DIVERSIFIED OPPORTUNITIES FUND RANGE

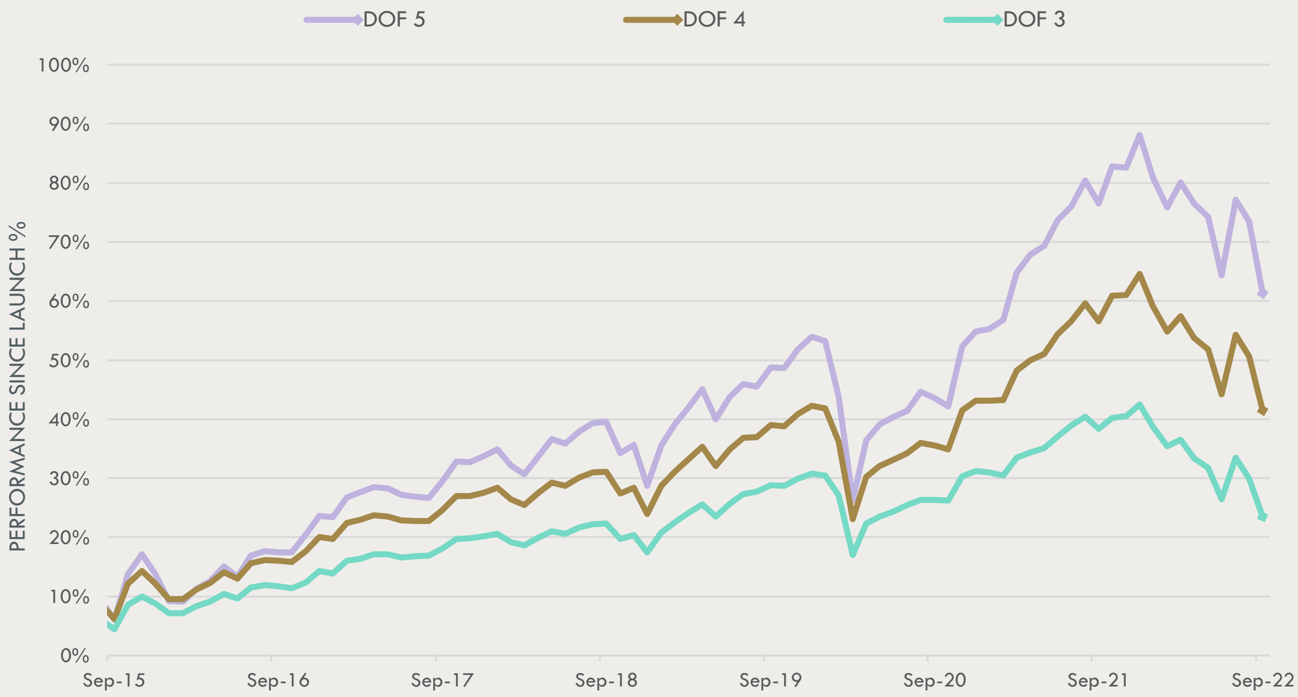
invesco

Quarter 3: 2022

Welcome

WELCOME TO THE DIVERSIFIED OPPORTUNITIES FUND RANGE QUARTERLY UPDATE FOR Q3 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



The table shows the returns to 30th September 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.	0.9%	2.6%	4.5%
3 years p.a.	-1.4%	0.6%	2.8%
1 year p.a.	-10.7%	-9.7%	-8.6%
Q3	-2.3%	-1.9%	-1.8%

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 Q3: 2022

Volatility and dispersion

A strong rally in equity and bond markets in July gave way to a reduction in both asset classes again in August and September. Capital markets and asset classes have faced considerable disruption and volatility this year due in large part to the global response to high inflation and widespread geopolitical events, which are contributing to historic moves in equities, rates, and currencies. Most commodities have reversed sharply lower from their first half gains due to the meaningful slowdown in global economic activity.

