

Invesco Wholesale Global Targeted Returns Fund – Class A

Monthly Factsheet

30 September 2022

Fund Managers
Richard Batty Fund Manager
Gwylim Satchell Fund Manager
Sebastian Mackay Fund Manager
Georgina Taylor Fund Manager
Fund facts at a glance
Asset class Liquid alternatives, multi asset
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
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
Benchmark Bloomberg AusBond Bank Bill Index ³ (Australian pooled Fund) Euribor 3M (underlying Luxembourg strategy)
Risk profile High
Time horizon 3-5 years
Distribution frequency Annually, as at 30 June
Inception date 28/2/15
Minimum investment \$20,000
MER/ICR 0.55%
Buy/Sell Spread 0.30%/0.30%
APIR code GTU0109AU
Performance fee (p.a.)⁴ 10% above hurdle ⁵

Fund performance analysis (periods to 30 September 2022)

Net performance			
Periods	Fund %	Benchmark %	Value added %
1 month	1.51	0.15	1.36
3 months	3.35	0.42	2.93
6 months	-0.10	0.49	-0.59
1 year	-4.40	0.52	-4.92
2 years p.a.	-2.04	0.28	-2.32
3 years p.a.	-1.65	0.38	-2.03
5 years p.a.	-0.87	0.95	-1.82
Calendar year to date	-4.76	0.51	-5.27
Financial year to date	3.35	0.42	2.93
Since inception p.a.	0.61	1.32	-0.71

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.

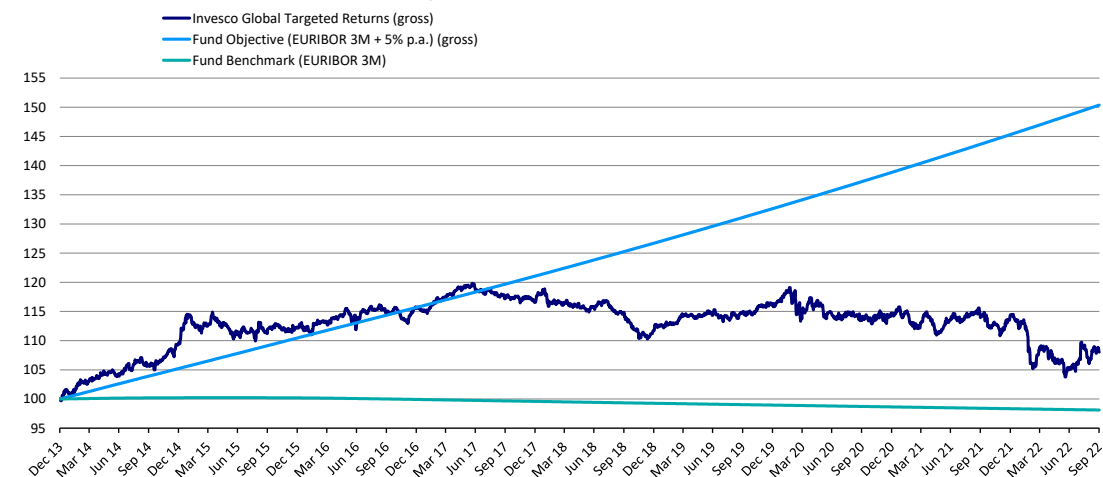
Underlying Luxembourg Strategy performance analysis in EUR (periods to 30 September 2022)

