DIVERSIFIED OPPORTUNITIES FUND RANGE

invesco

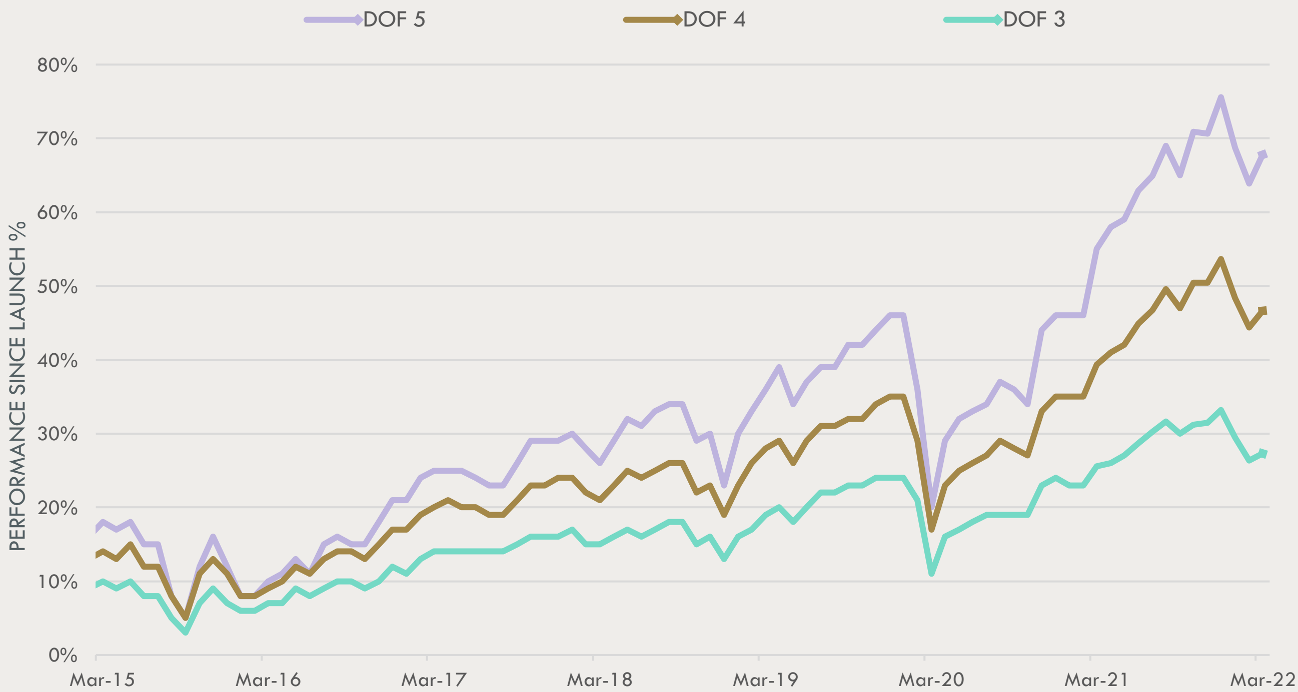
Quarter 1: 2022

Welcome

WELCOME TO THE DIVERSIFIED OPPORTUNITIES FUND RANGE QUARTERLY UPDATE FOR Q1 2022. THE DIVERSIFIED OPPORTUNITIES FUND RANGE ARE 3 RISK-RATED FUNDS DESIGNED TO BE APPROPRIATE FOR INVESTORS TO BUILD THEIR INVESTMENT PORTFOLIO. IN THIS NOTE WE COVER:

- FUND PERFORMANCE
- QUARTERLY MARKET COMMENTARY
- ASSET SPLIT
- PERFORMANCE BREAKDOWN
- MARKET OUTLOOK
- HOW WE WORK
- RISK MANAGEMENT
- ASSET CLASSES EXPLAINED

Fund Performance



The table shows the returns to 31st March 2022 before any fund management charges. The Diversified Opportunities Fund range is a long-term investment strategy, and we would advise caution when looking at fund performances over time periods of less than five years.

	DOF 3	DOF 4	DOF 5
5 years p.a.	2.3%	4.1%	6.2%
3 years p.a.	2.3%	4.8%	7.3%
1 year p.a.	1.4%	5.2%	8.3%
Q1	-4.4%	-4.6%	-4.4%

Warning: Past performance is not a reliable guide to future performance.

Warning: The value of your investment may go down as well as up.

Prepared by: Aaron Dempsey, Investment Analyst, Invesco Limited.

