Invesco Global Targeted Returns Fund (UK)
October 2018

Covering the month of September 2018

On 28 February 2018, Gwilym Satchell became a fund manager of the Invesco Global Targeted Returns Fund (UK).
The name of this fund changed from Invesco Perpetual Global Targeted Returns Fund on 1 October 2018. The fund objective and strategy remain unchanged.

Fund Managers: Dave Jubb, Richard Batty, David Millar & Gwilym Satchell

Key facts[1]	
Fund launch date	9 September 2013
Fund size	£12,632.56m
Yield (Z Accumulation share class) Historic yield[2]	1.31%
Legal status	UK authorised ICVC
Accounting period ends	31 December 30 June
Available within an ISA?	Yes
Expected fund risk[3]	3.76%
Total independent risk	14.58%

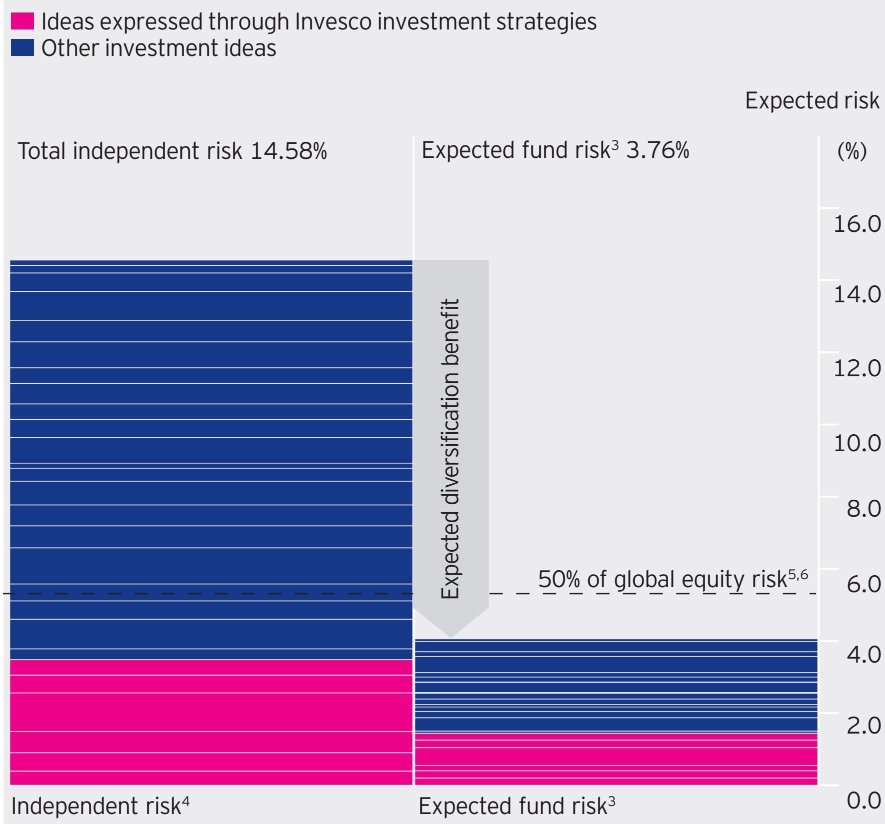
Investment objective
The Invesco Global Targeted Returns Fund (UK) aims to achieve a positive total return in all market conditions over a rolling three-year period.

The fund targets a gross return of 5% per annum above UK 3-month LIBOR and aims to achieve this with less than half the volatility of global equities, over the same rolling three-year period. There is no guarantee that the fund will achieve a positive return or its target and an investor may not get back the full amount invested.

Market commentary
Even though trade tensions between China and the US escalated, global equity markets remained resilient with Japan proving the standout market and US large market capitalisation equities making further progress in what proved to be their best quarterly performance since 2013. There was another swathe of positive US data, which supported the US Federal Reserve's decision to add another quarter point to US interest rates. UK and Eurozone equities ended broadly flat having recovered from a trade war related dip at the beginning of the month. There was also a wobble at month end as the Italian government laid out the potential for fiscal profligacy in its budget, which spooked European markets. Italian government bonds again took centre stage with yields moving sharply higher, however, there was little if any contagion beyond Italian assets. Overall, robust economic data dominated sentiment and developed government bond yields rose across the board. In addition, concerns around emerging markets seemed to dissipate following a tricky August, helped by the US dollar easing against most currencies. Only selected Asian markets went backwards with India in particular weak with the outlook there again hampered by rising crude oil prices.