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

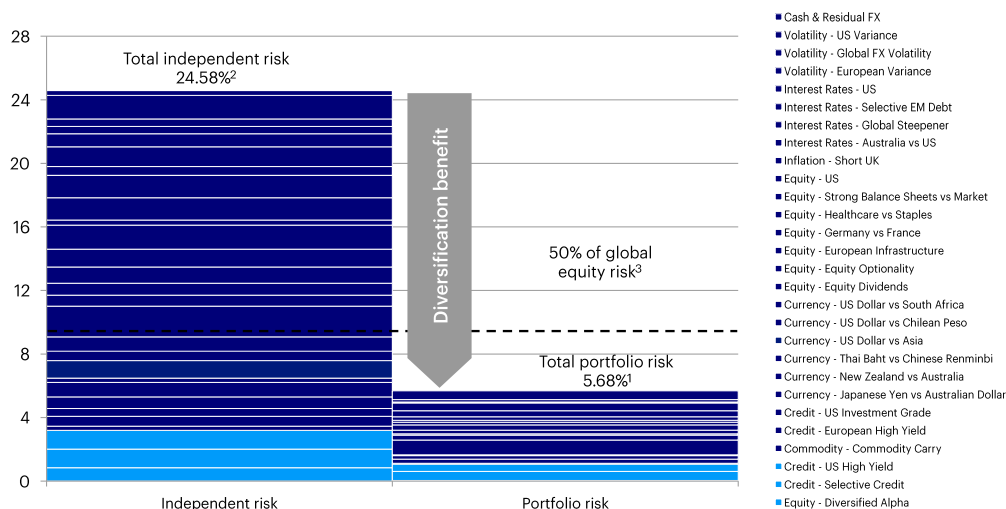
Gross performance			
Periods	Strategy %	Benchmark %	Value added %
1 month	1.31	0.08	1.23
3 months	2.86	0.12	2.74
6 months	-0.79	0.03	-0.82
1 year	-5.18	-0.24	-4.94
2 years p.a.	-2.41	-0.39	-2.02
3 years p.a.	-2.02	-0.39	-1.63
5 years p.a.	-1.63	-0.37	-1.26
Calendar year to date	-5.57	-0.10	-5.47
Financial year to date	2.86	0.12	2.74
Since inception p.a.	0.98	-0.25	1.23

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.

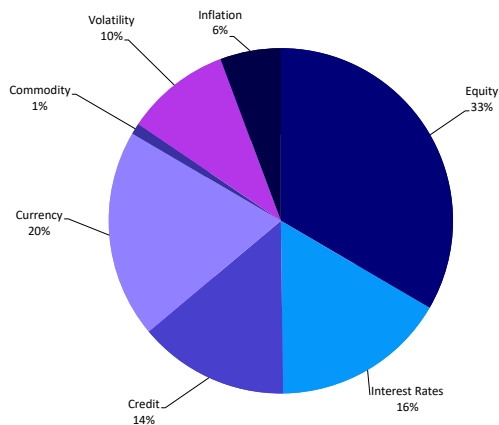
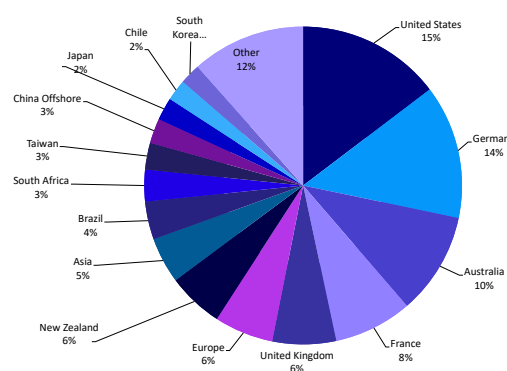
Cumulative performance of the GTR Strategy since inception¹ in EUR



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 30 September 2022. For illustrative purposes only. ¹Portfolio 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. ²Independent risk – the expected volatility of an individual idea as measured by its standard deviation over the last three and a half years. ³Global equity risk is the expected volatility of the MSCI World index as measured by its standard deviation over the last three and a half years, 18.74% as at 30 September 2022.

Portfolio statistics (as at 30 September 2022)
Contribution to total independent risk by asset (%)

Contribution to total independent risk by country (%)

Assets under management

	A\$m
Fund AUM:	143.99
Australian Sourced GTR AUM:	143.99
Strategy AUM:	4,207.71

In the table above, 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.

