Invesco Wholesale Australian Smaller Companies Fund - Class A
Monthly Report

31 December 2020

Performance analysis (periods to 31 December 2020)

Net performance

Periods	Fund %	Benchmark %	Value added %
1 month	2.93	2.76	0.17
3 months	11.40	13.83	-2.43
6 months	18.19	20.28	-2.09
1 year	8.79	9.21	-0.42
2 years p.a.	14.59	15.12	-0.53
3 years p.a.	6.34	6.57	-0.23
5 years p.a.	8.82	10.46	-1.64
10 years p.a.	5.22	3.77	1.45
Calendar year to date	8.79	9.21	-0.42
Financial year to date	18.19	20.28	-2.09
Since inception p.a.	10.86	6.08	4.78

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.

Net distribution growth splits

Periods	Distribution %	Growth %	Total %
3 months	0.00	11.40	11.40
6 months	2.67	15.52	18.19
1 year	3.90	4.89	8.79
2 years p.a.	8.45	6.14	14.59
3 years p.a.	6.32	0.02	6.34
5 years p.a.	4.44	4.38	8.82
10 years p.a.	4.36	0.86	5.22

Net risk profile

Periods	Tracking error %	Information Ratio
1 year	3.60	-0.12
2 years p.a.	4.22	-0.13
3 years p.a.	3.76	-0.06
5 years p.a.	4.87	-0.34
10 years p.a.	5.57	0.26
Since inception p.a.	6.47	0.74

Fund Managers

IQS Australian Equities team members (as pictured):
- **CJ Tsai**
  Portfolio Manager
- **Neil Lahy**
  Senior Portfolio Manager
- **Ritchard Longmire**
  Senior Portfolio Manager
- **Andre Roberts**
  Senior Portfolio Manager
- **Nicole Schnuderl**
  Senior Portfolio Manager

Fund Facts at a glance

Asset class
Australian equities

Management style
Style neutral, quantitative

Objective[1]
To provide long-term capital growth and distributions by investing in small companies listed on the Australian share market, predominantly outside the S&P/ASX 100 Index

Benchmark
- From inception to 31/12/88 = ASX All Ordinaries ex 50 Leaders
- From 1/1/89 = ASX All Ordinaries ex 100 Leaders
- From 1/1/91 = ASX Small Ordinaries Index
- From 1/4/00 = S&P/ASX Small Ordinaries Accumulation Index

Risk profile
High

Time horizon
7 years

Distribution frequency
Half-yearly

Inception date
31/3/88

Minimum investment
$20,000

MER/ICR
0.55%

Buy/Sell Spread
0.25%/0.25%

APIR code
CNA0812AU

1 Invesco does not guarantee that the Fund will achieve its objective.

Fund analysis (as at 31 December 2020)

Assets under management

	A$m
Fund AUM:	17.63
Strategy AUM:	17.63

Market capitalisation allocation

Ranges	Fund %	Benchmark %	Active weight %
1-20	0.00	0.00	0.00
21-50	0.00	0.00	0.00
51-100	1.16	0.00	1.16
101-200	68.78	71.89	-3.12
201-300	28.78	28.11	0.67
301-500	0.00	0.00	0.00
500+	0.94	0.00	0.94
[Cash]	0.35	0.00	0.35

Sector allocation

Sector	Fund %	Benchmark %	Active weight %
Communication Services	5.15	5.45	-0.30
Consumer Discretionary	17.42	16.50	0.92
Consumer Staples	5.91	6.79	-0.88
Energy	1.97	2.50	-0.53
Financials Ex Lpt	12.85	12.96	-0.10
Health Care	5.80	6.87	-1.08
Industrials	8.63	7.26	1.37
Information Technology	7.58	6.64	0.94
Materials Ex Metals and Mining	4.78	3.78	1.01
Metals and Mining	16.79	18.48	-1.69
Real Estate	11.84	12.77	-0.93
[Other]	0.93	0.00	0.93
Cash [net of payables]	0.35	0.00	0.35

Five largest overweight positions

Security	Fund %	Benchmark %	Active weight %
Galaxy Resources Limited	1.73	0.47	1.26
Nick Scali Limited	1.47	0.28	1.19
CSR Limited	2.24	1.06	1.19
Seven Group Holdings Limited	2.47	1.29	1.18
Mineral Resources Limited	1.16	0.00	1.16

Five largest underweight positions

Security	Fund %	Benchmark %	Active weight %
NIB Holdings Ltd	0.11	1.13	-1.02
Iluka Resources Limited	0.14	1.14	-1.01
Lynas Rare Earths Limited	0.49	1.49	-1.00
ARB Corporation Limited	0.00	0.96	-0.96
IOOF Holdings Ltd	0.00	0.89	-0.89