Fund strategy
During the month, we added a new volatility idea to the fund. Australian and Canadian dollar volatility has remained markedly low, however, we believe the two currencies share some of the drivers of emerging market currency volatility, which is relatively high. Combined with this is the current uncertainty over the policy outlook in both countries. We believe these two factors could increase Australian dollar and Canadian dollar volatility from here. We also removed our 'Currency – Japanese Yen vs Swiss Franc' idea. Despite a supportive valuation case for the idea, we felt the higher perceived risks in Europe could prompt a flight to safety in the form of greater demand for the Swiss franc. Other changes were limited in scope where we altered the weightings of certain ideas in the fund.

Expected diversification from combining investment ideas[1]

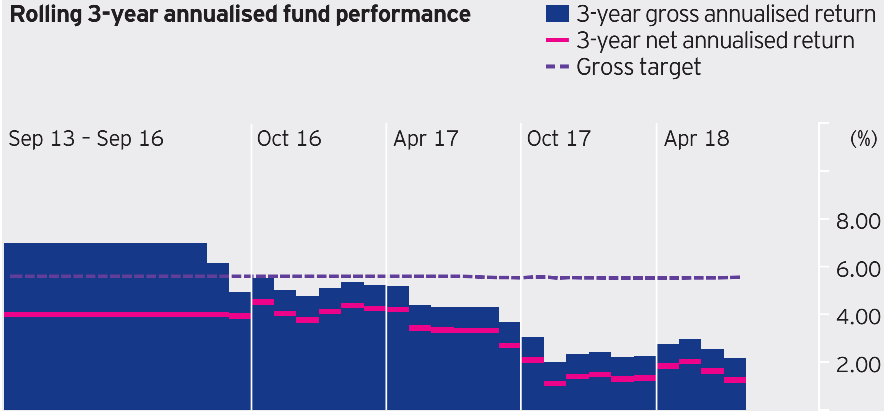


Fund performance

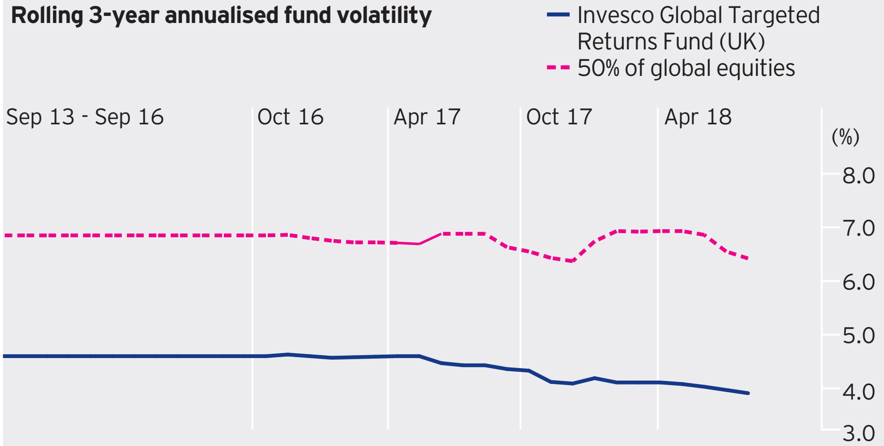
Performance was negative during September. One of the biggest detractors was our currency idea preferring the Japanese yen to the Korean won. The Japanese currency weakened as its monetary policy remained incredibly accommodative despite tweaking its quantitative easing programme in August while the Korean won held steady. However, weakness in the yen also provided a boost to local equity markets as foreign investors showed an increased interest in Japanese equities, making our Japanese equity idea one of the best performing ideas over the month. Another idea to feature negatively was 'Inflation – US vs UK'. Here, August's UK inflation data was higher than expected resulting in higher future inflation expectations in the UK relative to the US. With global interest rates tending to rise over the month, our 'Interest Rates – Leveraged DM' idea, which is implemented to benefit from falling interest rates in a number of developed countries, lost ground, however, this was partially mitigated by the protection we had added to the position. On the upside, the Swedish krona staged a recovery after hitting a nine-year low against the euro with markets ignoring the Riksbank's decision to further push back any interest rates hikes. The election results were inconclusive but the nationalists did not gain as much ground as some had feared, which led the market to react positively. Another positive was the recently added 'Equity - US Large Cap vs Small Cap' idea in the US, where small companies had their worst month since February as trade tensions, seen as relatively beneficial to more domestically focused smaller companies, appeared to cool over the month.

