

A pure Eurozone equity strategy, based on fundamental analysis and driven by valuation

Monthly Report October 2021 (covering September)

Fund Facts

| | |
|----------------|--------------|
| A-share ISIN | LU1240328812 |
| Bloomberg | INVEAAE LX |
| Domicile | Luxembourg |
| AuM | 1.08bn EUR |
| Launch A Share | 02 Oct 2015 |

Fund Managers:

Steve Smith and Oliver Collin

Reference Index:

MSCI EMU Index-NR (EUR)

Fund Characteristics

| | 3Y | 5Y |
|---------------------|-------|-------|
| Alpha (statistical) | -4.06 | -2.68 |
| Batting Average | 44.44 | 48.33 |
| Gain/Loss Ratio | 1.30 | 1.46 |
| Information Ratio | -0.41 | -0.24 |
| Sharpe Ratio | 0.21 | 0.38 |
| Tracking Error | 7.31 | 6.27 |

(Annualised Data)

Awards & Gradings



Morningstar Rating 30.09.21

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Fund Performance

From a top-down perspective, we saw reversal of the trend from the month before as most factors exhibited negative returns with Value outperforming Growth. Rate sensitive areas of markets such as Low Vol and Quality also underperformed. This was beneficial for the fund on a relative basis given its heavy Value tilt.

From a sector perspective, financials and energy were the best performing areas for the fund. Within financials, banks drove the bulk of outperformance, supported by a sharp rise in Bund yields. Meanwhile, it comes as no surprise that energy stocks outperformed as oil and gas prices were pushed higher by global shortages.

At the other end, most of the negative attribution was driven by industrials where Metso Outotec was the main detractor.

Fund Positioning

Our valuation discipline has resulted in our fund being exposed to short duration or cyclical stocks, which we believe are well positioned in the more inflationary backdrop that we expect. We continue to hold some more defensive sectors such as pharmaceuticals, telecoms, food retail and have added to utilities, thereby keeping the overall balance stable. Given the bifurcation of the market, our target is around 50% factor risk and 50% stock specific risk, meanwhile, ensuring we retain active share.

In terms of sector positioning, financials, communication services, energy and utilities were the largest active overweight sectors. Meanwhile, consumer discretionary remains by some degree the greatest underweight area, followed by information technology, consumer staples and real estate.

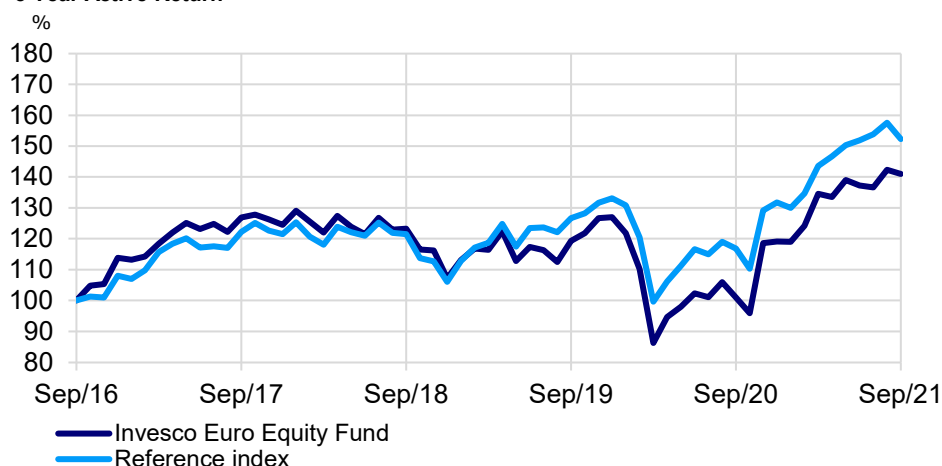
Outlook

We maintain our belief that mid-term inflation will be sustained at above central bank targets, albeit not rampant. From a portfolio construction perspective, equities are owned to protect you from inflation. However, the portfolio that has outperformed over the last decade and more has been one that has benefited primarily from a lack of inflation, depressing discount rates. As we move into a new regime this type of portfolio is unlikely to do so well. Meanwhile, there are some key themes emerging that should drive structural change and growth across the region for many years to come: climate change, digitalisation, and social inequality.

From a top-down perspective, the types of companies that benefit from nominal growth are short duration equities and these are the cheapest parts of the market and where the fund is tilted to. In addition, from a bottom-up perspective it's the same sectors and companies that will be a direct beneficiary of the political shifts we have mentioned. The environmental agenda is pro-investment, pro cyclical.

Performance (EUR) ^{1, 2}

5 Year Active Return



| Cumulative | YTD | 1M | 1Y | 3Y | 5Y |
|------------------------|-------|-------|-------|--------|--------|
| Fund (A-shares) | 18.38 | -0.95 | 39.66 | 14.43 | 41.03 |
| Reference Index | 15.63 | -3.37 | 30.35 | 25.33 | 52.33 |
| Active return vs index | 2.75 | 2.42 | 9.31 | -10.90 | -11.30 |

| Calendar Year | 2016 | 2017 | 2018 | 2019 | 2020 |
|-----------------|------|-------|--------|-------|-------|
| Fund (A-shares) | 6.76 | 9.33 | -13.84 | 18.42 | -6.18 |
| Reference Index | 4.37 | 12.49 | -12.71 | 25.47 | -1.02 |

| Rolling 12 Months | 30.09.17 | 30.09.18 | 30.09.19 | 30.09.20 | 30.09.21 |
|-------------------|----------|----------|----------|----------|----------|
| | 30.09.17 | 30.09.18 | 30.09.19 | 30.09.20 | 30.09.21 |
| Fund (A-shares) | 26.88 | -2.86 | -3.16 | -15.39 | 39.66 |
| Reference Index | 22.19 | -0.53 | 4.23 | -7.76 | 30.35 |

Source fund/sector: Morningstar as of 30 September 2021

Source index: Factset as at 30 September 2021, on a total return basis in EUR

¹Fund returns are inclusive of gross income re-invested and net of the ongoing charge and portfolio transaction costs, cumulative, in fund currency. The figures do not reflect the entry charge payable by individual investors. **Past performance is not an indication of future performance, provides no guarantee for the future and is not constant over time.** Investors must be aware that their investment may be subject to the risk of adverse foreign exchange rate movements. Depending on individual circumstances, this may affect investment returns. The benchmark index is shown for performance comparison purposes only. The fund does not track the index.

²The data, including the performance figures, shown relates to the Invesco Actions Euro Fund (French SICAV), which was merged into the Invesco Euro Equity Fund (Luxembourg SICAV) on 2 October 2015.

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