

Fund performance analysis (periods to 31 January 2022)

Net performance

| Periods | Fund % | Benchmark % | Value added % |
|------------------------|--------|-------------|---------------|
| 1 month | -1.63 | 0.01 | -1.64 |
| 3 months | 0.29 | 0.01 | 0.28 |
| 6 months | -0.61 | 0.02 | -0.63 |
| 1 year | -1.50 | 0.03 | -1.53 |
| 2 years p.a. | -2.17 | 0.16 | -2.33 |
| 3 years p.a. | 0.39 | 0.57 | -0.18 |
| 5 years p.a. | 0.36 | 1.08 | -0.72 |
| Calendar year to date | -1.63 | 0.01 | -1.64 |
| Financial year to date | -0.90 | 0.02 | -0.92 |
| Since inception p.a. | 1.14 | 1.37 | -0.23 |

Fund Managers

Richard Batty
Fund Manager

Gwylim Satchell
Fund Manager

Sebastian Mackay
Fund Manager

Georgina Taylor
Fund Manager

The Fund returns are shown after ongoing fees and assumes reinvestment of income. Past returns are not a reliable indicator of future returns. Future returns may be affected by a range of factors including economic and market influences.

Underlying Luxembourg Strategy performance analysis in EUR (periods to 31 January 2022)

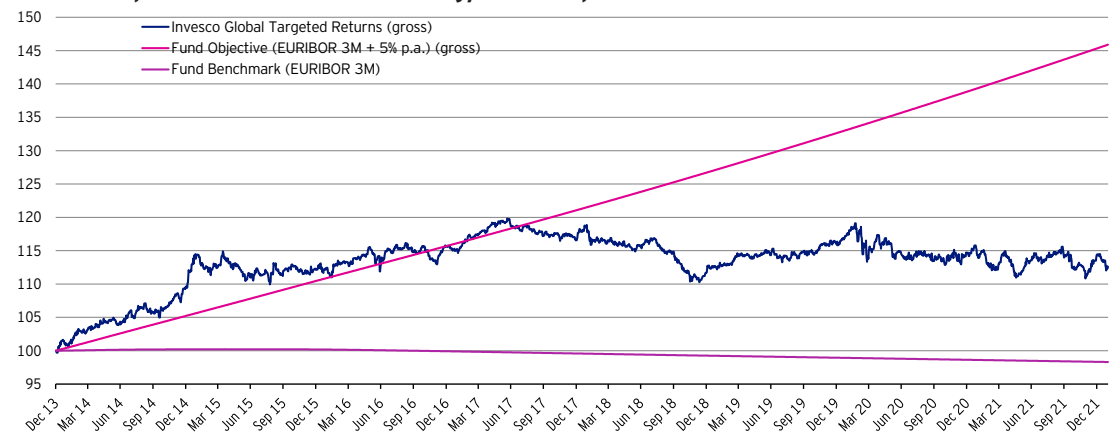
In the table below we show the performance history (gross of fees) of the underlying Invesco Global Targeted Returns Strategy.

Gross performance

| Periods | Strategy % | Benchmark % | Value added % |
|------------------------|------------|-------------|---------------|
| 1 month | -1.60 | -0.05 | -1.55 |
| 3 months | 0.38 | -0.14 | 0.52 |
| 6 months | -0.58 | -0.28 | -0.30 |
| 1 year | -1.49 | -0.55 | -0.94 |
| 2 years p.a. | -2.17 | -0.49 | -1.68 |
| 3 years p.a. | 0.06 | -0.45 | 0.51 |
| 5 years p.a. | -0.42 | -0.40 | -0.02 |
| Calendar year to date | -1.60 | -0.05 | -1.55 |
| Financial year to date | -0.83 | -0.33 | -0.50 |
| Since inception p.a. | 1.58 | -0.26 | 1.84 |

Returns can go up and down. Past returns are not a reliable indicator of future returns. Future returns may be affected by a range of factors including economic and market influences.

Cumulative performance of the GTR Strategy since inception¹ in EUR



Fund facts at a glance

Asset class

Liquid alternatives, multi asset.

Management style

A fundamental, unconstrained, high conviction approach focused on leveraging a diversified, value-adding set of investment ideas into a single risk-managed portfolio.

Objective²

To achieve a positive total return in all market conditions, targeting a gross return of cash +5% p.a. with less than half the volatility of global equities over rolling three-year periods.

