Invesco Pan European Equity Fund

Monthly Report July 2024 (covering June)

Fund manager(s)

John Surplice
Fund Manager

Tim Marshall
Fund Manager

James Rutland
Fund Manager

Investment Risks

For complete information on risks, refer to the legal documents.
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.

Summary of fund objective

The Fund is actively managed.The Fund aims to provide long-term capital growth by investing in a portfolio of equity or equity related instruments of European companies with an emphasis on larger companies. The investment concerns the acquisition of units in a fund and not in a given underlying asset.

Fund Performance

The fund posted returns behind the benchmark over June as market leadership was concentrated amongst key index heavyweights once more. At a sector level, the most notable drag was industrials followed by technology and then materials. Small relative bright notes were communication services and consumer discretionary sector exposures. From a country point of view, our overweight exposure to France proved detrimental to relative returns as French equities suffered amid the political noise. At the stock level, three of the worst four relative performers were stocks we do not own – ASML, Novo-Nordisk and SAP, as a return to market leadership from index heavyweights characterised the month of June. Vestas, the Danish wind turbine maker, saw its share price fall after a broker downgrade. Airbus slumped after a profit warning during June, as lower earnings and aircraft delivery targets were the result of supply chain issues. Carrefour shares struggled as news emerged that the French finance ministry is seeking to fine the French supermarket over the way it is managing its franchise network, while other French exposures including Veolia, Axa, Engie and TotalEnergies were hampered by French political noise. French defence name Thales, which has been a strong performer of late, suffered from some profit taking ahead of Swiss-hosted Ukraine peace summit. More positively, shares in Deutsche Telekom added to relative returns as trade union agreement resulted in lower labour costs than anticipated and an accretive deal executed in the US were positive for the share price. French luxury name Kering shares were up on the back of a broker upgrade citing signs of better brand heat at the firms Gucci label, while shares in pharmaceutical firms AstraZeneca and Roche, along with UK utility SSE were also a source of good relative returns during June.

Fund Positioning

We remain well diversified across a broad range of sectors and continue to believe in the long-term market-wide themes such as decarbonisation, digitalisation and the improvement of the efficiency and security of supply. For cyclical exposure, we are selectively invested in areas where valuations still suggest a recessionary scenario and the opportunity ahead has been overlooked by the markets such as in chemicals, and areas of basic materials such as paper and packaging. Within technology, we believe the opportunity is particularly interesting in the analogue space and expect the semiconductor cycle here to turn in the second half of the year so have exposure selectively. Consumer discretionary is more difficult given valuations and also the risk of a weaker Chinese consumer but again we have selectively built positions in names where there is an idiosyncratic transition thesis, and the valuation looks attractive. We also have some selective exposure to autos which are cheap and returning significant capital to shareholders. We remain positive on the banks which are broadly exercising large buybacks but we are also now invested in those which we believe have good sustainability of earnings even in a world where interest rates normalise. To provide some defensive balance to the portfolio, we also have significant exposure to utilities where we again believe in the sustainability of earnings (despite the power price backdrop), pharmaceuticals (where there is the combination of returning capital and R&D), telecoms as well as food retail. The team's over-arching approach is one of a balanced portfolio where each individual holding has the potential for tangible, positive change and a supportive valuation.

Outlook

European equity markets have made good upward progress so far this year, despite the recent French politics induced volatility. However, this positive market performance has been driven by a highly concentrated basket of mega cap stocks, themselves spurred on by momentum. We believe that an improving macroeconomic backdrop and normalising interest rates will support a broadening out of the market performance which is also why we are optimistic for our fundamental stock-picking approach as we go into the second half of 2024 - investing in companies that are undergoing positive change that have been overlooked by the markets. Looking at the current macroeconomic picture in more detail, PMI data is turning a corner, and we believe this will drive earnings. We see a pickup in real wage growth which is supportive of consumption and therefore another tailwind (when consumers spend, so corporates gain confidence and invest). Furthermore, inventory levels appear to have bottomed and so de-stocking has come to an end – another important change in the macroeconomic backdrop. With all of this, GDP estimates look well-supported if not potentially at risk to the upside. This is all at odds with the US economy where PMIs and GDP is slowing, and the consumer is squeezed. Relatively speaking, and for the first time in a long time, the economic gap between the US and Europe appears to be narrowing and it is this directional change that makes us believe that the valuation gap between the two is too wide. We believe that we are at the beginning of a new economic cycle in Europe and that suggests some very interesting opportunities for investors.

