



DIVERSIFIED OPPORTUNITIES FUND RANGE

invesco

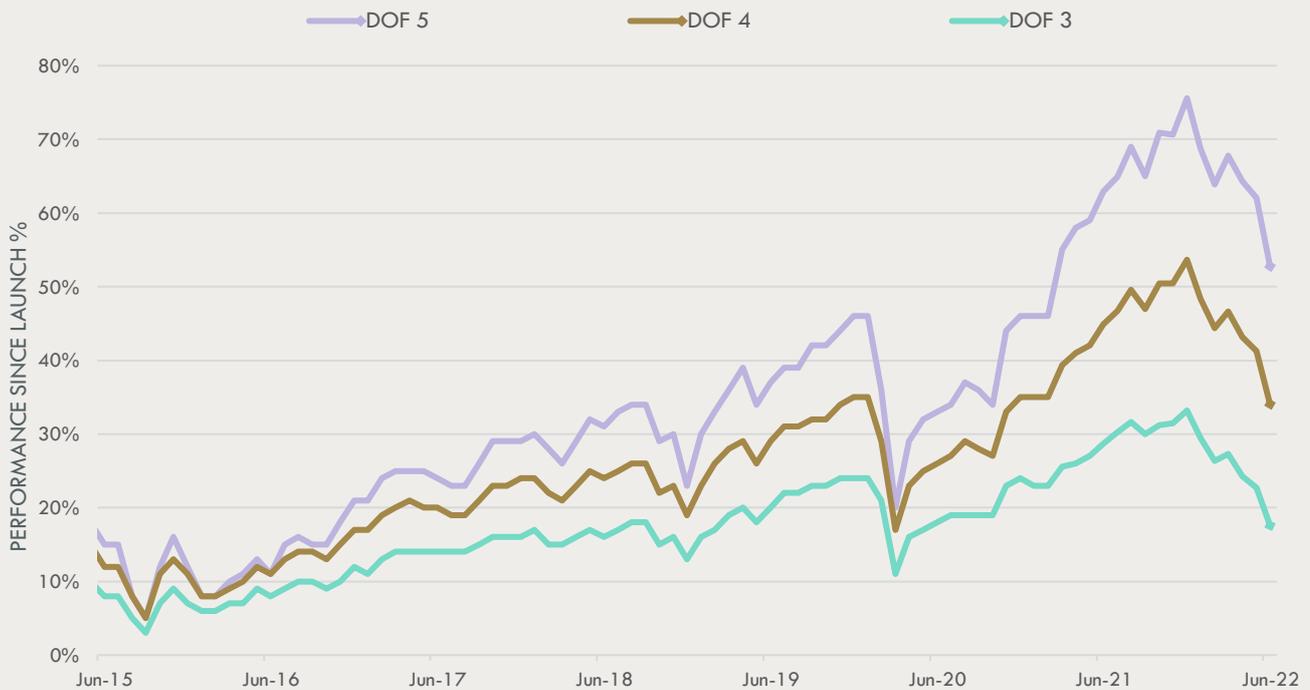
Quarter 2: 2022

Welcome

WELCOME TO THE DIVERSIFIED OPPORTUNITIES FUND RANGE QUARTERLY UPDATE FOR Q2 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 30th June 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.	0.7%	2.3%	4.3%
3 years p.a.	-0.8%	1.3%	3.6%
1 year p.a.	-8.6%	-7.4%	-6.2%
Q2	-7.6%	-8.6%	-8.9%

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

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

Quarterly Market Commentary Q2: 2022

Simultaneous falls in equities and bonds

Markets are forward looking and very quick to price in news. Unfortunately, as we are all aware, in the second quarter of 2022 they have had to take onboard much in the way of negative messages namely rising inflation, the war in the Ukraine and the start of a cycle of rising interest rates. Unusually, government and corporate bond values have also been adversely affected at the same time as equities thus impacting multi-asset portfolios.

Equities

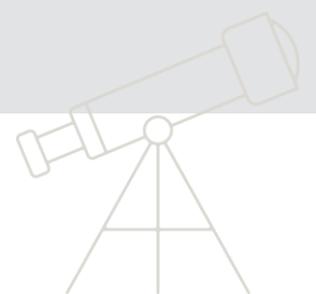
Global equity markets are now down 13.5% year to date in Euro terms but more than 20% this year from a US Dollar perspective, which would technically be a “bear market”. Energy stocks are the only cohort of equities with a positive return year to date. The defensive healthcare and consumer staples sectors posted minor losses. Small cap stocks fell 1% more than the equivalent All Cap global index over the quarter.