Yet unemployment remains at very low levels in developed markets. Supply chain issues from the pandemic continue to be disentangled. Banks are not over-leveraged; a large proportion of household balance sheets are strong and sectors such as leisure are thriving. It is a very disperse economic environment presently.

Equities

Defensive segments of the market, including consumer staples and healthcare, held up best while interest-rate-sensitive sectors, including real estate and communication services, led the decline in September. Despite the difficult environment, consumer discretionary and energy stocks were the leaders for the quarter. “Value” stocks, which began the year with strong results, cooled off further. “Growth” stocks were mixed, with strength in the US but underperformance in Europe and Japan.

Bonds

Elevated inflation numbers and rising interest rates continued to hurt bond market performance in September. The 10-Year US Treasury yield briefly moved above 4% during the month for the first time in 12 years but finished the quarter at 3.80% p.a., up 0.83%.

The 10-Year German bund yield was up 0.58% in September, finishing the quarter at 2.11% p.a.

Corporate Bonds were supported by healthy balance sheets but were also impacted by fears that tighter monetary policy may threaten further economic growth prospects.

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%	6.0%	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%**

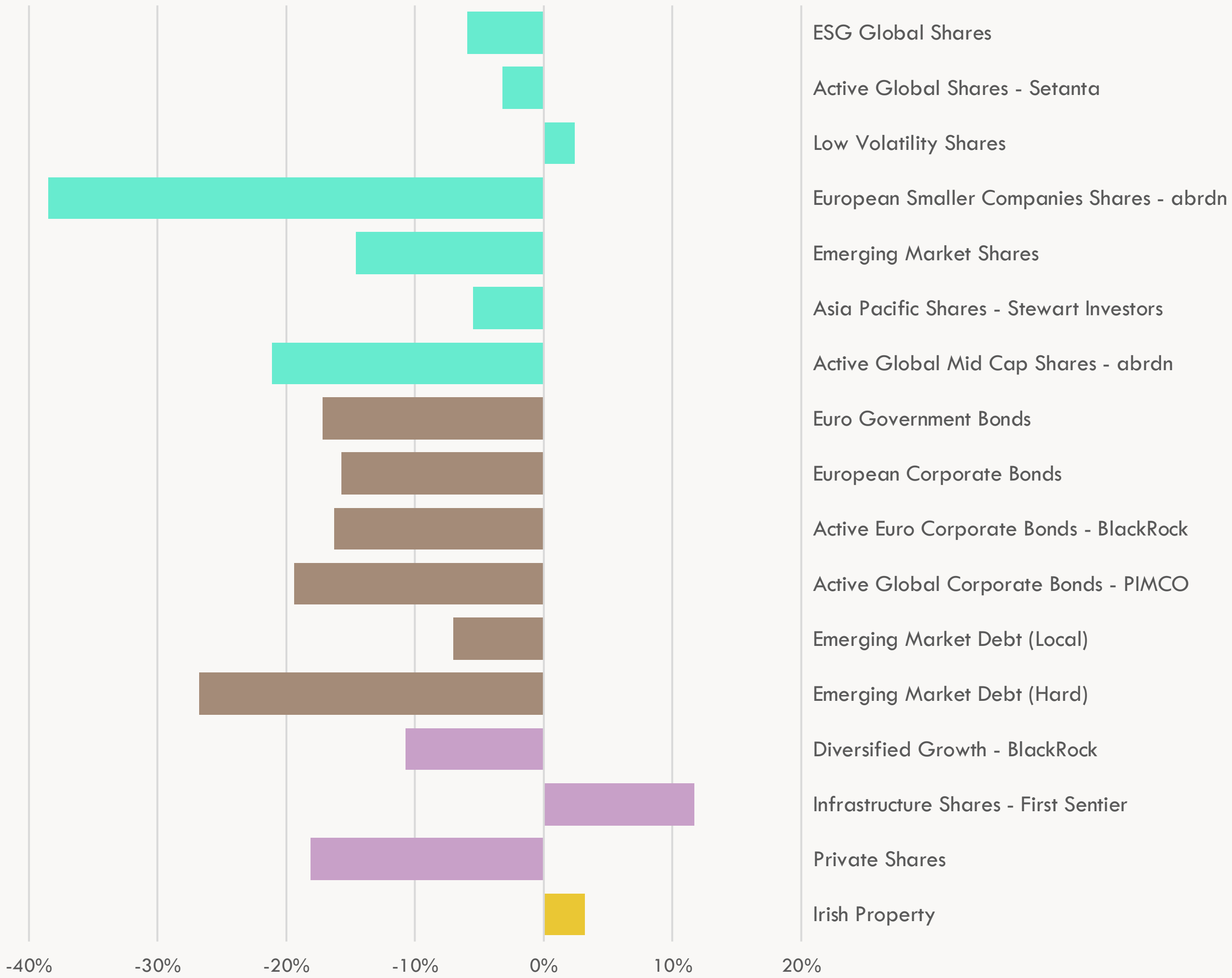
The asset splits shown above are the target allocations. The Diversified Opportunities Funds are rebalanced on a quarterly basis back to the target asset allocation if the strategies drift too far from the intended allocations. The actual asset split could differ from the target allocations due to performance 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 Funds for the previous 12 months. The 12-month performance of the growth assets has contracted due to increased inflation concerns and a rising interest rate environment, resulting in a strong sell off of risky assets. The equity components in green have suffered as a result. The majority of alternatives in purple also sold off, due to their risk nature. However, Infrastructure Shares and Irish Property, which offer a good inflation hedge have had a relatively strong year.

