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**Invesco Funds**

2-4 Rue Eugène Ruppert, L-2453 Luxembourg  
Luxembourg

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[www.invesco.com](http://www.invesco.com)

7 October 2022

## Shareholder circular

**IMPORTANT: This circular is important and requires your immediate attention. If you are in any doubt as to the action you should take you should seek advice from your professional adviser/consultant.**

Unless otherwise defined, all capitalised terms used herein bear the same meaning as defined in the prospectus (including the Supplement – Additional Information for Hong Kong Investors (“Hong Kong Supplement”)) of Invesco Funds (the “SICAV”) and Appendix A (together the “Prospectus”).

### **About the information in this circular:**

The directors of the SICAV (the “Directors”) and the management company of the SICAV (the “Management Company”) are the persons responsible for the accuracy of the information contained in this letter. To the best of the knowledge and belief of the Directors and the Management Company (having taken all reasonable care to ensure that such is the case), the information contained in this letter is, at the date hereof, in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors and the Management Company accept responsibility accordingly.

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Invesco Funds is regulated by the  
Commission de Surveillance du Secteur Financier  
Directors: Peter Carroll, Timothy Caverly, Andrea Mornato,  
Rene Marston, Fergal Dempsey and Bernhard Langer

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Incorporated in Luxembourg No B-34457  
VAT No. LU21722969

**Dear Shareholder,**

We are writing to you as a Shareholder of the SICAV due to several amendments, as further described below, to be included in the Prospectus dated 7 October 2022. If any of the below mentioned amendments do not suit your investment requirements, you are advised that you may, at any time redeem your shares in the Funds without any redemption charges. Redemptions will be carried out in accordance with the terms of the Prospectus.

Unless otherwise stated below, all costs associated with the proposed below changes will be borne by the Management Company.

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## **A. Changes to the Invesco Pan European Structured Responsible Equity Fund<sup>1</sup>**

It is proposed to proceed with various changes to the Invesco Pan European Structured Responsible Equity Fund as of 7 November 2022 as further described below.

### **A1. Change of the investment objective and policy of the Invesco Pan European Structured Responsible Equity Fund**

Effective from 7 November 2022, the Directors have decided to reposition the investment objective and policy of the Invesco Pan European Structured Responsible Equity Fund as a global social impact fund.

The Directors have decided to change the investment objective and policy of the Invesco Pan European Structured Responsible Equity Fund and to comply with the Article 9 requirements under Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR). To comply with such requirements, the Invesco Pan European Structured Responsible Equity Fund will have sustainable investment as its objective which will be to generate positive social impact by contributing positively to selected United Nations Sustainable Development Goals (SDGs) that relate to social issues.

As of today, the Invesco Pan European Structured Responsible Equity Fund is an Article 8 product under SFDR and the Directors believe that re-positioning the product as an Article 9 product under SFDR with a social focus should allow the Invesco Pan European Structured Responsible Equity Fund to compete more effectively in a growing and promising market segment.

The investment objective and policy of the Invesco Pan European Structured Responsible Equity Fund will be amended as further described below:

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<sup>1</sup> This Fund is not authorised by the SFC and therefore is not available for sale to the public in Hong Kong.