Quarterly Market Commentary Q1: 2022

Geopolitics take centre stage

Geopolitical tensions dominated asset prices in the first quarter of 2022. The economic consequences from the war in Ukraine and the ensuing sanctions are still evolving and the outlook is extremely unclear. As a result, markets sought the refuge of commodity safe havens such as gold while selling riskier assets.

Inflation continues to rise

Added to this is the spectre of prolonged inflation particularly in the US but the Eurozone has not escaped rising prices either. Most central banks are behind the curve on battling inflation having been delayed from taking action by aforementioned geopolitical events and Covid outbreaks with the result that current headline inflation is running well ahead of the general 2% average target. The primary tool to counteract inflation is higher interest rates. In March, the US Federal Reserve initiated the first interest rate rise since 2018 and indicated that it is prepared to raise interest rates by 50 basis points at its next meeting in May if needed. All told there are likely to be a stream of rate rises in the US which could see the base rate touching 2% by year end. In the Euro area, the ECB has made clear that future adjustments to rates, when they come, will be gradual.

Higher interest rates are a more difficult environment for growth stocks to operate in and there has been a significant pivot to value stocks which would ordinarily be a better place to hide against rising prices. Developed market value stocks as captured by the MSCI World Value Index fell 0.5% versus a fall in the MSCI World Growth Index of 9.6%.

The rising rate environment saw the key German 10-year bund yield move into positive territory in January for the first time in almost three years and finished Q1 at 0.55% p.a. Gold benefitted from increased geopolitical risk. Volatility is likely to continue.

It may bring some comfort to read that history shows that global shares have actually rallied during previous tightening cycles. The S&P 500 Index rallied towards the end of March even as policy makers raised rates and promised more to come, while the Russian war on Ukraine continues to rage.

Asset Split

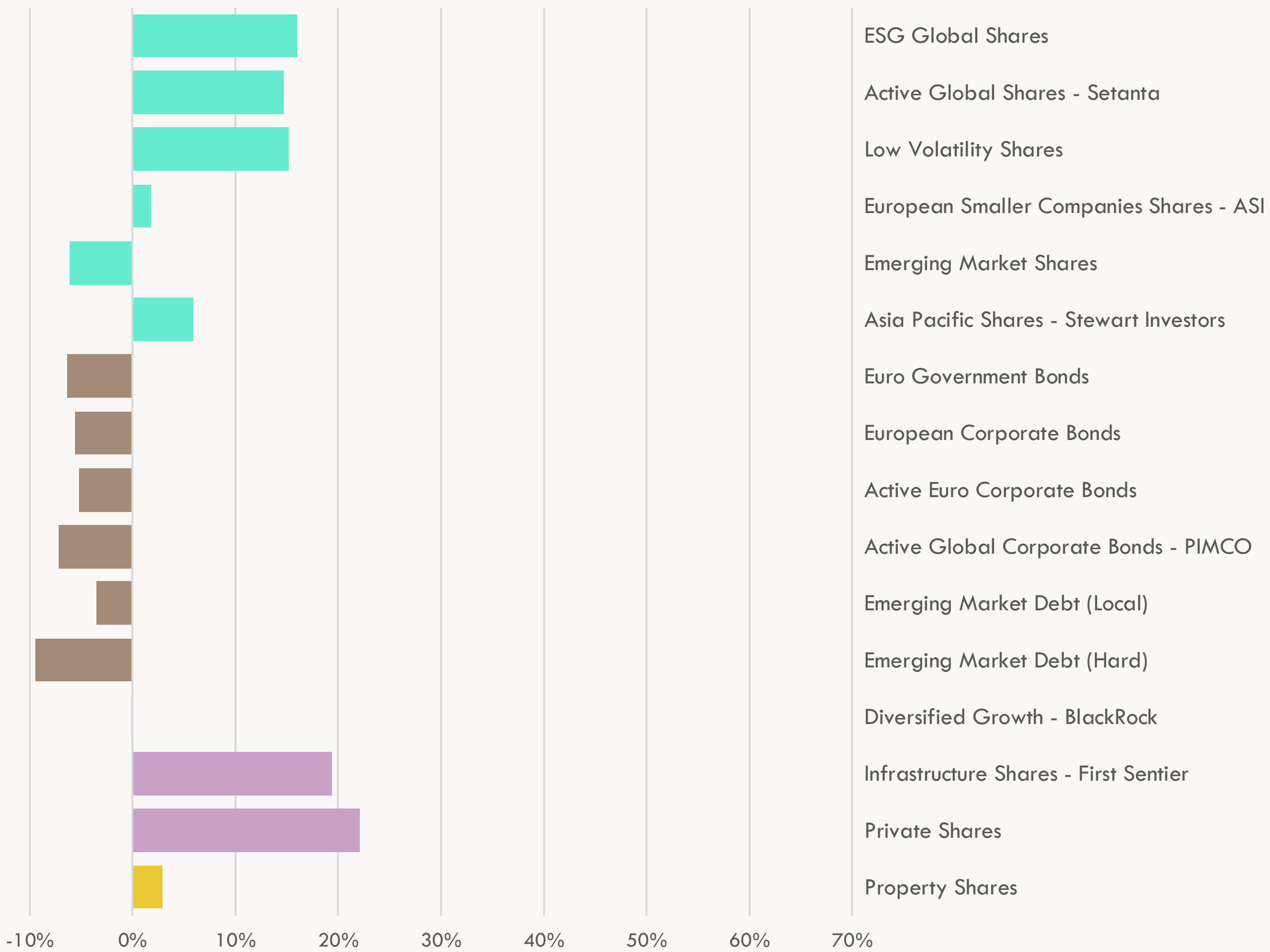
Asset Class		ESG Classification	DOF 3	DOF 4	DOF 5
1. Shares	ESG Global Shares	8	13.0%	23.0%	25.0%
	Active Global Shares - Setanta	6	5.0%	7.0%	13.0%
	Low Volatility Shares	6	7.0%	7.0%	8.0%
	Active European Smaller Company Shares - ASI	8	3.0%	5.0%	8.0%
	Emerging Market Shares	6	2.0%	4.5%	8.0%
	Active Asia Pacific Shares - Stewart Investors	9	2.0%	2.5%	3.0%
	Total Shares	-	**32.0%**	**49.0%**	**65.0%**
2. Bonds	Euro Government Bonds	6	10.0%	5.0%	-
	European Corporate Bonds	6	17.0%	5.0%	-
	Active Euro Corporate Bonds - BlackRock	6	10.0%	5.0%	-
	Active Global Corporate Bonds - PIMCO	6	5.0%	3.0%	-
	Emerging Market Debt	8	4.0%	7.0%	6.0%
	Total Bonds	-	**46.0%**	**24.0%**	**6.0%**
3. Alternatives	Active Dynamic Diversified Growth Fund - BlackRock	6	10.0%	10.0%	10.0%
	Active Infrastructure Shares – First Sentier	8	5.0%	6.0%	8.0%
	Private Shares	6	-	4.0%	4.0%
	Total Alternatives	-	**15.0%**	**20.0%**	**22.0%**
4. Property	**Total Property**	8	**7.0%**	**7.0%**	**7.0%**