The rotation from “Growth” stocks to value continued as investors watched interest rate forecasts rise. Geographically, UK and Emerging markets fared best of the equities, the latter benefitting from easing of lockdowns and more supportive regulation in China. US equities Q2 performance lagged behind its developed market equity peers. This has been a tough period for equities which have put in their worst first half year performance in over 50 years.

Bonds

Further expectations of interest rate hikes by the Fed and the ECB in the current calendar year continued in view of the high inflationary pressure.

The Fed responded to May’s higher-than-expected inflation figures with a 0.75% rise in interest rates, its biggest increase since 1994. The US 10-year treasury yield ended the quarter at 2.97%. The ECB announced it would end its asset purchase programme on July 1st and that we are likely to see a 0.25% interest rate rise in July (the first in 11 years), followed by a 0.50% increase in September. It is important to recognise that bond values depend on expectations and as future interest rate expectations moderated there was a small turnaround in bond values in the second half of June.



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 - abrdn	8	3.0%	5.0%	8.0%
	Emerging Market Shares	6	2.0%	3.0%	8.0%
	Active Asia Pacific Shares - Stewart Investors	9	2.0%	4.0%	4.0%
	Active Global Mid Cap Shares - abrdn	8	2.5%	5.0%	6.0%
	Total Shares	-	34.5%	54.0%	72.0%
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%	8.0%	6.0%
	Active Infrastructure Shares – First Sentier	8	2.5%	3.0%	5.0%
	Private Shares	6	-	4.0%	4.0%
	Total Alternatives	-	12.5%	15.0%	15.0%
4. Property	Total Property	8	7.0%	7.0%	7.0%

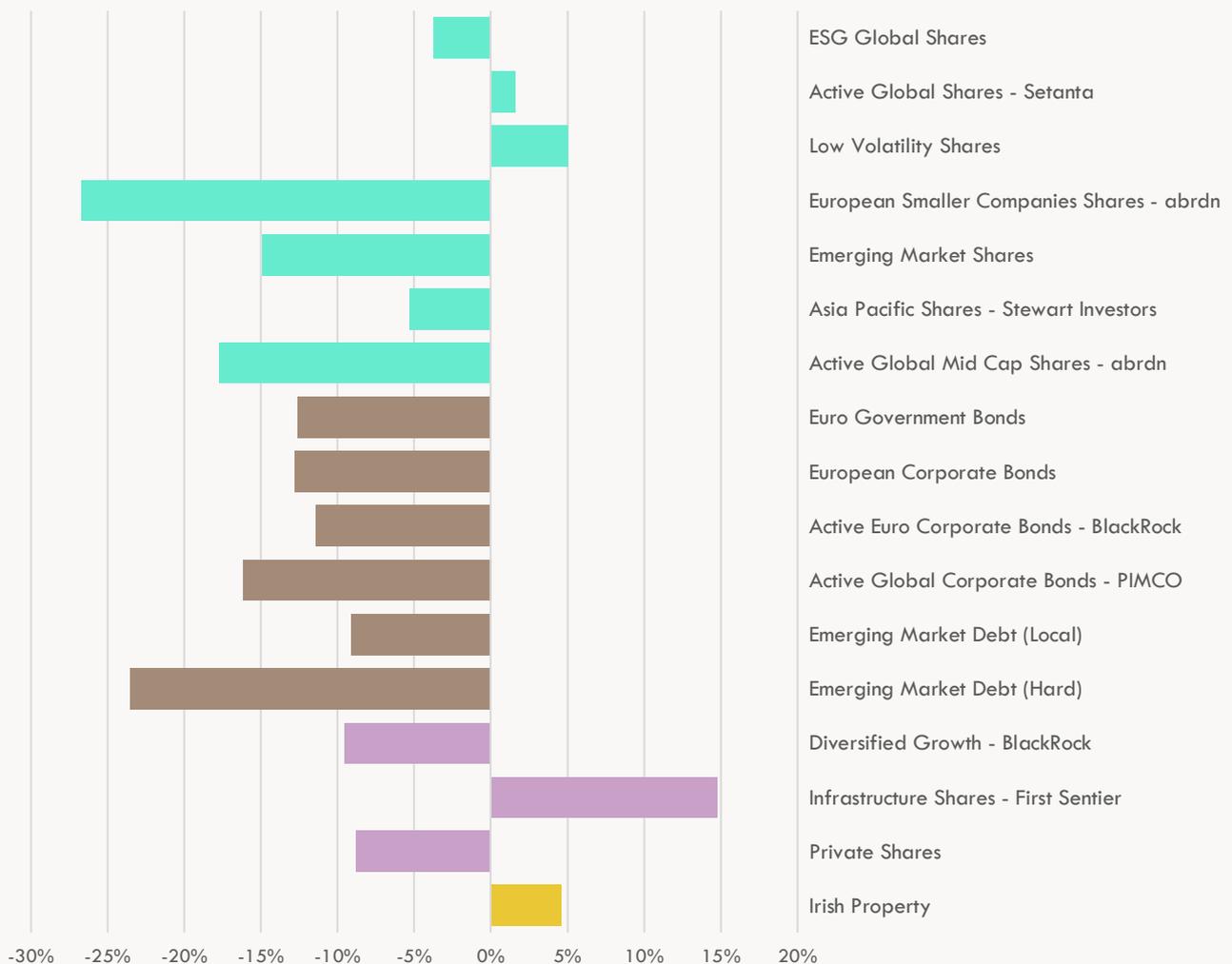
The asset splits shown above are the target allocations. The Diversified Opportunities Funds are rebalanced on a quarterly basis back to the target asset allocation if the strategies drift too far from the intended allocations. The actual asset split could differ from the target allocations due to performance 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 in the third quarter of 2022.