Current investment objective and policy and use of financial derivative instruments	New investment objective and policy and use of financial derivative instruments as of 07.11.2022
<p>The Fund aims to achieve long-term capital growth integrating an Environmental, Social and Governance (ESG) approach with a particular focus on environmental criteria.</p> <p>The Fund seeks to achieve its objective by investing primarily in equity and equity related securities of companies which meet the Fund’s ESG criteria and with their registered office in a European country or exercising their business activities predominantly in European countries which are listed on recognised European stock exchanges.</p> <p>The stock selection follows a highly structured and clearly defined investment process. Quantitative indicators that are available for each stock in the investment universe are analysed and used by the Investment Manager to evaluate the relative attractiveness of each stock. The portfolio is constructed using an optimisation process that takes into account the calculated expected returns of each stock as well as risk control parameters.</p> <p>The Fund’s ESG criteria will be reviewed and applied on an ongoing basis by the Investment Manager, with a particular focus on environmental issues. ESG criteria will be integrated as part of the quantitative investment process for stock selection and portfolio construction. Screening will be employed to exclude companies and/or issuers that do not meet the Fund’s criteria, including but not limited to level of involvement in certain environmental issues such as coal, fossil fuels and nuclear energy, as well as in tobacco and weapons.</p> <p>The Investment Manager will also use screening to identify issuers with sufficient practice and standards in terms of energy transition for inclusion in the Fund’s universe, as measured by their ratings relative to their peers.</p> <p>It is expected that the size of the investment universe of the Fund will be reduced by about 30% to 40% in terms of number of issuers after the application of the above ESG screening.</p> <p>Up to 30% of the NAV of the Fund may be invested in aggregate in cash and cash equivalents, Money Market Instruments and other Transferable Securities, which will also meet the Fund’s ESG criteria.</p> <p>For more information on the Fund’s ESG policy, criteria and potential investments in sustainable activities, please refer to the Website of the Management Company.</p>	<p>The Fund aims to generate positive social impact, as further detailed below, as well as to achieve long-term capital growth.</p> <p>The Fund integrates an environmental, social and governance (ESG) approach with a particular thematic focus on social objectives.</p> <p>The Fund seeks to achieve its sustainable investment objective by investing primarily in equity and equity related securities of companies worldwide which contribute positively to selected United Nations Sustainable Development Goals (SDGs) that relate to social issues (as more fully described in the Fund’s ESG policy). The Fund will focus on mid and large cap equities.</p> <p>The Fund combines a strict set of social-focused filters with a highly structured and clearly defined investment process to maximize the portfolio allocation to social objectives for impact generation:</p> <ul style="list-style-type: none"> <li>- Proprietary and third-party screening is employed to exclude companies with significant exposure to controversial activities either deemed non-social or not contributing to sustainability. In addition, Natural Language Process (NLP) algorithms (as more fully described in the Fund’s ESG policy) are used to remove companies with severe social controversies in a wide range of fields from the investment universe. Further ESG filters are applied to ensure that a company fulfils internally defined ESG criteria, thus excluding companies through screening (as outlined below and more fully described in the Fund’s ESG policy). The ESG criteria are applied and reviewed on an ongoing basis by the Investment Manager. These binding criteria are integrated as part of the quantitative investment process for stock selection and portfolio construction.</li> <li>- Within the resulting investment universe, the Investment Manager runs an optimization process to maximize the revenues from social goods and services, selecting those companies with the highest proportion of revenues derived from activities that have a positive impact on social SDGs as well as those with strong activity scores on the environmental and social measures relevant to the target objective for its industry sector.</li> <li>- In the final step of creating the portfolio, the Investment Manager finalises the allocation, controlling for factor criteria such as the quality,</li> </ul>

The Fund may enter into financial derivative instruments for efficient portfolio management and hedging purposes only.

The financial derivative instruments used for efficient portfolio management and hedging purposes may not meet the Fund's ESG criteria.

momentum and value of a company as well as addressing liquidity and diversification constraints to limit the exposure to a single issuer and ensure ample liquidity in the Fund.

In order to ensure that the investments of the Fund do not significantly harm other environmental and social objectives, the Fund will employ screening to exclude issuers that do not meet the Fund's criteria on a range of other environmental and social metrics, including but not limited to the principal adverse impacts required to be considered pursuant to the applicable EU regulation. As such, screening will be employed to exclude securities issued by issuers which derive or generate a pre-determined level of revenue or turnover from activities such as (but not limited to) fossil fuel industries, activities related to coal or nuclear power, extraction of tar sands and oil shale, fracking or arctic drilling activities, production of restricted chemicals, activities endangering biodiversity, activities generating pollution, or involved in controversies related to the prevention and management of pollution or controversies in the field of protecting water resources or controversies in the field of community involvement. All issuers considered for investment will be screened for compliance with, and excluded if they do not meet, UN Global Compact principles.

Additional exclusions will also apply such as, but not limited to, securities issued by issuers which derive or generate a pre-determined level of revenue or turnover from activities manufacturing or sale of conventional weapons, production and distribution of tobacco.