The asset splits shown above are the target allocations. The Diversified Opportunities Funds are rebalanced on a quarterly basis back to the target asset allocation if the strategies drift too far from the intended allocations. The actual asset split could differ from the target allocations due to performance of the individual fund components however the rebalancing ensures this will be within acceptable levels.

Performance Breakdown

The below chart illustrates the performance for each asset class included in the Diversified Opportunities Fund Range for the previous 12 months. The 12- month performance of the growth components remains strong as economic activity rebounded from the Covid lows. The equity components (in green) were the greatest beneficiary of these conditions with alternatives (in purple) also performing well.
Performance from the more defensive bond components (in brown) were negative.

BREAKDOWN OF PERFORMANCE OVER PREVIOUS 12 MONTHS



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Market Outlook

Briefly outlined below are some key considerations with respect to the outlook for the economy for the second quarter of 2022 with a specific reference to energy supply and markets during conflicts.

The direct impact of Russian sanctions is likely to be economically manageable for most companies in the MSCI World Index given the very small size of the Russian economy in global terms. But with sanctions likely to continue for some time, secondary and tertiary effects such as the elevated prices of oil, gas, wheat, and fertilizer are likely to continue.

One reason is that stocks are often seen as a good hedge against rising prices is because many companies can pass a percentage of those costs onto consumers. Notwithstanding the high level of equity volatility, it is interesting to note that these investors fared better than those bond investors over the quarter through staying the course and not panic selling. The outlook for bonds is quite uncertain as governments have to balance raising interest rates to grapple with inflation against retaining some level of stimulus if the conflict and fallout persists. The best approach might be to remain diversified and to avoid reactive, emotional decisions led by fear.