Annual inflation numbers may continue to rise for a period, but long-term inflation expectations are already falling back in some geographies.

Sector rotation from growth stocks into value stocks may continue as investors look to reduce exposure to rate rises. Large equity market falls in the first half of 2022 have seen the P/E ratios fall to below average levels making them more attractive. Europe does not yet have full employment and therefore wage demands may not be as high. Europe is geographically and economically more exposed to the Ukraine situation and rate rises are less likely to be as aggressive as in the US.

Interest rates will rise but in well telegraphed fashion. Base rates may go above zero in Europe and up to 3.0% in the US by the end of 2022. Higher bond yields have made bonds more attractive to invest in again.

Commodities are very dependent on how the geopolitical situation turns out. Infrastructure assets in which higher prices can be passed on with relative ease may offer an inflation hedge in some situations.

Inflation update

Some of us have distant memories of the very destructive effect of inflation on household budgets from the late seventies and early eighties. Very modest holidays, a rusting family car (there was no NCT then), grocery shopping lists done in advance to keep costs down. Ireland was in a very poor situation. On an annual basis, every year from 1969 to 1985, inflation was running at 5% or higher and as an economy, by contrast, on only one year since 1985, 2000, has it crossed back over the inflation threshold of 5% again. That was until 2022.

The 3 types and causes of inflation have all become very evident in the last few months:

Demand Pull inflation: Covid 19 restrictions led to a build-up of savings whilst manufacturers and shipping companies couldn't despatch products and people couldn't spend on services. Too much money now chasing too few goods is starting to unwind.

Cost-Push inflation: The War in Ukraine has led to huge rises in energy costs which has cascaded into agricultural production, processing and packaging and distribution and thus the price of everyday goods.

Built-In inflation: Wage expectations increase to chase the increased price of goods and services leading to yet more inflation. The US were very keen to "telegraph" the "transitory" nature of the inflation spike as the US came out of lockdown – to try and curtail wage expectations and avoid the wage-price spiral. It may be working. Wage growth in the U.S. low-wage sector has slowed significantly. Low-cost retailers such as Target and Walmart appear to have overestimated consumer demand and are now discounting items to clear excess inventory. New mortgage applications have fallen over 50% versus a year ago. Long term inflation expectations as measured by the Euro 5y5y inflation-linked swap rate are falling again so even if inflation persists, the investor anxiety we see in the market could well be overdone. It's important to keep this in mind as you review your investment strategies prudently.