Benchmark

Bloomberg AusBond Bank Bill Index³ (Australian pooled Fund)
Euribor 3M (underlying Luxembourg strategy)

Investment team location

Henley-on-Thames, UK

Investor time horizon

3-5 years

Distribution frequency

Annually - as at 30 June

Inception date

28/2/15

Minimum investment

A\$20,000

MER/ICR

0.95%

Buy/Sell Spread

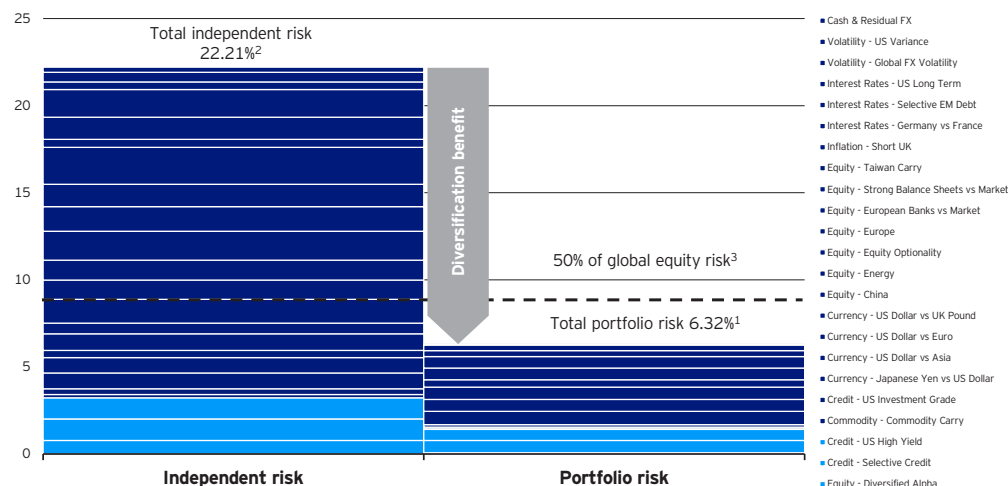
0.30%/0.30%

APIR code

GTU0109AU

Fund analysis (as at 31 January 2022)

The diagram below illustrates how portfolio risk is reduced by combining a diversified array of individual investment ideas within a single, risk managed portfolio.

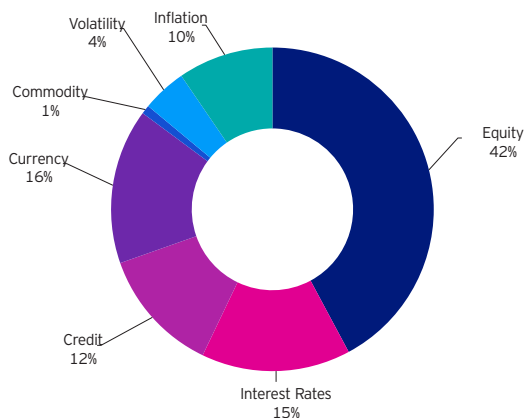


Source: Invesco as at 31 January 2022. For illustrative purposes only.

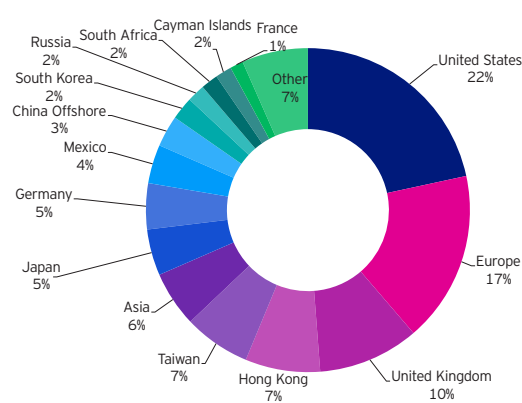
1. Portfolio risk – the expected volatility of the fund as measured by the standard deviation of the current portfolio of ideas over the last three and a half years.
2. Independent risk – the expected volatility of an individual idea as measured by its standard deviation over the last three and a half years.
3. Global equity risk – the expected volatility of the MSCI World index as measured by its standard deviation over the last three and a half years, 17.45% as at 31 January 2022.