Security of energy supply

In February this year, as oil, gas and coal prices increased to multiple times their value versus just twelve months ago, 53% of Irish generated electricity was produced by wind (aided by three storms in succession). Politically, Europe is coming under increasing pressure to join the US and the UK to ban imports of Russian gas and oil. Europe imports 37% of its gas supply and 27% of its oil from Russia. 22% of total European Energy supply is imported from Russia. Cutting this level of power supply off the grid would have a severe impact on prices, transport and manufacturing especially. These price pressures could potentially create persistent inflation and de-stabilise economic growth. As an aside, investing in real assets such as real estate and infrastructure can help investors hedge off some inflation risks given the relatively high inflation pass through ability in these areas.

Over the long-term, sustainable resources such as wind and solar energy are expected to fill the gap, but the complete transition could be several years away yet. The cost of solar power generation has reduced as solar panels have fallen in price. Fortunately for those in Ireland, solar panels don't need actual full sun to generate power. Transmission grids are being connected to new solar and wind farms and power is likely to be generated and stored locally rather than centrally as currently. The challenge domestically is that the energy source has usually disappeared below the horizon at the peak evening demand period when the kettle, oven and TV are all switched on. So, the next step of growth in wind and solar development is likely to be advances in battery storage to enable renewables to be a reliable source of energy, in a localised situation.

How We Work

OUR INVESTMENT PHILOSOPHY

While balancing risk and potential returns for a portfolio depends on several factors, we believe that asset allocation is the single most important factor influencing risk and return. Asset allocation is the cornerstone of our investment philosophy.

THE POWER OF DIVERSIFICATION

One of the most important principles of investing is ensuring that you have a diversified portfolio. This means spreading your capital across different investments so that you're not reliant upon any single one for all of your returns. The key benefit of diversification is that it helps to minimise the risk of capital loss to your investment portfolio.

By diversifying across a broad spectrum of asset classes, you can spread risk and potentially enhance returns, as strong performance in one market may offset weaker performance in others. Creating this balance in your portfolio, where the returns of one investment are independent of another, is paramount.

An effective diversified portfolio should include a mix of growth and defensive assets:

- Growth assets include investments such as equities (shares in a company) or property and generally provide longer term capital gains. However, they typically carry a higher level of risk than defensive assets.
- Defensive assets include investments such as cash or fixed-interest (bonds) and generally provide a lower return over the long term. They usually offer a lower level of volatility and risk than growth assets.

Within each asset class, we also seek to achieve diversification. For example, we use 6 strategies within the equity asset class. By implementing our strategy in this manner, we believe our funds can achieve smoother, more consistent investment returns over the medium to longer-term.

INVESTING, NOT SPECULATING

While risk plays an important role in investing, we never take unnecessary risks in the pursuit of a quick return. Our long-term view of investing allows us to ride out short-term market fluctuations so the benefits of long-term growth can be achieved.

CAPTURING VALUE

We believe that markets are broadly efficient, with share prices reflecting all available information. However, other factors such as human bias and some element of market inefficiency mean that quality investments can trade below their fair value.

Risk Management

Each Diversified Opportunities Fund matches a defined risk profile

DOF 3 - Risk Profile 3

DOF 4 - Risk Profile 4

DOF 5 – Risk Profile 5

INVESTMENT STRATEGY TEAM	ASSET ALLOCATION
Our strategy team is responsible for conducting in depth fund and investment manager research as well as developing Invesco's strategic and tactical view on each asset class.	Each Model Portfolio operates within a robust risk structure, with a defined range for each asset class. This disciplined approach allows Invesco's investment strategy team the flexibility to make reallocations.
SELECTION CRITERIA	QUANTITATIVE ANALYSIS
Most of the individual funds held within the Diversified Opportunities Fund Range are independently rated by Morningstar (or equivalent ratings agency). A careful review is conducted before inclusion of funds without this rating.	Quantitative analysis is undertaken to ascertain the asset allocation decisions made by the Invesco Investment Strategy Team are within defined risk parameters.

The Funds are diversified across a range of sectors, asset classes and geographic areas and we employ rigorous fund selection and monitoring processes as well as a rebalancing framework and regular meetings with investment managers. Our investment strategy team oversees this, applying its collective insight and experience to identify reallocations as appropriate. We seek to efficiently utilise best in class investment managers across both active and passively managed universes, with a focus on those managers that consistently excel within their peer groups.

We assess the likely range of returns, volatility and potential risks for our portfolios. We then use this to inform asset allocation, model funds and scenarios to evaluate alternative asset allocations and investment strategies. Both historical and forward-looking analysis is produced to demonstrate how the assets have performed in the past and are likely to do so in the future.