10 largest holdings

Security	Fund %	Benchmark %	Active weight %
Seven Group Holdings Limited	2.47	1.29	1.18
Steadfast Group Limited	2.45	1.44	1.01
CSR Limited	2.24	1.06	1.19
Breville Group Limited	1.96	1.00	0.96
CIMIC Group Limited	1.77	0.73	1.04
Metcash Limited	1.76	1.44	0.32
Janus Henderson Group PLC	1.73	0.61	1.12
Galaxy Resources Limited	1.73	0.47	1.26
Codan Limited	1.64	0.55	1.08
Premier Investments Limited	1.62	0.98	0.64

Note: Security selection will change. You should not rely on this statement in making an investment decision about any security, but should make your own independent enquiries.

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Monthly commentary

Market review

It was a volatile month for Australian equities at the end of an equally volatile year. The local benchmark started December on a positive note but subsequently went flat, despite the finding that the economy grew by 3.3% in the September quarter and was officially out of recession. The recovery was led by a rebound in household consumption of services as lockdowns were partially lifted. At the same time, the UK became the first country to grant approval for Pfizer's vaccine, which made investors optimistic about the outlook for the global economy in 2021. The index then had its worst session of the month, falling after news of a new coronavirus outbreak in Sydney fueled investor caution. The passage of the USD $900 billion stimulus package in the US failed to mitigate the impact of the new coronavirus cluster and news of an unknown strain of the virus in the UK. The index recovered before the turn of the year and closed higher on 29 December, supported by broad gains in technology and consumer stocks and a last-minute Brexit agreement. Nevertheless, the S&P/ASX 200 slipped into negative territory on New Year's Eve, influenced by lingering fears of the coronavirus both domestically and globally. During the month, materials, technology and consumer staples stocks were the most favoured and outperformed the broader market, while healthcare and utilities stocks ended the month with the biggest losses.

In this environment, the portfolio performed 2.98% on a gross basis relative to a benchmark return of 2.76%.

Our multi-factor stock selection model contributed to positive relative performance with both our Earnings Momentum adding most to active return. Quality and Price Momentum delivered contributions which were approximately flat, while Value detracted slightly. Stock-specific effects, which cannot be attributed to any other factors, added slightly to return.

Other factors had mixed contributions to value added this month. The contribution from active weights in sectors, which are a by-product of the multi-factor optimisation process, was negative, offset by the significant negative return to Market Sensitivity factor. Underweights in the materials sector drove most of the return attributable to sector selection, while other sectors had minimal impact.

Contributors to performance

The predictive ability of our multi-factor model was positive in December with all four factors, Earnings Momentum, Price Momentum, Quality and Value ending the month positively. Value generally led factors in the first week of the month and other factors followed with most indicators recording positive returns. The indicators underlying the Price Momentum factor were somewhat weaker as high-flying stocks from earlier in the year gave back some of their gains.

Turning the focus towards risk factors, large cap stocks performed roughly in line with small cap stocks until the latter part of the month, where the larger and more liquid names outperformed. High versus low volatility stocks tended to perform similarly by the end of December.

Consequently, our highest rated stocks strongly outperformed relative to the Australian universe, while the least attractively rated stocks significantly underperformed the broader market.

Market outlook and portfolio strategy

During the month we made several adjustments to the portfolio as a result of our multi-factor portfolio optimisation process. Amongst others, we increased our position in Galaxy Resources based on improving Price Momentum. On the other hand, we decreased our position in Accent Group as a result of falling Earnings and Price Momentum scores.

The ex-ante tracking error of the fund was at 3.47% at month-end. At 95%, the major part of active risk is associated with our multi-factor model, which includes stock-specific risks as a by-product of our stock selection process. Risk indices representing other style exposures within the portfolio contributed 3% to active risk. Industry risk contribution, a by-product of stock selection, represented additional 2%. Within a product specific range, the portfolio beta was 0.98 at month-end.

Contact

Phone: **1800 917 495**
Email: **AU.enquiries@invesco.com**
Website: **www.invesco.com.au**

Important Information

This document has been prepared by Invesco Australia Ltd (Invesco) ABN 48 001 693 232, Australian Financial Services Licence number 239916, who can be contacted on freecall 1800 813 500, by email to info@au.invesco.com, or by writing to GPO Box 231, Melbourne, Victoria, 3001. You can also visit our website at www.invesco.com.au

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