The above exclusion criteria may be updated from time to time.

Issuers are assessed on a range of good governance principles which may vary, for example due to differing business profiles or operating jurisdictions. The Investment Manager assesses issuers for good governance practices using both qualitative and quantitative measures, with appropriate action taken where material concerns around governance exist.

Up to 30% of the NAV of the Fund may be invested in aggregate in Money Market Instruments and money market funds, which may not be aligned with the Fund's sustainable investment objective.

For more information on the Fund's ESG policy, please refer to the Website of the Management Company: [Literature - Invesco \(invescomanagementcompany.lu\)](https://www.invesco.com/management-company). Please also refer to Section named "General information in relation to the Funds" and in particular the "Funds categorisation under SFDR".

The costs associated with any rebalancing of the underlying investments of the portfolio are reasonably estimated at 20 basis points (“bps”) in terms of NAV of the Invesco Pan European Structured Responsible Equity Fund, based on markets dynamic and portfolio composition as at 19 August 2022. The basis of this estimate is consistent with the methodology utilised by the SICAV in order to mitigate the effect of dilution, as further described under the sub-section named “swing pricing mechanism” in Section 6.2 of the Prospectus. These costs will be borne by the Invesco Pan European Structured Responsible Equity Fund, as it is believed that the repositioning will provide investors with a fund with an improved product positioning and enhanced opportunity to grow assets under management.

The rebalancing will amount to around 85% of the NAV of the Invesco Pan European Structured Responsible Equity Fund. Shareholders should note that while a significant portion of the rebalancing exercise will be completed on the effective date, certain trades may take a number of Business Days to complete. The entire exercise is expected to take up to 5 Business Days. As a result, the repositioned Invesco Pan European Structured Responsible Equity Fund might not comply entirely with its new investment objective and policy up to 14 November 2022. While it is expected that the entire process can be completed within 5 Business Days, it is possible that certain unforeseen events, such as a lack of market liquidity may impact the said timeline. However it is expected that any proportion not completed within 5 Business Days will be immaterial.

## **A2. Change of name of the Invesco Pan European Structured Responsible Equity Fund**

From 7 November 2022, please note that the Invesco Pan European Structured Responsible Equity Fund will be renamed the **Invesco Social Progress Fund** in order to reflect the updated investment objective and policy.

## **A3. Reduction of the management fees of the Invesco Pan European Structured Responsible Equity Fund**

From 7 November 2022, the management fee of the Invesco Pan European Structured Responsible Equity Fund will be reduced as follows to be aligned with the other “Theme Funds” in the SICAV range:

<b>Share class</b>	<b>Existing Management Fee</b>	<b>New Management Fee</b>
A	1.30%	1.00%
B	1.30%	1.00%
C	0.80%	0.60%
E	2.25%	1.50%
J	1.30%	1.00%
P/ PI	0.65% (max)	0.50% (max)
R	1.30%	1.00%
S	0.65%	0.50%
T	0.65% (max)	0.50% (max)
Z	0.65%	0.50%

For the avoidance of doubt, there is no change to the management fee in respect of “I” Share classes, as they do not bear any management fee.

#### **A4. Change of the method of calculation of the global exposure of the Invesco Pan European Structured Responsible Equity Fund**

From 7 November 2022, the methodology used to calculate the global exposure of Invesco Pan European Structured Responsible Equity Fund will be amended from relative Value at Risk (VaR) to commitment approach. Following the assessment on the complexity of the Invesco Pan European Structured Responsible Equity Fund's investment strategy and its potential exposure to derivative instruments, it is considered that the commitment approach is suitable to adequately capture the market risk of the Invesco Pan European Structured Responsible Equity Fund.

##### **Do any of the above amendments not suit your investment requirements?**

In addition to the ability to redeem free of charge as disclosed above, you may also avail of a switch out of the Invesco Pan European Structured Responsible Equity Fund, provided such requests are received at any time prior to 7 November 2022, into another Fund in the SICAV (subject to minimum investment amounts as set out in the Prospectus and authorisation of the particular Fund for sale in your relevant jurisdiction). The switch will be carried out in accordance with the terms of the Prospectus, but no switching fee will be imposed on any such switch. Before taking any decision to invest in another Fund, you must first refer to the Prospectus and the risks involved in relation to the same.