OVERSIGHT & MANAGEMENT

The Invesco investment strategy team meets formally every month. These meetings are core to our investment strategy and allow our investment team to exchange their insight and opinions about the economic environment, asset allocation, fund selection and portfolio construction. The outcomes of these discussions are used to potentially adjust asset allocations within the agreed ranges and add or remove funds as appropriate. Our investment strategy team is an open forum, encouraging debate and interaction as well as drawing on external expertise.

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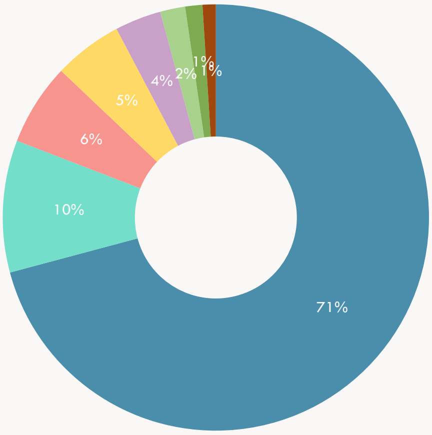
Asset Classes Explained

SHARES

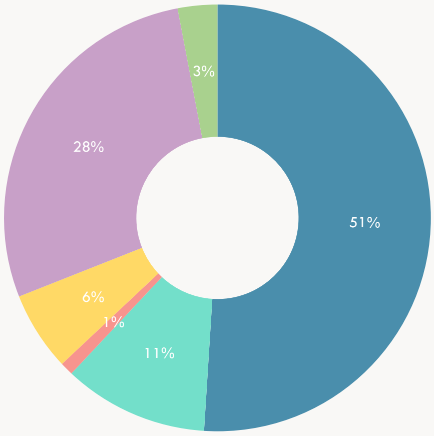


■ US - 71%
■ Eurozone - 10%
■ Japan - 6%
■ Europe ex Eurozone ex UK - 5%
■ UK - 4%
■ Asia Pacific ex Japan - 2%
■ Other - 1%
■ Emerging Market - 1%

ESG GLOBAL SHARES

Achieves diversification by investing across over 1,500 companies in predominately developed countries.

Tracks the performance of a large global share index.

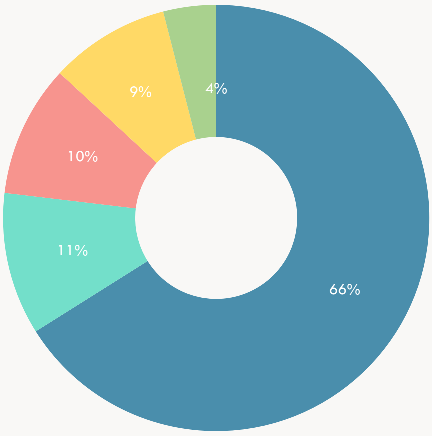


■ North America - 51%
■ UK - 11%
■ Japan - 1%
■ Emerging Markets - 6%
■ Europe ex UK - 28%
■ Cash - 3%

ACTIVE GLOBAL SHARES - Setanta

Invests in companies based on economic fundamentals such as sales and profitability.

Seeks to outperform the performance of a large global stock index.

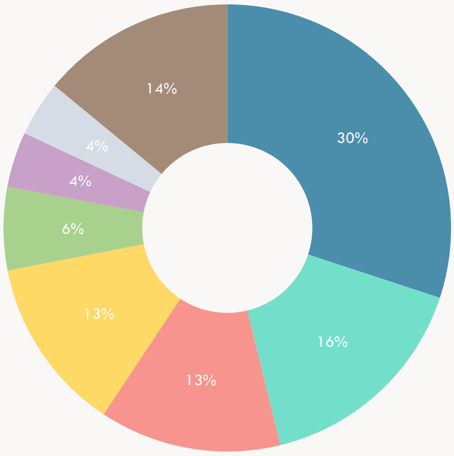


■ US - 66%
■ Japan - 11%
■ Eurozone - 10%
■ Europe ex Eurozone ex UK - 9%
■ Other - 4%

LOW VOLATILITY SHARES

Invests in companies that have gone up and down less than most of their peers over long periods of time.

Tracks the performance of a global lower volatility share index with around 300 companies.



