production due to the multi-year malaise in prices and rising processing costs. Gasoline was the leading contributor to strategic energy exposure as it was supported by higher oil prices, rising consumption and Ukrainian attacks on Russian refineries that have disrupted as much as 600,000 barrels of daily production. Oil was the top performer across our full commodity universe for the month of March as both Brent and West Texas Intermediate crude prices have now increased 20% off their December lows. Agriculture also delivered gains with the largest contributions coming from soybean oil, soybeans, soymeal and sugar. While the soy complex was favorably impacted by poor weather in Argentina, sugar rallied as production is expected to fall in India, the world's second-largest producer.

Tactical positioning slightly contributed to results with gains from overweights to equities outweighing losses from positioning within bonds and commodities.

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 March 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.

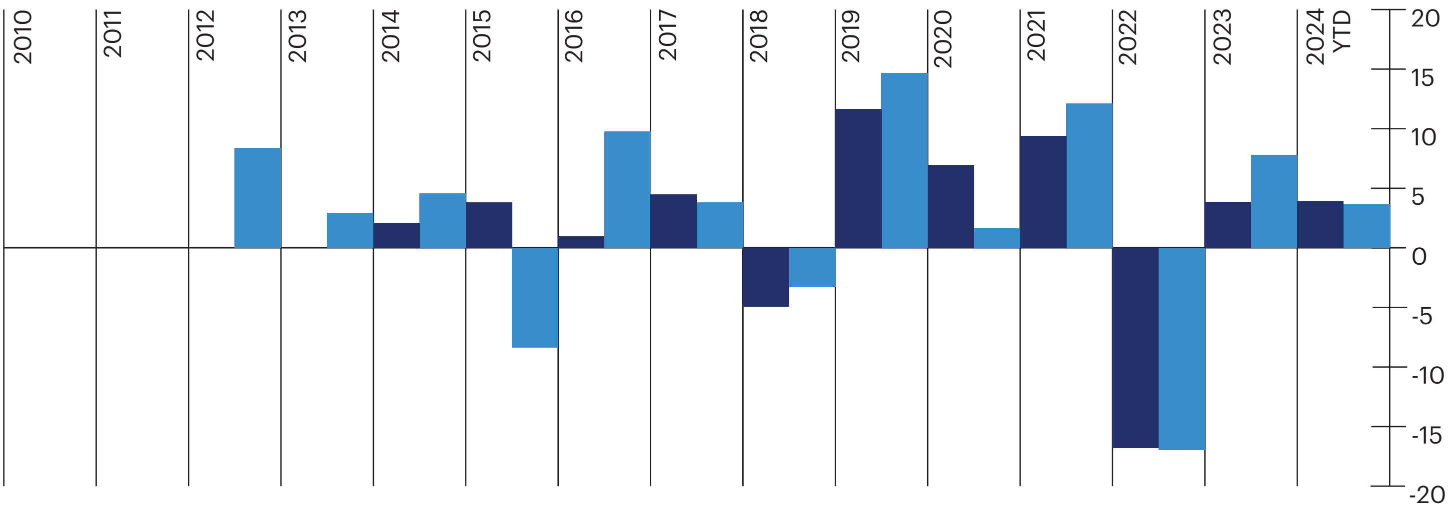
Performance (Z shares, accumulation, in EUR, net of fees, inception date 1 September 2009)

	1 month	3 months	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	3.22	3.93	3.93	6.56	-0.92	1.80	89.80	4.49	-19.12	7.59
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]	2.84	3.63	3.63	9.32	0.80	2.09	78.82	4.07	-18.58	8.48

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

Rolling 12 - month returns (%)

	31.03.14 31.03.15	31.03.15 31.03.16	31.03.16 31.03.17	31.03.17 31.03.18	31.03.18 31.03.19	31.03.19 31.03.20	31.03.20 31.03.21	31.03.21 31.03.22	31.03.22 31.03.23	31.03.23 31.03.24
Invesco Balanced-Risk Allocation Fund Z-Acc Shares	8.85	-5.66	10.59	3.56	0.90	-8.84	23.31	7.36	-14.99	6.56
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]	5.29	-9.16	4.87	5.03	5.42	-10.57	21.10	12.30	-16.58	9.32

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 31 March 2024)	1 month	3 months	YTD	Since Inception (Ann.)
Growth asset exposure	1.11	1.87	1.87	2.21
Defensive asset exposure	0.67	-0.91	-0.91	1.56
Real return exposure	1.13	0.63	0.63	0.37
Tactical positioning	0.06	1.60	1.60	1.05
Cash	0.33	0.97	0.97	0.41
Total gross performance	**3.29**	**4.16**	**4.16**	**5.59**

	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)[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	3.63

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

Market outlook and positioning

As we move into the second quarter, all eyes are on central banks as monetary policy continues to have an outsized impact on markets. Developed economies are proving to be more resilient than expected while disinflationary progress continues, albeit imperfectly. The Swiss National Bank is the first developed market central bank to cut rates, and investors are eager to see whether they're the anomaly or the trendsetter and the implications on markets this year. In 2022, the World Bank warned that "central banks around the world have been raising interest rates this year with a degree of synchronicity not seen over the past five decades," which was a period when dramatic rate hikes created an annus horribilis for many asset classes. Some investors expect that gentle rate cuts by a number of central banks could create a mildly supportive environment for risk assets while others believe that such cuts are already priced into stock and bond markets. No matter which course central banks take, it's important to be prepared for any outcome and maintain a well-diversified portfolio.

Tactical positioning for April moved to an aggregate underweight position. The overweight to equities decreased with only UK equities experiencing an increased overweight. The underweight to bonds strengthened with increased underweights to Canadian, German and US government bonds. Japanese government bonds remain overweight but declined from the prior month. The fund decreased its aggregate underweight to commodities with decreased underweights to agriculture and the metals while the overweight to energy weakened.

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	
	March	April	March	April
Growth	3.83	3.69	45.10	46.11
Defensive	1.87	1.34	22.02	16.67
Real Return	2.80	2.98	32.88	37.22
Total	**8.50**	**8.01**	**100.00**	**100.00**

As of date: 31 March 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 (%)	March	April
Equities	43.99	42.54
Options	18.88	19.22
Bonds	58.82	48.88
Commodities	28.75	29.33
Total	**150.44**	**139.98**

Equities represent cap-weighted equity beta.

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