Fund Facts

Z-share ISIN	LU1625225310
Bloomberg	INVPEZA LX
Domicile	Luxembourg
AuM	1.38bn EUR
Launch Date	02 Jan 1991
Reference Index**	MSCI Europe Index (Net Total Return)
Fund Managers***	John Surplice, Tim Marshall and James Rutland

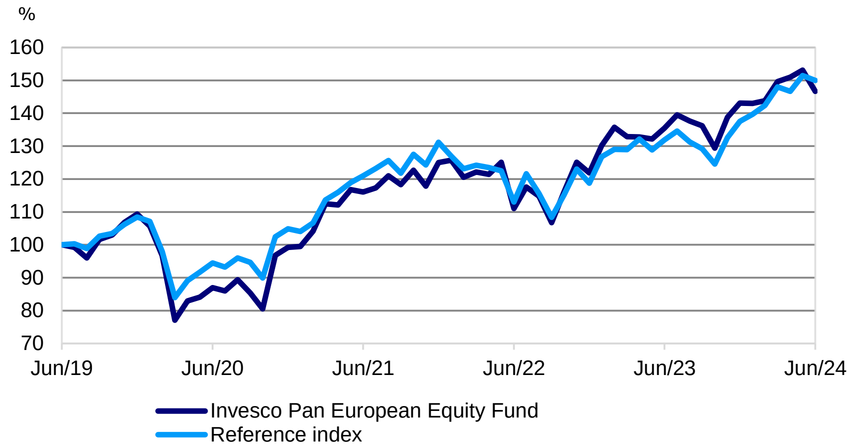
** The benchmark index is shown for performance comparison purposes only. The fund does not track the index.

*** John Surplice since July 2003 and Tim Marshall since June 2020

Past performance does not predict future returns.

Performance (EUR) [1]

5 Year Active Return



Cumulative	YTD	YTQ	1M	1Y	3Y	5Y
Fund (Z-shares)	2.53	2.53	-4.18	8.31	26.45	46.69
Reference Index	9.05	9.05	-0.98	13.68	24.02	49.97
Active return	-6.52	-6.52	-3.20	-5.37	2.43	-3.28

Calendar Year	2019	2020	2021	2022	2023
Fund (Z-shares)	18.88	-9.26	26.04	-2.48	17.37
Reference Index	26.05	-3.32	25.13	-9.49	15.83

Rolling 12 Months	30.06.14	30.06.15	30.06.16	30.06.17	30.06.18
	30.06.15	30.06.16	30.06.17	30.06.18	30.06.19
Fund (Z-shares)	16.60	-22.76	26.46	4.81	-7.46
Reference Index	13.48	-10.96	17.96	2.85	4.46
Peer Group	12.15	-14.38	21.34	1.14	-1.79

	30.06.19	30.06.20	30.06.21	30.06.22	30.06.23
	30.06.20	30.06.21	30.06.22	30.06.23	30.06.24
Fund (Z-shares)	-13.02	33.37	-4.27	21.95	8.31
Reference Index	-5.48	27.94	-6.54	16.72	13.68
Peer Group	-11.76	30.90	-7.32	14.98	12.18

Source fund/sector: Morningstar as of 30 June 2024

Source index: RIMES as at 30 June 2024, on a total return basis in EUR

Peer Group: Morningstar Category EAA Fund Europe Large-Cap Value Equity

Fund Characteristics

(Annualised Data)

	3Y	5Y
Alpha (statistical)	0.83	-1.48
Batting Average	55.56	56.67
Gain/Loss Ratio	1.56	1.49
Information Ratio	0.10	-0.06
Sharpe Ratio	0.43	0.37
Tracking Error	6.28	7.03

Awards & Gradings

★★★

Morningstar Rating 30.06.24

Any reference to a ranking, a rating or an award provides no guarantee for future performance results and is not constant over time.

[1] Fund 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. Returns may increase or decrease as a result of currency fluctuations.

Important Information

This marketing communication is exclusively for use by professional investors in Continental Europe as defined below, Qualified Clients/Sophisticated Investors in Israel and Professional Clients in Dubai, Guernsey, Isle of Man and the UK. This communication may also be used by financial intermediaries in the United States as defined below. It is not intended for and should not be distributed to the public.