■ China -30%
■ Taiwan - 16%
■ India - 13%
■ Korea - 13%
■ Brazil - 6%
■ Saudi Arabia - 4%
■ South Africa - 4%
■ Other -14%

EMERGING MARKET SHARES

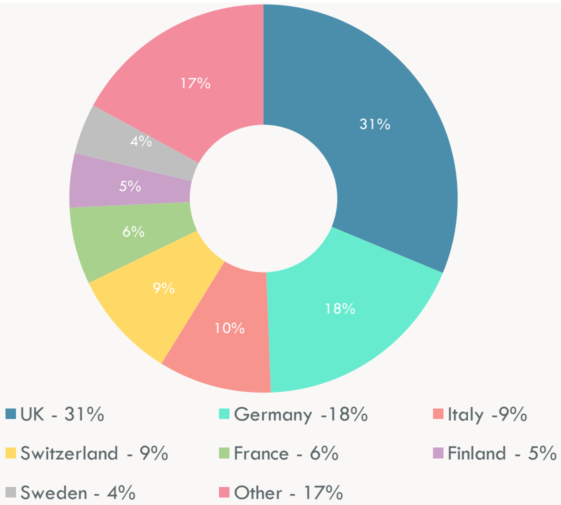
Invests in company shares in countries that have been deemed as "emerging" such as China and Brazil.

Tracks the performance of a large emerging market index which comprises of around 1,200 stocks in 26 countries.

As at the end of the quarter, there is no exposure to Russian investments.

Asset Classes Explained

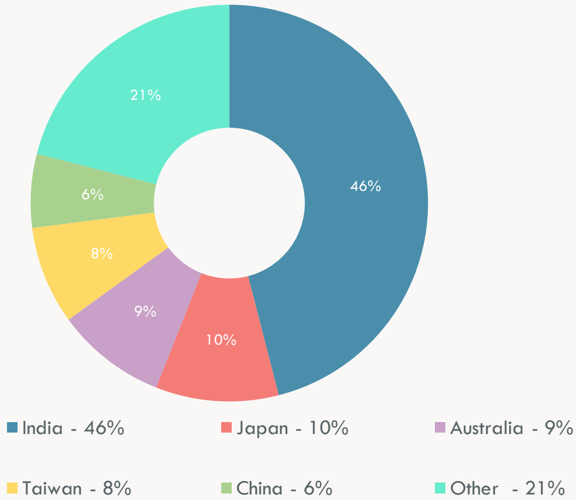
SHARES CONTINUED



ACTIVE SMALLER COMPANY SHARES - Abrdn

Invests in “smaller” companies that would frequently be less well-known to the public. Through bottom-up analysis the fund holds between 40-70 stocks.

The fund is benchmarked against the FTSE Small Cap Developed Europe index.

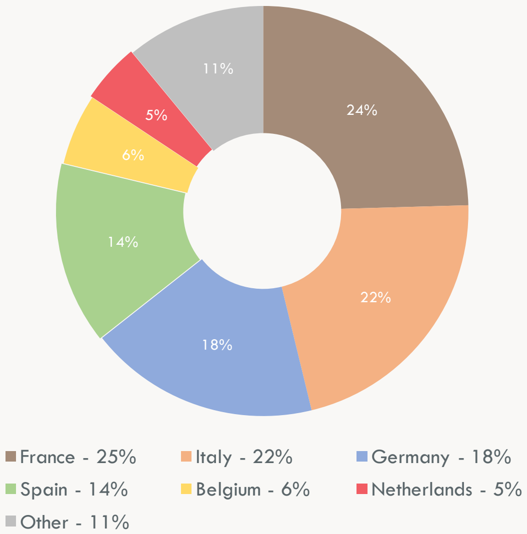


ACTIVE ASIA PACIFIC SHARES – Stewart Investors

An active manager that invests in companies throughout the of Asia Pacific region.

The fund has 48 holdings across the region with an SFDR rating of 9.

BONDS



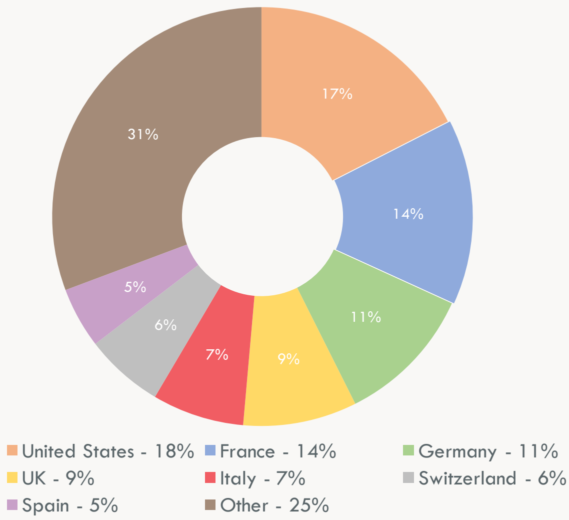
EURO GOVERNMENT BONDS

Yield: **0.8% p.a.**
Duration: **8 years**

Invests in Eurozone government bonds.