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
<p>Most of the individual funds held within the Diversified Opportunities Fund Range are independently rated by Morningstar (or equivalent ratings agency).</p> <p>A careful review is conducted before inclusion of funds without this rating.</p>	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

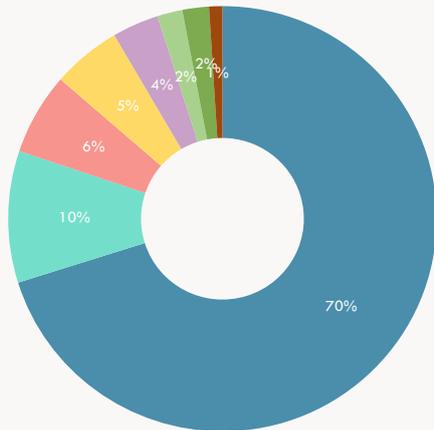
The Invesco investment strategy team meets formally every month. These meetings are core to our investment strategy and allow our investment team to exchange their insight and opinions about the economic environment, asset allocation, fund selection and portfolio construction. The outcomes of these discussions 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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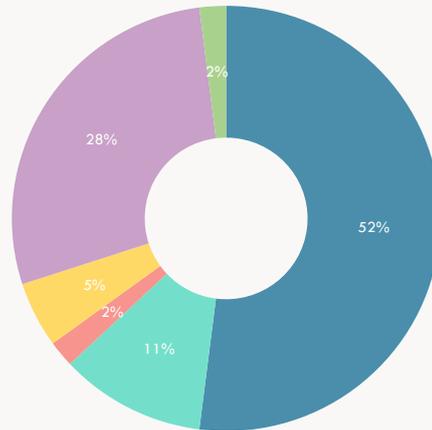
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Asset Classes Explained

SHARES



- US - 70%
- Eurozone - 10%
- Japan - 6%
- Europe ex Eurozone ex UK - 5%
- UK - 4%
- Asia Pacific ex Japan - 2%
- Other - 2%
- Emerging Market - 1%



- North America - 52%
- UK - 11%
- Japan - 2%
- Emerging Markets - 5%
- Europe ex UK - 28%
- Cash - 2%

ESG GLOBAL SHARES

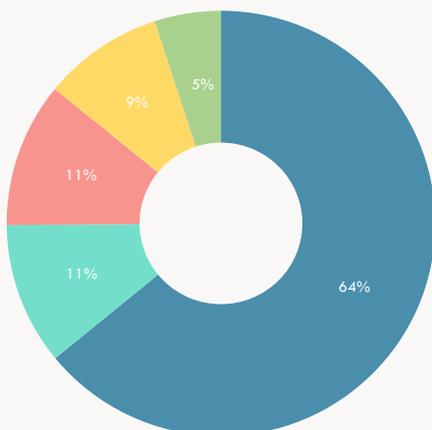
Achieves diversification by investing across over 1,500 companies in predominately developed countries.

Tracks the performance of a large global share index.

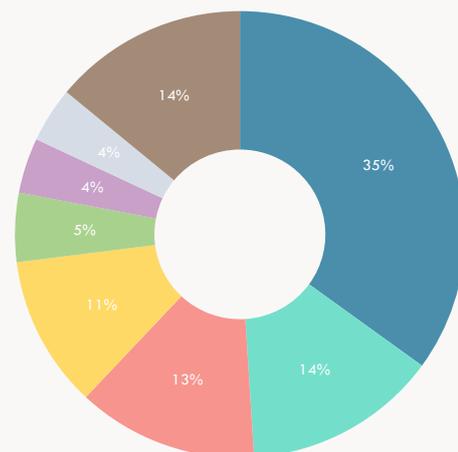
ACTIVE GLOBAL SHARES - Setanta

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

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



- US - 64%
- Japan - 11%
- Eurozone - 11%
- Europe ex Eurozone ex UK - 9%
- Other - 5%



- China - 35%
- Taiwan - 14%
- India - 13%
- Korea - 11%
- South Africa - 4%
- Brazil - 5%
- Saudi Arabia - 4%
- Other - 14%

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.