Performance from the more defensive bond components in brown has also been negative. There has been aggressive rate hikes from Central Banks throughout 2022 which has been the largest factor in poor fixed income returns as well as the inflationary environment.

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 fourth quarter of 2022.

Having led us into the inflation spike it is hoped with prompt action the US may be able to lead global inflation downwards again. Is it possible inflation is levelling off in the US (down from 9.1% in June, 8.5% in July to 8.3% in August)? The Federal Reserve is still aspiring to engineer a soft landing by slowing down the economy without cutting growth. At the end of the quarter US Federal policymakers committed to bring inflation down to 2% and "keep at it until the job is done". So even after September's 0.75% rate hike, the 10-year Treasury yield is over 3% higher than at the start of the year, we may still see more rate hiking particularly focussed on curtailing the "stickier" price rises in core items such as rents, services and medical bills. Again, we would stress that markets are forward looking, much of this may already be priced in and markets could respond well to the smallest items of good news.

Higher interest rates have strengthened the US Dollar with the currency up 13.9% versus the Euro year to date and this has somewhat protected non-USD investors although it puts pressure on Emerging Market economies who service much of their debt in US Dollars. The slowdown has been more pronounced in China due to their zero tolerance Covid policy and restrictive practices which reduced demand for oil thus allowing prices fall 30% from peak and other commodities have followed suit. So, while in Europe we have our own heavy lifting to do on interest rates some of the upward momentum on prices is already being cut back externally. There is still much pent-up supply and demand post lockdowns, most especially in travel and leisure. Companies are boasting strong balance sheets and leverage is controlled in an environment where banks are tightly regulated.

China by contrast is stimulating the economy and supporting consumers as it continues to reopen after further Covid induced lockdowns. China doesn't have a domestic inflation problem and both manufacturing and shipping are expected to pick up significantly. This will hopefully also help international countries dependent on imports from China, particularly semi-conductors.

As the world comes to grapple with a pivot to interest rates above zero nervousness will persist, but volatility does not necessarily mean drawdowns. It is important to remain diversified across a wide range of asset classes.