A government bond is a loan to a government.

Invests in bonds with fixed repayments.



ACTIVE EURO CORPORATE BONDS

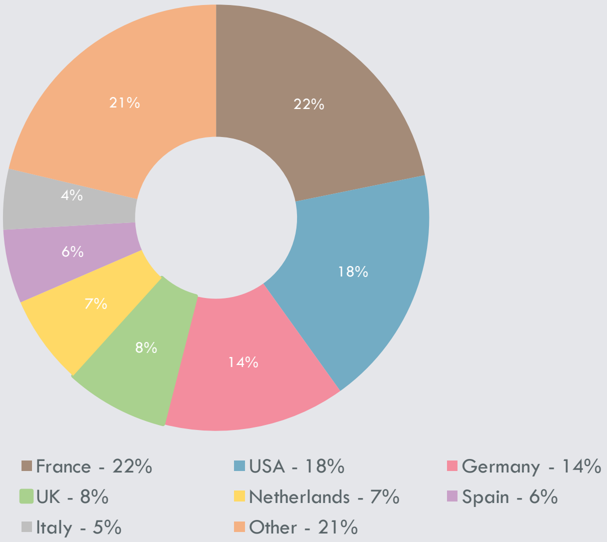
Estimated Yield: **+2.1% p.a.**
Duration: **5 years**

The fund invests in Eurozone corporate bonds. A corporate bond is a loan to a corporation.

The fund invests in bonds with repayments that are linked with an interest rate relative to the credit and financial strength of a company.

Asset Classes Explained

BONDS CONTINUED

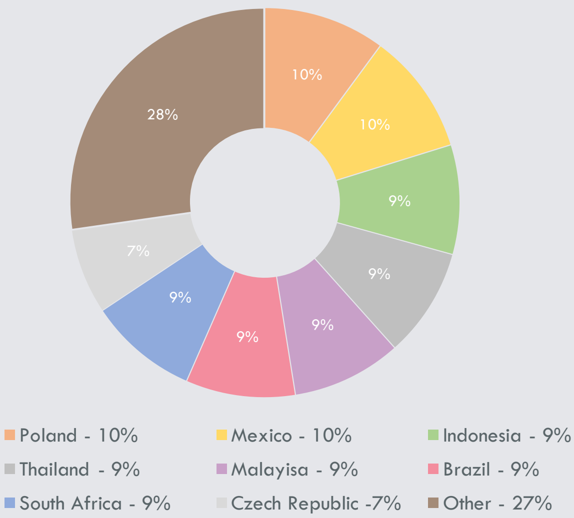


EUROPEAN CORPORATE BONDS

Yield: **+1.5% p.a.**
Duration: **5 years**

A Corporate bond is a loan to a company. The fund invests in euro bonds issued by companies.

Tracks the performance of a recognised and leading corporate bond index.



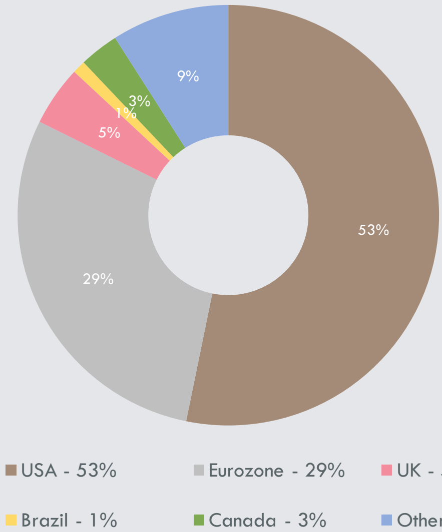
EMERGING MARKET DEBT

LOCAL CURRENCY

Yield: **+6.4% p.a.**
Duration: **5 years**

We include a small allocation to government bonds issued in their local currency by countries deemed as emerging such as Brazil and Mexico.

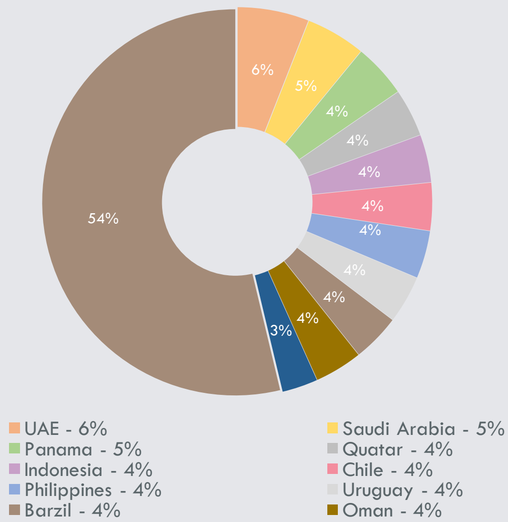
Tracks the performance of a recognised and leading emerging market bond index.