EMERGING MARKET SHARES

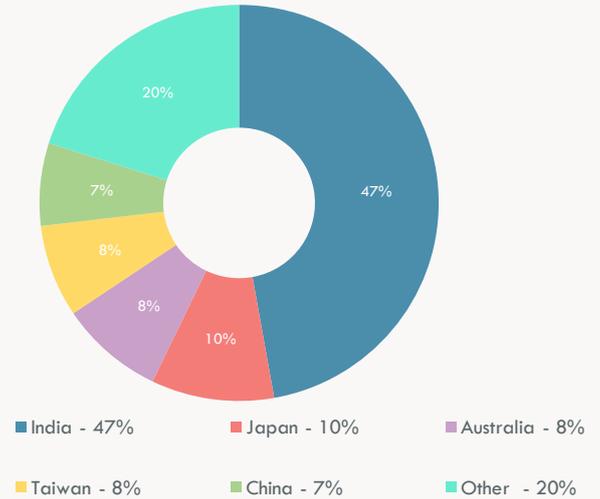
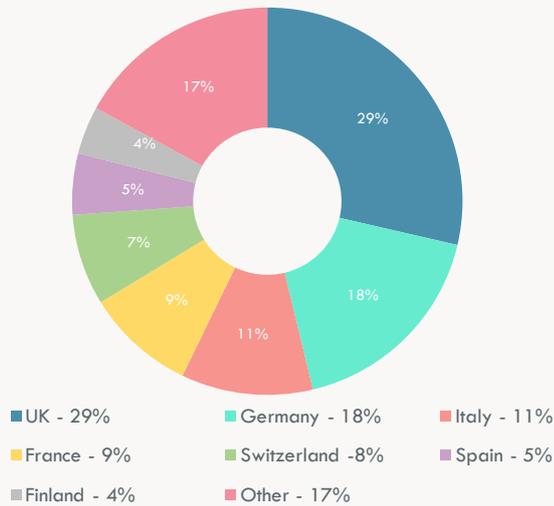
Invests in company shares in countries that have been deemed as “emerging” such as China and Brazil.

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

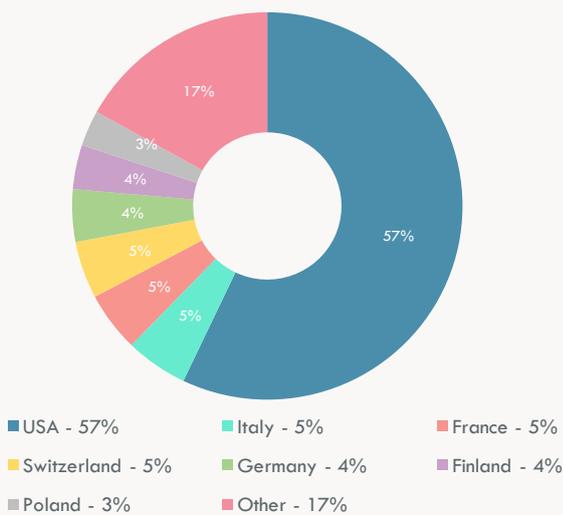
Invests in “smaller” companies that would frequently be less well-known to the public. Through bottom-up analysis the fund holds between 40-70 stocks.

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.



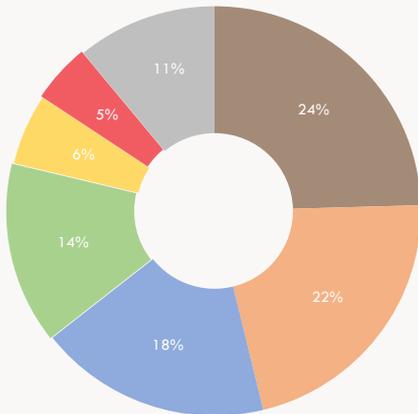
ACTIVE MID CAP SHARES - Abrdn

Invests in “medium” sized companies that would frequently be less well-known to the public. Through bottom-up analysis the fund holds between 40 - 50 stocks.

The fund is benchmarked against the MSCI ACWI Midcap Index.

Asset Classes Explained

BONDS

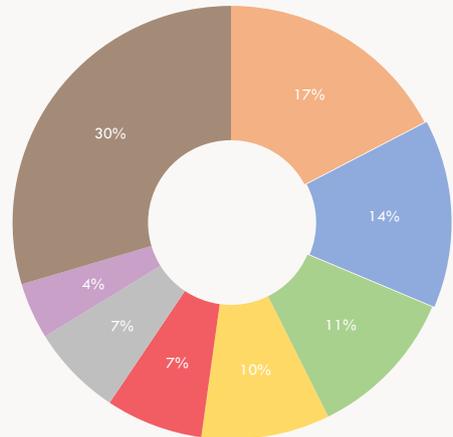


- France - 25%
- Italy - 22%
- Germany - 18%
- Spain - 14%
- Belgium - 6%
- Netherlands - 5%
- Other - 11%

EURO GOVERNMENT BONDS

Yield: **2.15% p.a.**
Duration: **11 years**

Invests in Eurozone government bonds.
A government bond is a loan to a government.
Invests in bonds with fixed repayments.