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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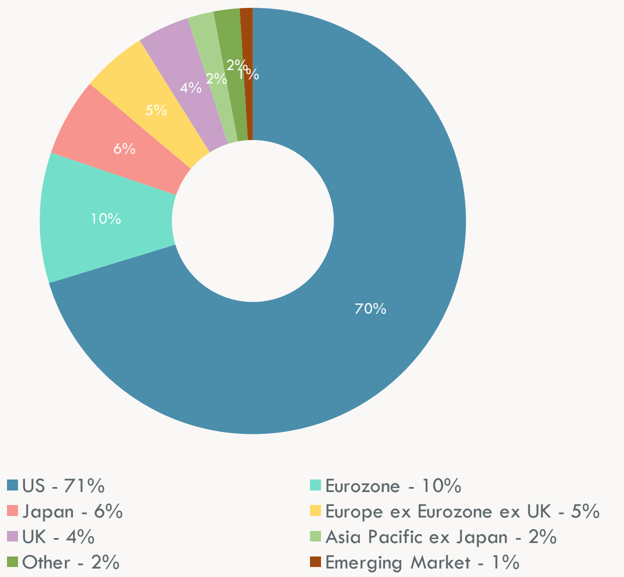
Asset Classes Explained

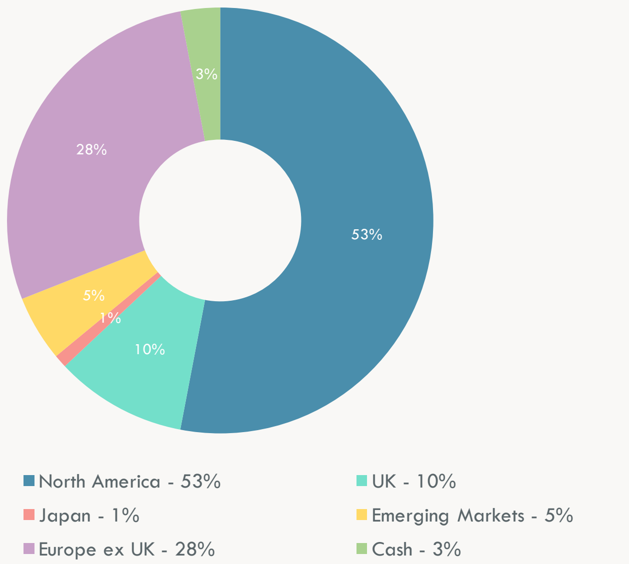
SHARES



ESG GLOBAL SHARES

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

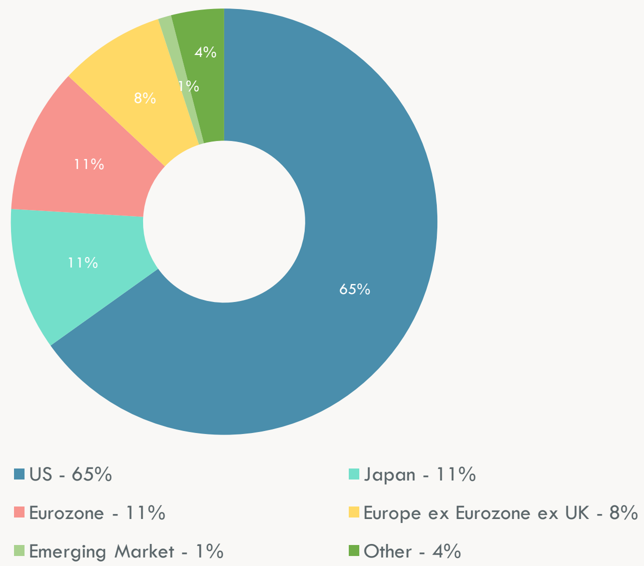
Tracks the performance of a large global share index.