The fund's annualised volatility at the end of September was 3.16% (over the previous three years), which compared to 11.34% for global equities, as measured by the MSCI World index[6].

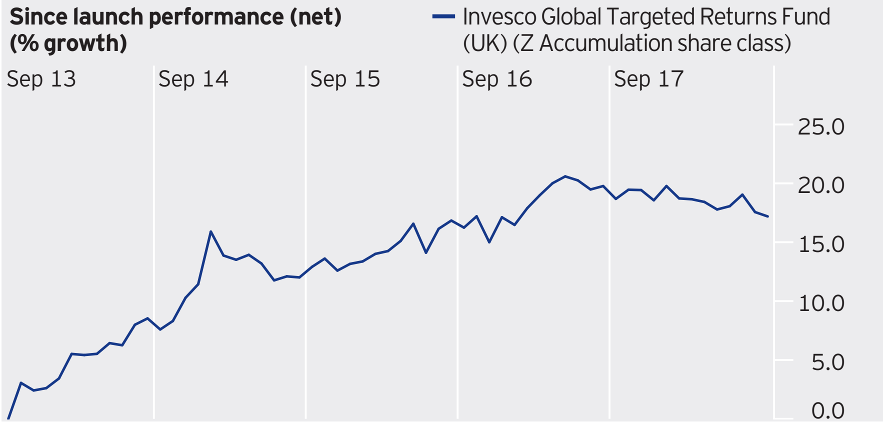
Rolling 3-year annualised fund performance



Rolling 3-year annualised fund volatility



Since launch performance (net) (% growth)



Performance — % growth

	3 months	6 months	1 year	3 years	5 years	5 years ACR*	10 years	10 year ACR*
Fund (Z Accumulation share class)	-0.74	-1.23	-1.26	3.79	17.19	3.22	n/a	n/a

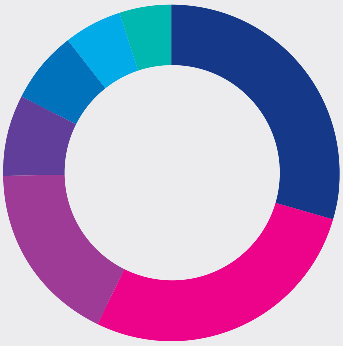
* ACR – Annual Compound Return

Standardised rolling 12-month performance (net) — % growth

	30.09.13 30.09.14	30.09.14 30.09.15	30.09.15 30.09.16	30.09.16 30.09.17	30.09.17 30.09.18
Fund (Z Accumulation share class)	7.59	4.95	2.95	2.10	-1.26

Past performance is not a guide to future returns. Gross fund and target return figures are annualised over three years to 30 September 2018. Source: Invesco. Rolling three year annualised volatility, source: Bloomberg. Net fund performance figures are based on the Z Accumulation share class and are shown in sterling, inclusive of reinvested income and net of the ongoing charge and portfolio transaction costs to 30 September 2018. The standardised past performance information is updated on a quarterly basis. As the fund was launched on 9 September 2013, performance figures are not available for the complete period covered by the table. Source: Lipper. Performance figures for all share classes can be found in the relevant Key Investor Information Document available from our website.

Independent risk breakdown by asset type %[1,4]



Currency	29.71
Equity	27.62
Interest Rates	17.55
Commodity	7.73
Inflation	6.90
Credit	5.58
Volatility	4.90
Total	**100.00**

Independent risk breakdown by region %[1,4]

Europe	14.62
United States	8.57
Mexico	7.05
Japan	5.91
United Kingdom	5.66
South Korea	5.39
Sweden	5.26
Taiwan	5.08
India	5.03
China Offshore	4.66
Australia	4.30
Hong Kong	3.76
Asia	3.03
Poland	2.68
Brazil	2.49
Canada	2.00
France	1.83
Cayman Islands	1.75
Other Countries	10.93
Total	**100.00**

Independent risk and performance contribution breakdown by idea[1]