Market review

Continued hawkish stance by central banks, escalation of the war in Ukraine, and property market woes in China all triggered a sharp rise in "risk-off" sentiment across global equity markets. Consequently, volatility across risk assets spiked further and severely impacted global equities' price performance. The sell off was led by mainland China, where concerns related to slowdown in property market severely weighed on investor sentiment. Meanwhile, the US, along with some key other Asian markets, such as South Korea, Taiwan and Hong Kong, also dropped more than 10% in September.

It was also a tumultuous month for fixed interest markets, particularly in the UK, with government bond yields (which move inversely to price) rising to fresh multi-year highs on both side of the Atlantic. While market turmoil in the UK was triggered by the government's (not so) mini-budget late in the month, a global selloff in sovereign debt was already in motion as central banks became more explicit about raising interest rates to combat inflationary pressures even if economic growth was to slow.

It was also a tough month for corporate and high yield bonds where spreads (the additional yield over government bonds) widened across US, UK and European markets. Elsewhere, the dollar rallied again as demand for the perceived 'safe-haven' currency increased following talks of more aggressive rate hikes and a relatively 'risk off' environment. Conversely, oil prices fell sharply over the month due as fears of an economic slowdown continued to mount.

Contributors to performance

Our long exposure to the US Dollar performed strongly, as risk averse investors sought a perceived "safe haven" currency. Expectations that the Fed would hike rates more aggressively than other central banks supported the dollar on a relative basis. 'Currency - US Dollar vs Asia' was the strongest performing idea. Increased recession fears and downside economic risk favoured exposure to more resilient businesses in the US with stronger balance sheets over those constrained by weak cash flows, refinancing issues and debt servicing. 'Equity - Strong Balance Sheets vs Market' benefitted as a result.

The increased divergence in monetary policy expectations across regions has led to an increase in the level of volatility among currencies, benefiting our 'Volatility - Global FX Volatility' idea. 'Interest Rates - Australia vs US' was another notable performer over the quarter as short term yields in Australia fell more than their US counterpart on the back of dovish comments from the Reserve Bank of Australia which indicated that it will moderate the pace of tightening going forward as economic growth slows and housing activity moderates. After a difficult period in August, 'Inflation - Short UK' recovered the bulk of the losses in September.

Persistent inflation and more hawkish central banks than expected meant that fixed income and risk assets faced increased headwinds. The fund's long credit ideas detracted from overall performance being negatively impacted by widening credit spreads and rising bond yields. 'Credit - US High Yield', 'Credit - US Investment Grade' and 'Credit - Selective Credit' all detracted by a similar order of magnitude. The rise in bond yields also exercised a negative pressure on our 'Interest Rates - Selective EM Debt' and 'Interest Rates - US' ideas.

Summary of investment ideas

There were two new ideas added to the strategy:

'Currency - Thai Baht vs Chinese Renminbi': COVID has seen the Thai Baht take a big hit given closed borders and higher oil prices. We believe that this is bound to change as borders have reopened and we are just about to enter tourism season for Thailand. The oil price has come off the top which should help the current account deficit improve. The China linkages here are important. China was approximately 50% of Thai tourism pre pandemic, if China reopens then this would be a major boost for Thailand. Valuations also look attractive as the currency pair is currently trading close to multi-year lows.

'Equity - Healthcare vs Consumer Staples': US Healthcare is typically very defensive. It tends to outperform when inflationary pressures recede and if equities fall. Consumer Staples is also very defensive but is facing increased margin pressure given the slowdown in consumer spending which is likely ahead. Higher more stable margins in Healthcare, less cost pressure, less pressure on demand and a supportive valuation point suggests Healthcare will continue to outperform Consumer Staples from here.

Two ideas were removed: 'Equity - European Banks' and 'Equity - Short India'.

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Notes

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.

⁴ Please refer to the PDF for further information

⁵ Performance Fee Hurdle is the Bloomberg Ausbond Bank Bill Index +1.5%p.a.

Important Information

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