ACTIVE GLOBAL SHARES - Setanta

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

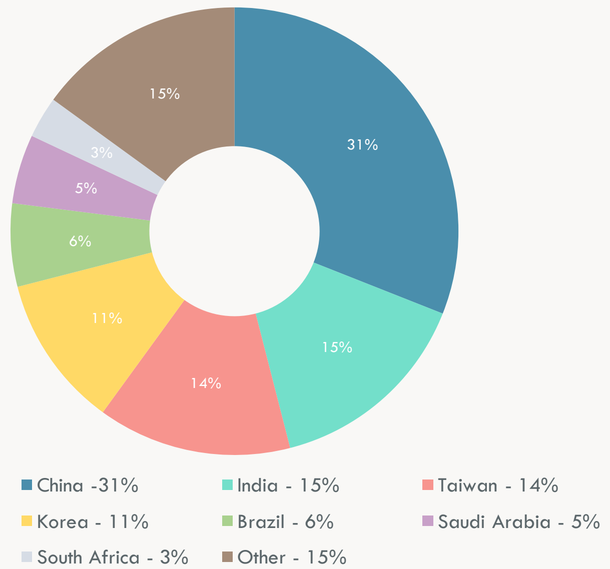
Seeks to outperform the performance of a large global stock index.



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

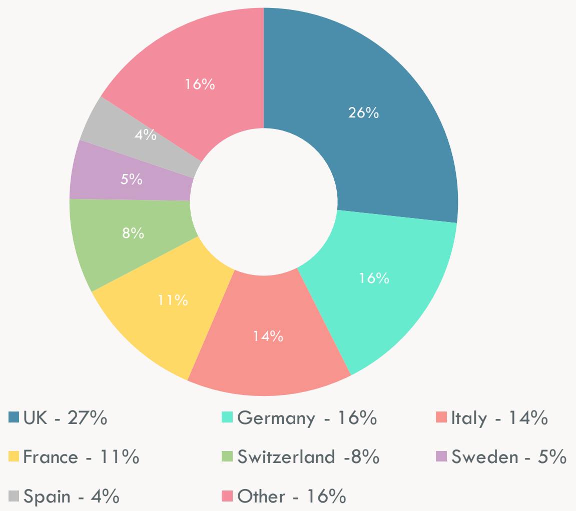
Invests in company shares in countries that have been deemed as “emerging” such as China and Brazil.

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

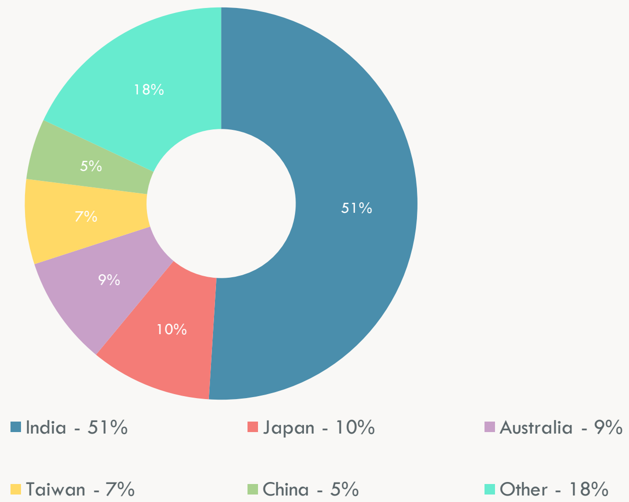
SHARES CONTINUED



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.

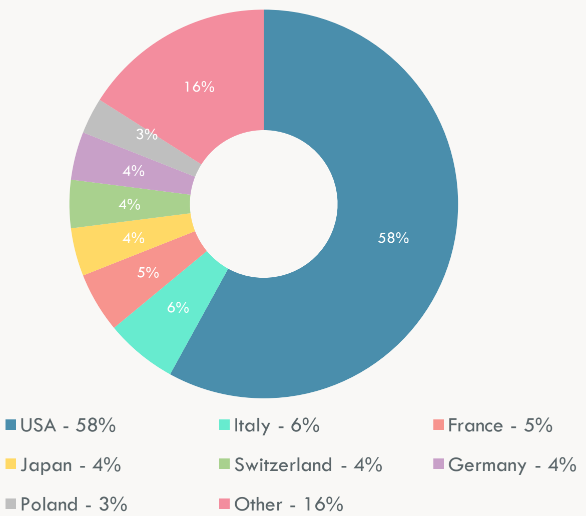
The fund is benchmarked against the FTSE Small Cap Developed Europe index.