Portfolio statistics (as at 31 January 2022)

Contribution to total independent risk by asset (%)



Contribution to total independent risk by country (%)



Assets under management

In the table below, Australian sourced GTR AUM represents total investment by Australian clients into all GTR funds. The Strategy AUM includes the Global Targeted Returns/Income/Plus Fund and other similar GTR Funds.

| | A\$m |
|-----------------------------|----------|
| Fund AUM: | 588.65 |
| Australian Sourced GTR AUM: | 1,468.46 |
| Strategy AUM: | 8,894.96 |

Monthly commentary

Market review

Global equities fell sharply amidst a backdrop of rising inflation, hawkish sentiment from central banks and increasing geopolitical risks stemming from the escalating Russia-Ukraine situation. From a style and sector perspective, Growth stocks (e.g., consumer discretionary, information technology) underperformed the most against a backdrop of rising bond yields. On the flip side, cyclical and so-called Value sectors (e.g., energy, financials) fared best. From a geographical perspective, the regions dominated by the aforementioned areas performed best, e.g., Europe, Brazil, South Africa.

Bond markets started the year on a weak footing as investors braced themselves for a more aggressive pace of interest rate hikes in 2022. With inflation rates surging to multi-year highs in Europe and the US, negative sentiment was driven by the tightening message from the US Federal Reserve. Against this backdrop, the yield on 10-year treasuries increased from 1.51% to 1.78%. Gilt yields rose with the 10-year note moving from 0.97% to 1.30%. For the first time since 2019, 10-year bunds moved into positive territory, closing at 0.01% after starting the month at -0.18%. Given their sensitivity to movements in government bond yields, investment-grade bonds also lost ground with higher quality credit nursing the biggest losses. A similar outcome unfolded in the high yield market with bonds denominated in sterling, euros and dollars all registering negative returns.

Elsewhere, oil prices soared in January, with the price per barrel soaring past USD \$90 for the first time since 2014. In currency markets, the US dollar outperformed against all other G10 currencies, with the DXY index rising 0.9% over the month following Jerome Powell's comments around monetary policy tightening.

Contributors to performance

Amid rising bond yields, markets with a higher tilt to the 'Value' factor performed well relative to the broader global equity market. Our 'Equity - European Energy vs Market' and 'Equity - Energy' ideas delivered the strongest upside at portfolio level against this backdrop. The fund also benefitted from the 'Equity - Diversified Alpha' idea as the more value-oriented building blocks within the idea proved to be resilient in this environment. In addition, the idea benefitted from its embedded short future positions which provided an effective hedge as the broader equity market struggled for direction. Albeit to a lesser degree, 'Equity - Equity Optionality' also delivered a positive outcome over the month. On the currency front, our long exposure to the Japanese yen vs the Euro was additive to overall performance as the combination of risk-off market sentiment combined with rumors that the Bank of Japan is debating how to begin their messaging of an eventual interest rate hike supported the Yen.

At the other end, the 'Inflation - Short UK' idea registered a negative month, being adversely impacted by rising commodity prices as Omicron-related demand fears eased and expectations of potentially tighter supply due to geopolitical risks rose. Directional risk on ideas within equities and credit struggled for direction in January given the negative market price action. Our long exposure to 'Equity - US', 'Equity - China' 'Credit - US High Yield' delivered negative returns as a result. 'Interest Rates - Selective EM Debt' also detracted over the period, with our exposure to Russian government bonds driving the bulk of the losses given growing geopolitical risks in eastern Europe.

Summary of investment ideas

There was one new idea added to the strategy, 'Currency - Japanese Yen vs US Dollar'. Interest rate hikes are priced into the US but very little is expected for Japan. There is an argument that the Fed may need to review the pace of tightening beyond this year which could weigh on the US dollar. On the contrary, the Yen could benefit from a marginal shift in tone from the Bank of Japan which could become increasingly likely as inflation and economic activity continue to surprise to the upside. Equity flows are also another reason that could support the Yen. If higher interest rates weigh on more growth oriented equity markets such as the US, more cyclical areas such as Japanese equities may benefit from foreign investor flows. Those purchases tend not to be hedged and could therefore offer some support for the currency. Valuations based on a number of metrics also continue to remain supportive of the Japanese yen.

Two ideas were removed over the month: 'Currency - Japanese Yen vs Europe' and 'Currency - Mexican Peso vs Brazilian Real'.



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Important Information

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- ¹ The underlying, Luxembourg-based Global Targeted Returns Strategy composite commenced on 31 December 2013.
- ² Invesco does not guarantee that the Fund will achieve its objective.
- ³ The Fund is managed on a benchmark-unaware basis.