Idea Name	Independent Risk %[4]	Performance contribution (basis points)[7] Q3	1 year
Commodity - Carry	0.30	-9	-26
Commodity - Short	0.82	3	-5
Credit - Selective Credit	0.39	2	-18
Credit - US High Yield	0.43	-1	-18
Currency - Chile and Mexico vs Australia and New Zealand	0.51	35	101
Currency - Indian Rupee vs Chinese Renminbi	0.47	-5	-38
Currency - Japanese Yen vs Korean Won	1.00	-29	-55
Currency - Japanese Yen vs Swiss Franc[9]	n/a	-18	-1
Currency - Long EM Carry	0.61	-17	-22
Currency - Swedish Krona vs Euro	0.58	10	-62
Currency - US Dollar vs Canadian Dollar[9]	n/a	-2	6
Currency - US Dollar vs Euro	0.66	5	1
Currency - US Dollar vs Taiwan Dollar	0.36	5	36
Equity - Dispersion	0.14	1	-42
Equity - European Divergence	0.51	-9	22
Equity - Global	0.59	-34	-6
Equity - Japan	0.71	38	70
Equity - Selective Asia Exposure	1.07	14	60
Equity - UK	0.49	-10	-18
Equity - US Large Cap vs Small Cap	0.50	12	38
Inflation - Short Europe	0.43	5	-21
Inflation - US vs UK	0.57	-22	8
Interest Rates - Global Yield Curves	0.43	1	-30
Interest Rates - Leveraged DM[9]	0.80	-5	-5
Interest Rates - Selective EM Debt	0.72	30	22
Interest Rates - Yield Compression	0.60	-17	-19
Volatility - Asian Equities vs US Equities	0.51	-17	-55
Volatility - Australian Dollar and Canadian Dollar	0.21	-4	-4
Cash & Residual FX[8]	0.15	2	3
Total	**14.56**	**-39**	

1 All fund portfolio figures within this leaflet are as at 30 September 2018 (Source: Invesco).
2 The Historic Yield reflects distributions declared over the past twelve months as a percentage of the mid-market price of the fund, as at the date shown. It does not include any entry charge and investors may be subject to tax on their distributions.
3 Expected fund 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.
4 Independent risk - the expected volatility of an individual idea as measured by its standard deviation over the last three and a half years.
5 Global 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. This was 11.15% on 30 September 2018.
6 Global equities represented by MSCI World 100% hedged to GBP index, net total return.
7 Performance contribution figures reflect each idea's contribution to the overall performance of the fund's portfolio of ideas. These figures are calculated before taking into account the accrued income of the fund, the ongoing charge and the portfolio transaction costs. Therefore the total performance contribution figures differ from the net fund performance figures shown on the page 2. (Source: POINT Portfolio Returns, Barclays POINT)
8 Residual FX refers to risk arising from unhedged currency exposure rather than an individual investment idea.
9 These ideas contributed to the performance during the quarter to 30 September 2018 and are no longer included in the portfolio.

Contact information

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Investment risks

The value of investments and any income will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the full amount invested.

The fund makes significant use of financial derivatives (complex instruments) which will result in the fund being leveraged and may result in large fluctuations in the value of the fund. Leverage on certain types of transactions including derivatives may impair the fund's liquidity, cause it to liquidate positions at unfavourable times or otherwise cause the fund not to achieve its intended objective. Leverage occurs when the economic exposure created by the use of derivatives is greater than the amount invested resulting in the fund being exposed to a greater loss than the initial investment.

The fund may be exposed to counterparty risk should an entity with which the fund does business become insolvent resulting in financial loss. This counterparty risk is reduced by the Managers, through the use of collateral management.

The securities that the fund invests in may not always make interest and other payments nor is the solvency of the issuers guaranteed. Market conditions, such as a decrease in market liquidity for the securities in which the fund invests, may mean that the fund may not be able to sell those securities at their true value.

These risks increase where the fund invests in high yield or lower credit quality bonds and where we use derivatives.

Changes in interest rates will result in fluctuations in the value of the fund.

Important information

Where individuals or the business have expressed opinions, they are based on current market conditions, they may differ from those of other investment professionals and are subject to change without notice. This document is marketing material and is not intended as a recommendation to invest in any particular asset class, security or strategy. Regulatory requirements that require impartiality of investment/investment strategy recommendations are therefore not applicable nor are any prohibitions to trade before publication. The information provided is for illustrative purposes only, it should not be relied upon as recommendations to buy or sell securities.

The contribution figures are estimates and should be used for indicative purposes only. Data cleansing and retrospective information availability may cause changes.

For the most up to date information on our funds, please refer to the relevant fund and share class-specific Key Investor Information Documents, the Supplementary Information Document, the ICVC ISA Terms and Conditions, the Annual or Interim Reports and the Prospectus, which are available using the contact details shown.

Telephone calls may be recorded.

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