ACTIVE GLOBAL CORPORATE BONDS - PIMCO

Yield: **+3.6% p.a.**
Duration: **6 years**

Invests in bonds issued by companies globally and aims to outperform the performance of a recognised and leading global bond index.



EMERGING MARKET DEBT

HARD CURRENCY

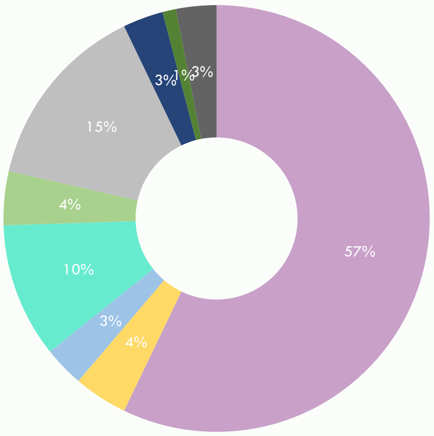
Yield: **+3.7% p.a.**
Duration: **8 years**

The government bonds are issued by countries deemed as emerging such as Russia and Chile. The bond repayments are in US dollar. Currency risk is managed by hedging against the euro.

Tracks the performance of a recognised and leading emerging market bond index.

Asset Classes Explained

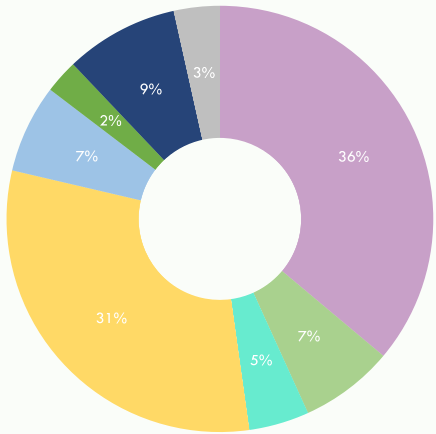
ALTERNATIVES



ACTIVE INFRASTRUCTURE SHARES – First Sentier

Invests in Infrastructure globally through purchasing companies that construct and manage infrastructure projects.

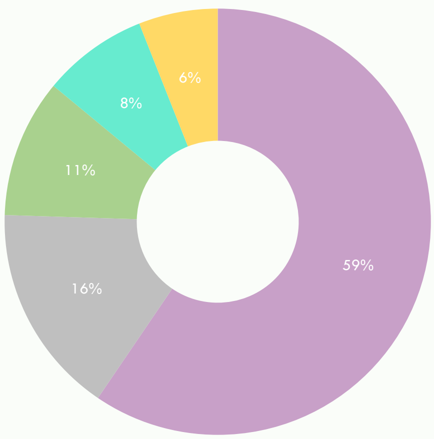
Aims to outperform the performance of a recognised and leading infrastructure shares index.



ACTIVE DYNAMIC DIVERSIFIED GROWTH - BlackRock

Actively invests in a broad range of financial assets including equities, fixed income, derivative instruments and currency positions.

Targets smooth long-term growth with reduced volatility.



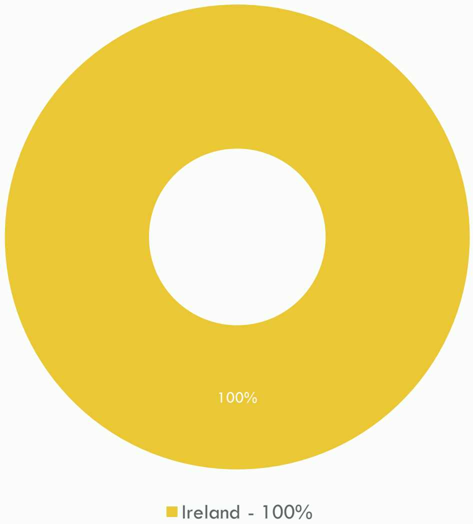
PRIVATE EQUITY

Invests in private companies that are active in the private space and are also publically listed.

Tracks the performance of a recognised and leading liquid private shares index.

Asset Classes Explained

PROPERTY



PROPERTY SHARES

Invests in Irish property that includes retail, office and industrial units.

Please note that this quarterly document provides information on the Diversified Opportunities Fund Range which may only represents part of the investment options available within your offering.

If you have any questions about the information in this document, please do not hesitate to contact the Invesco team at the below phone or email address.

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