For the distribution of this communication, Continental Europe is defined as Austria, Belgium, Finland, France, Germany, Greece, Italy, Liechtenstein, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden and Switzerland

Data as at 30.06.2024, unless otherwise stated. By accepting this material, you consent to communicate with us in English, unless you inform us otherwise. This is marketing material and not financial advice. It is not intended as a recommendation to buy or sell 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. Views and opinions are based on current market conditions and are subject to change. For information on our funds and the relevant risks, refer to the Key Information Documents/Key Investor Information Documents (local languages) and Prospectus (English, French, German, Spanish, Italian), and the financial reports, available from www.invesco.eu. A summary of investor rights is available in English from www.invescomanagementcompany.lu. The management company may terminate marketing arrangements. Not all share classes of this fund may be available for public sale in all jurisdictions and not all share classes are the same nor do they necessarily suit every investor.

Issued by Invesco Management S.A., President Building, 37A Avenue JF Kennedy, L-1855 Luxembourg, regulated by the Commission de Surveillance du Secteur Financier, Luxembourg.

Dubai: Invesco Asset Management Limited, Index Tower Level 6 - Unit 616, P.O. Box 506599, Al Mustaqbal Street, DIFC, Dubai, United Arab Emirates. Regulated by the Dubai Financial Services Authority. Guernsey: The fund can only be promoted to Professional Clients. Israel: Issued by Invesco Asset Management Limited, Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire RG9 1HH, UK. Authorised and regulated by the Financial Conduct Authority. No action has been taken or will be taken in Israel that would permit a public offering of the Fund or distribution of this document to the public. This Fund has not been approved by the Israel Securities Authority (the ISA). The Fund shall only be sold in Israel to an investor of the type listed in the First Schedule to the Israeli Securities Law, 1968, who in each case have provided written confirmation that they qualify as Sophisticated Investors, and that they are aware of the consequences of such designation and agree thereto and further that the Fund is being purchased for its own account and not for the purpose of re-sale or distribution, other than, in the case of an offeree which is an Sophisticated Investor, where such offeree is purchasing product for another party which is an Sophisticated Investor. This document may not be reproduced or used for any other purpose, nor be furnished to any other person other than those to whom copies have been sent. Nothing in this document should be considered investment advice or investment marketing as defined in the Regulation of Investment Advice, Investment Marketing and Portfolio Management Law, 1995 (“the Investment Advice Law”). Neither Invesco Ltd. nor its subsidiaries are licensed under the Investment Advice Law, nor does it carry the insurance as required of a licensee thereunder. This document does not constitute an offer to sell or solicitation of an offer to buy any securities or fund units other than the fund offered hereby, nor does it constitute an offer to sell to or solicitation of an offer to buy from any person in any state or other jurisdiction in which such offer or solicitation would be unlawful, or in which the person making such offer or solicitation is not qualified to do so, or to a person to whom it is unlawful to make such offer or solicitation. Switzerland: Issued by Invesco Asset Management (Schweiz) AG, Talacker 34, CH-8001 Zurich, who acts as representative for the funds distributed in Switzerland. Paying agent in Switzerland: BNP PARIBAS, Paris, Zurich Branch, Selnaustrasse 16 8002 Zürich. The Prospectus, Key Information Document, and financial reports may be obtained free of charge from the Representative. The funds are domiciled in Luxembourg. Liechtenstein: Paying agent in Liechtenstein is LGT Bank AG, Herrengasse 12, FL-9490 Vaduz, Principality of Liechtenstein. Additional information for financial intermediaries in the United States: This document is intended for distribution to US financial intermediaries for informational purposes and in relation to their activities with offshore clients only. The Funds are not registered under any US securities law, and may not be offered or sold directly or indirectly in the US, its territories or possessions, nor to any US persons, citizens or residents. The Fund must not be marketed on US soil. Issued in the US by Invesco Distributors, Inc., 11 Greenway Plaza, Suite 1000, Houston, Texas 77046, USA. Invesco Distributors, Inc. is the appointed US sub-distributor of the Invesco Funds SICAV. All entities are indirect, wholly owned subsidiaries of Invesco Ltd..

EMEA 3707435