ACTIVE ASIA PACIFIC SHARES – Stewart Investors

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

The fund has 41 holdings across the region with an SFDR rating of 9.



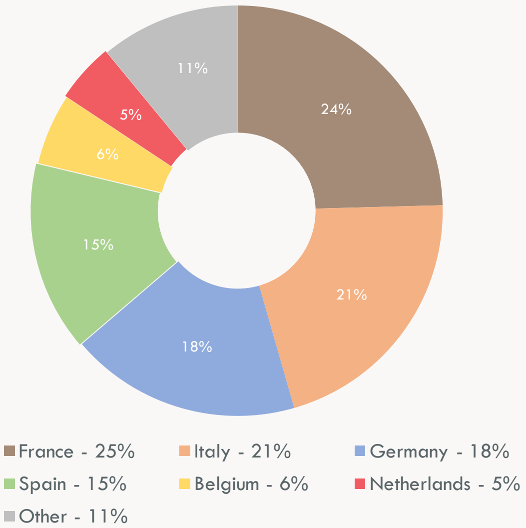
ACTIVE MID CAP SHARES - Abrdn

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



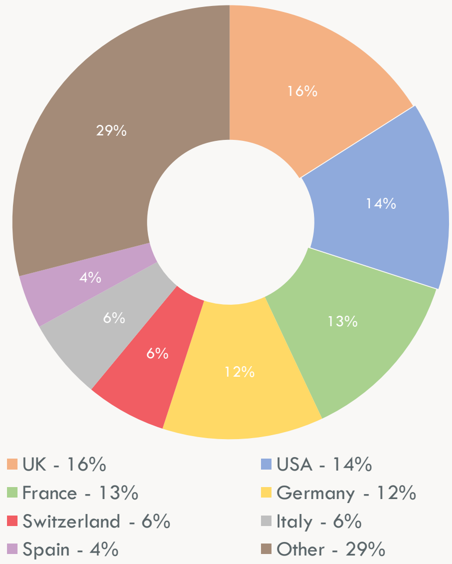
EURO GOVERNMENT BONDS

Yield: **2.69% p.a.**
Duration: **7 years**

Invests in Eurozone government bonds.

A government bond is a loan to a government.

Invests in bonds with fixed repayments.

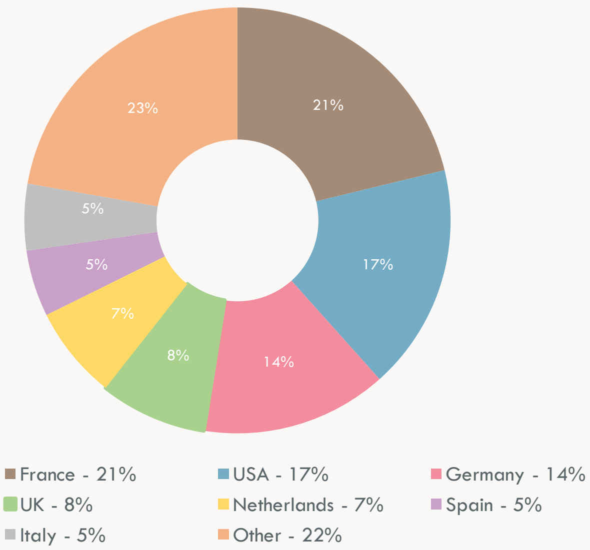


ACTIVE EURO CORPORATE BONDS - BlackRock

Estimated Yield: **+4.4% 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.