Kindly note that the Invesco Pan European Structured Responsible Equity Fund has been closed to new subscriptions from 14 September 2022 and will re-open on 7 November 2022 when the changes above will be effective. As an existing Shareholder of the Invesco Pan European Structured Responsible Equity Fund, this fund's closing has no impact on your ability to make further subscriptions in the fund nor on your redemption rights.

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#### **B. Change of the investment policy (flexibility to invest in distressed securities) for various Funds**

From 7 November 2022 and for more flexibility, the Funds listed below will be enabled to invest up to 10% of their NAV in securities which are either in default or deemed to be at high risk of default as determined by the SICAV ("Distressed Securities"):

- Invesco Belt and Road Debt Fund<sup>2</sup>
- Invesco Sustainable China Bond Fund
- Invesco Asia Asset Allocation Fund
- Invesco Asian Investment Grade Bond Fund

The above changes are not intended to have a material impact on the risk profile of the above Funds. However, the "Distressed Securities risk" will become a relevant risk for the above Funds as from 7 November 2022.

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<sup>2</sup> This Fund is not authorised by the SFC and therefore is not available for sale to the public in Hong Kong.

### C. Reduction of the management fee for Invesco Emerging Market Corporate Bond Fund

From 1 December 2022, the management fee of the Invesco Emerging Market Corporate Bond Fund will be reduced as follows:

Share class	Existing Management Fee	New Management Fee
A	1.50%	1.25%
B	1.50%	1.25%
C	1.00%	0.75%
E	2.00%	1.75%
J	1.50%	1.25%
P/ PI	0.75% (max)	0.62% (max)
R	1.50%	1.25%
S	0.75%	0.62%
T	0.75% (max)	0.62% (max)
Z	0.75%	0.62%

For the avoidance of doubt, there is no change to the management fee in respect of “I” Share classes, as they do not bear any management fee.

### D. Change of the benchmark to calculate the global exposure for the Invesco Global High Yield Short Term Bond Fund<sup>3</sup>

From 1 December 2022, the benchmark used to calculate the global exposure of the Invesco Global High Yield Short Term Bond Fund will change from Bloomberg Global High Yield Corporate 1-5 Year Ba/B Index (Total Return) to **Bloomberg Global High Yield Corporate 1-5 Year Ba/B Index (Total Return) USD Hedged**.

It is believed that this benchmark will better reflect the currency hedging policy undertaken by the Invesco Global High Yield Short Term Bond Fund and will provide a better indicator to calculate the global exposure of the Invesco Global High Yield Short Term Bond Fund using the relative VaR methodology. The currency exposure of the Invesco Global High Yield Short Term Bond Fund is hedged to USD therefore the hedged variant of the benchmark would be more appropriate. The new benchmark will also be used as a comparator for marketing purposes.

<sup>3</sup> This Fund is not authorised by the SFC and therefore is not available for sale to the public in Hong Kong.

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## **E. Change of the benchmark used for comparison purposes only for the Invesco Belt and Road Debt Fund<sup>4</sup> and the Invesco Emerging Market Flexible Bond Fund<sup>5</sup>**

From 1 December 2022 and in light of the cessation of US LIBOR in June 2023, the benchmark used for comparison purposes only will change as follows for the Invesco Belt and Road Debt Fund and Invesco Emerging Market Flexible Bond Fund:

- The Invesco Belt and Road Debt Fund: from 3 Month USD LIBOR to no specific benchmark. The initial benchmark was chosen due to the unavailability of an appropriate market benchmark that represents the investment strategy. Rather than replacing a cash like benchmark with another, which is not representative of the Fund, the Board believe it is more appropriate to proceed with no benchmark for the time being. To the extent that a market benchmark becomes available in the future that Invesco believe is appropriate then it would be considered using it.
- The Invesco Emerging Market Flexible Bond Fund: from 3 Month USD LIBOR to 3 Month US T-Bills as an appropriate benchmark.