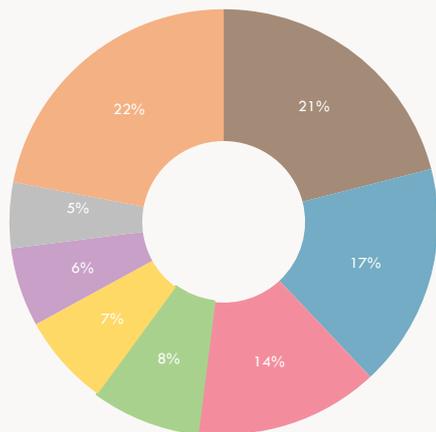


- United States - 17%
- France - 14%
- Germany - 11%
- UK - 10%
- Italy - 7%
- Switzerland - 7%
- Spain - 4%
- Other - 30%

ACTIVE EURO CORPORATE BONDS - BlackRock

Estimated Yield: **+3.5% 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.

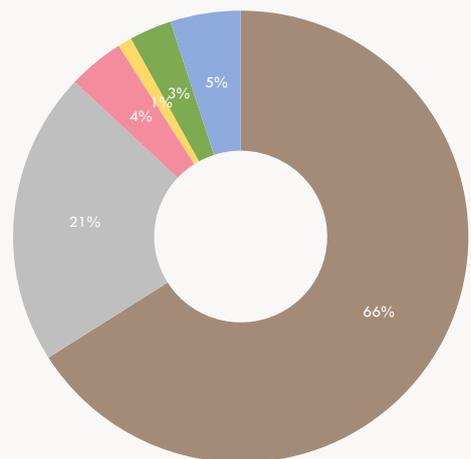


- France - 21%
- USA - 17%
- Germany - 14%
- UK - 8%
- Netherlands - 7%
- Spain - 6%
- Italy - 5%
- Other - 22%

EUROPEAN CORPORATE BONDS

Yield: **+3.2% 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.



- USA - 66%
- Eurozone - 21%
- UK - 4%
- Brazil - 1%
- Canada - 3%
- Other - 5%

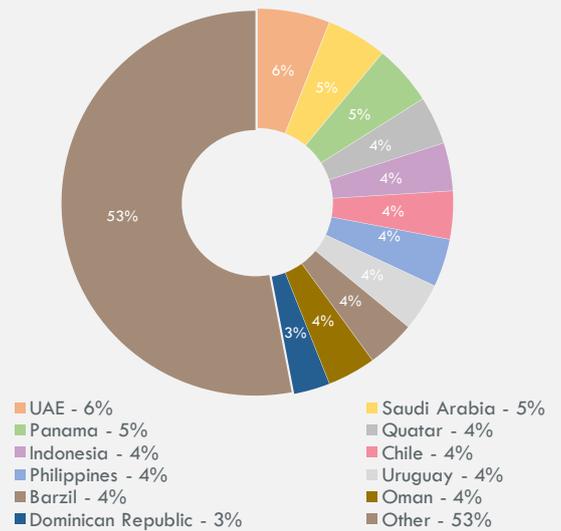
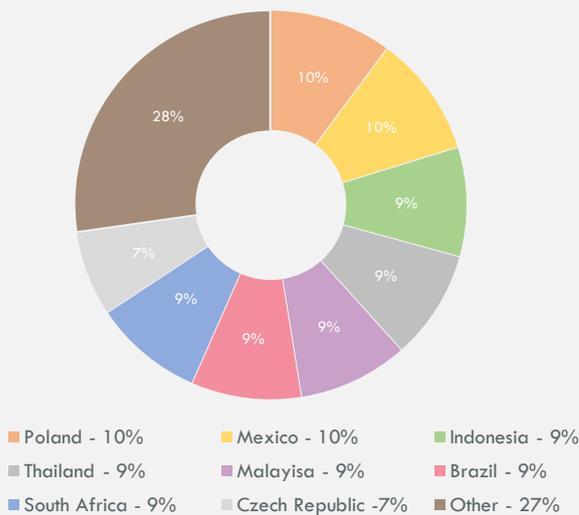
ACTIVE GLOBAL CORPORATE BONDS - PIMCO

Yield: **+3.8% 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.