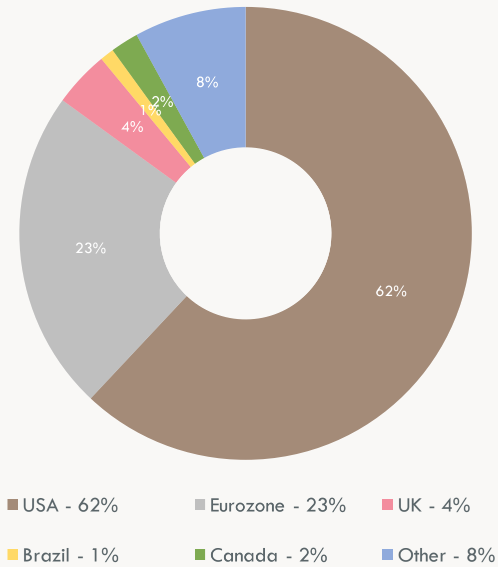


EUROPEAN CORPORATE BONDS

Yield: **+4.0% 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.



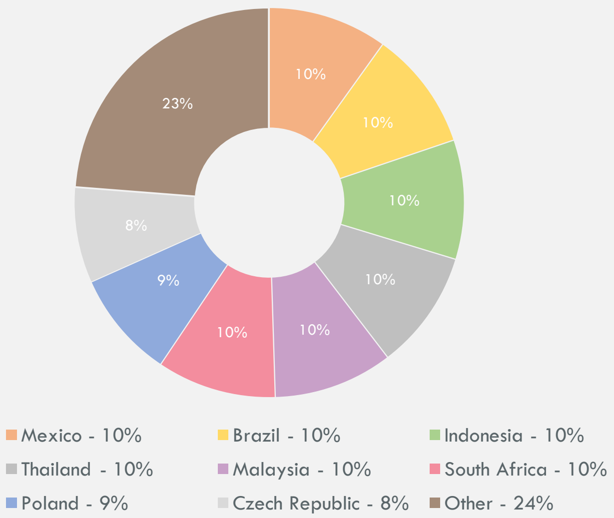
ACTIVE GLOBAL CORPORATE BONDS - PIMCO

Yield: **+4.1% 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



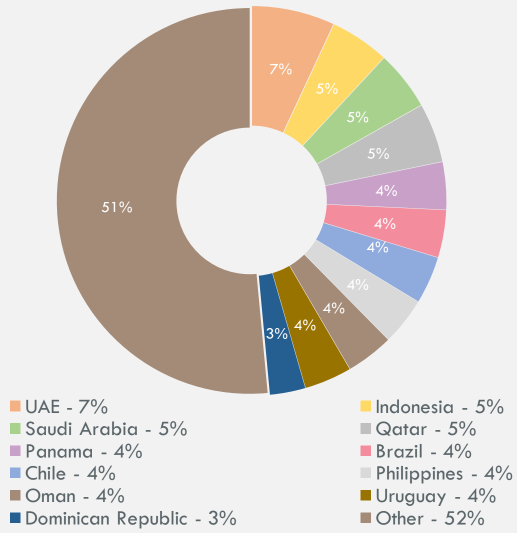
EMERGING MARKET DEBT

LOCAL CURRENCY

Yield: **+7.8% 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

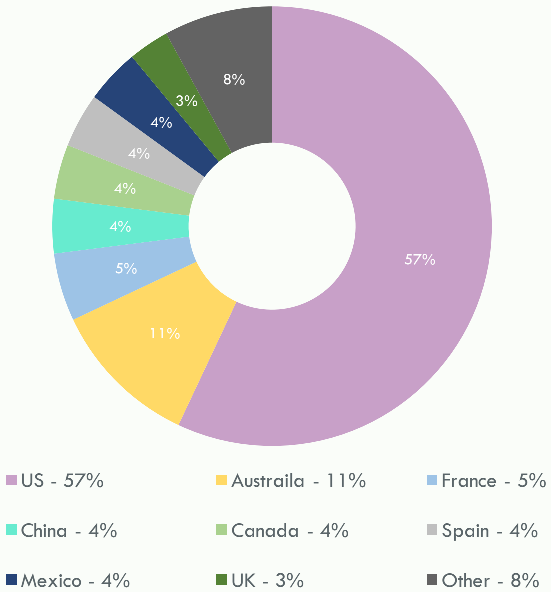
Yield: **+5.1% p.a.**
Duration: **7 years**

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

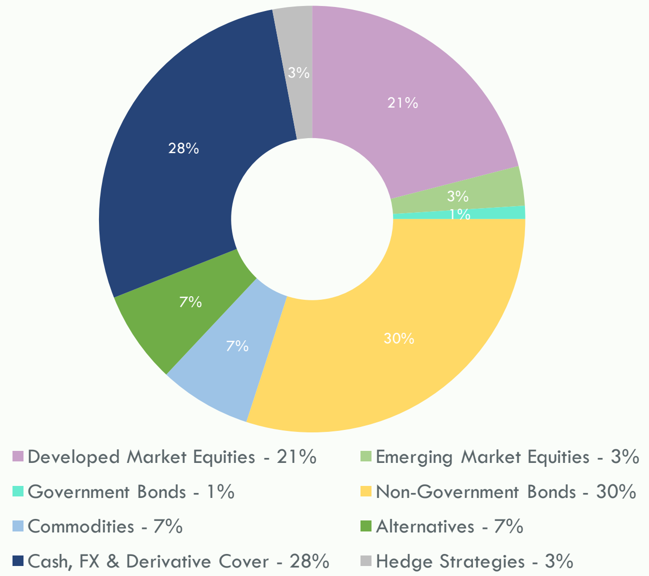