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## **F. Update to the expected level of leverage for the Invesco Bond Fund<sup>6</sup> and the Invesco Global Flexible Bond Fund<sup>7</sup>**

Further to the ongoing review of the expected level of leverage of the Funds, kindly note the following updates from 7 November 2022:

- Invesco Bond Fund: the expected level of leverage will be increased from 150% to 600%
- Invesco Global Flexible Bond Fund: the expected level of leverage will be increased from 300% to 900%.

The higher leverage as described above is mainly driven by relative value short term interest rate futures (less than 2 years) and swaps (fixed income instruments with a short duration and used for duration management). The short duration exposure combined with the low volatility of near-term interest rates leads to an extremely low volatility in those instruments and therefore requires large notional positions in order to achieve a meaningful exposure in those markets. Accordingly, high notional leverage is not necessarily representative of economic risk in the Invesco Bond Fund and the Invesco Global Flexible Bond Fund.

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## **G. Update to the investment policy of Invesco Japanese Equity Advantage Fund**

The Investment Manager would like to update the existing ESG exclusion framework applicable to the Invesco Japanese Equity Advantage Fund by adding an exclusion on companies involved in military contracting.

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<sup>4</sup> This Fund is not authorised by the SFC and therefore is not available for sale to the public in Hong Kong.

<sup>5</sup> This Fund is not authorised by the SFC and therefore is not available for sale to the public in Hong Kong.

<sup>6</sup> This Fund is not authorised by the SFC and therefore is not available for sale to the public in Hong Kong.

<sup>7</sup> This Fund is not authorised by the SFC and therefore is not available for sale to the public in Hong Kong.



The ESG policy will be updated accordingly to reflect such additional exclusion to the existing applicable framework which is available on the Management Company's website: Literature - Invesco (invescomanagementcompany.lu)<sup>8</sup>.

This change will not materially impact the risk profile of the Invesco Japanese Equity Advantage Fund.

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## H. Other general and miscellaneous updates

The Prospectus will be updated to reflect other general and miscellaneous updates, which include (but are not limited to) the following:

- addition of risks associated to quantitative models; and
- enhancement of the definition of Money Market Instruments and clarification of certain Funds' exposure to cash, cash equivalents, Money Market Instruments and/or other Transferable Securities.

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## I. Availability of documents and additional information

**For the list of Share classes in each Fund currently offered to the Hong Kong public, please refer to the Hong Kong Supplement and the Product Key Facts Statement of the relevant Funds.**

**Do you require additional information?**

The updated Prospectus and the updated Product Key Facts Statements are available to Hong Kong investors on [www.invesco.com/hk](http://www.invesco.com/hk)<sup>9</sup> since 7 October 2022.

**Do you have any queries in relation to the above?** Or would you like information on other products in the Invesco range of funds that are authorised for sale in your jurisdiction? Please contact Invesco Hong Kong Limited at (+852) 3191 8282.

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<sup>8</sup> The website has not been reviewed by the SFC and may contain information on funds which are not authorised by the SFC.

<sup>9</sup> This website has not been reviewed by the SFC.

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## J. Further information

**The value of investments and the income generated from investment can fluctuate (this may partly be the result of exchange rate fluctuations). Investors may not get back the full amount invested.**

You may contact the SICAV's Hong Kong Sub-Distributor and Representative, Invesco Hong Kong Limited, on telephone number (+852) 3191 8282. Soft copies of the Prospectus, Product Key Facts Statements and financial reports of the SICAV are available on the Hong Kong website [www.invesco.com/hk](http://www.invesco.com/hk)<sup>10</sup>, while printed copies may be obtained free of charge from Invesco Hong Kong Limited registered at 41/F Champion Tower, Three Garden Road, Central, Hong Kong.

Thank you for taking the time to read this communication.

Yours faithfully,



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**By order of the Board of Directors**

Acknowledged by Invesco Management S.A.

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<sup>10</sup> This website has not been reviewed by the SFC.