Asset Classes Explained

BONDS CONTINUED



EMERGING MARKET DEBT

LOCAL CURRENCY

Yield: **+7.4% 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.

EMERGING MARKET DEBT

HARD CURRENCY

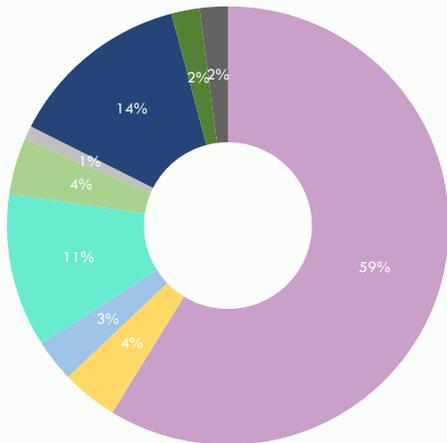
Yield: **+5.1% p.a.**
Duration: **7 years**

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.

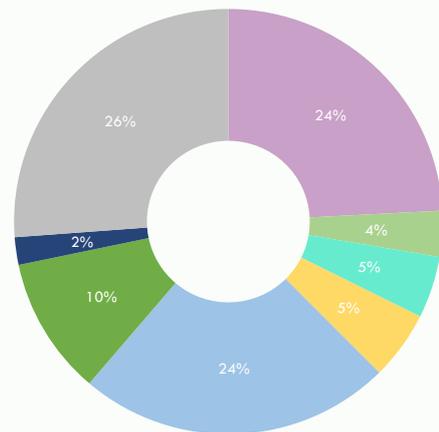
Tracks the performance of a recognised and leading emerging market bond index.

Asset Classes Explained

ALTERNATIVES



- US - 57%
- Europe ex UK - 13%
- Australia & NZ - 11%
- Canada - 4%
- Asia ex Japan - 4%
- Latin America - 3%
- UK - 2%
- Cash - 2%
- Japan - 1%



- Developed Market Equities - 24%
- Investment Grade Debt - 24%
- Cash, FX & Derivative Cover - 26%
- Alternatives - 11%
- Government Bonds - 5%
- High Yield Bonds & Loans - 5%
- Emerging Market Equities - 4%
- Commodities - 2%

ACTIVE INFRASTRUCTURE SHARES – First Sentier

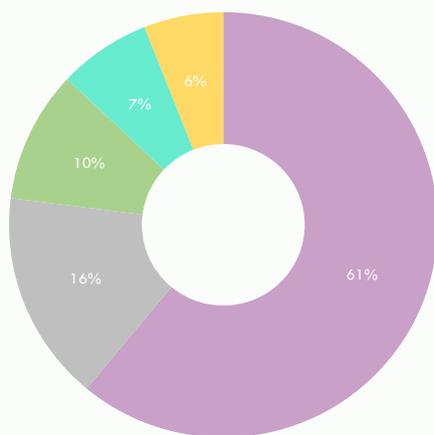
Invests in Infrastructure globally through purchasing companies that construct and manage infrastructure projects.

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.



- US - 61%
- UK - 16%
- Europe ex Eurozone ex UK - 10%
- Eurozone - 7%
- Other - 6%

PRIVATE EQUITY

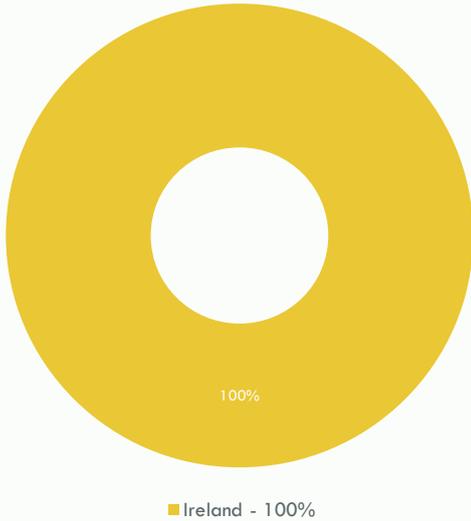
Invests in private companies that are active in the private space and are also publically listed.

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

CASH

Asset Classes Explained

PROPERTY



IRISH PROPERTY

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

CASH

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

If you have any questions about the information in this document, please do not hesitate your Invesco representative.

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