ALTERNATIVES



ACTIVE INFRASTRUCTURE SHARES – First Sentier

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

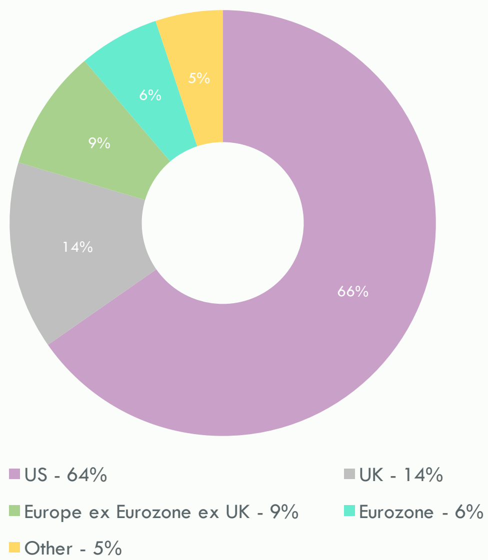
Aims to outperform the performance of a recognised and leading infrastructure shares index.



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.



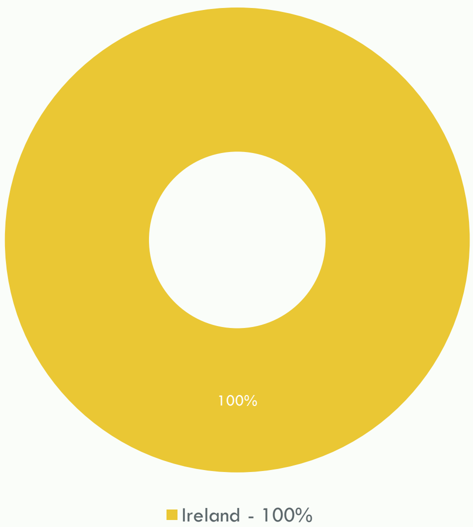
PRIVATE EQUITY

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



IRISH PROPERTY

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.

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

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