Applied philosophy
Sector in focus: Media

The media sector has been the strongest performer in the last 12 months. This has pushed both absolute and relative valuations to uncomfortably high levels. Total returns may be more modest in the next 12 months if earnings growth becomes the main driving force. This implies that outperformance may be more difficult to achieve if multiple expansion fades or reverses, in my view.

The sector in focus section normally appears as part of our quarterly Strategic Sector Selector document, but it has been a while since the last time I published a standalone report about sectors. Media is also a highly visible sector with well-known brands among its largest constituents that punches above its weight as it is usually vying for the title of the smallest global sector with chemicals (it is the smallest based on market capitalisations in US dollars, as of 28 July 2025). The sector has had its ups and downs around the pandemic with streaming providers surging during lockdowns, and subsequently slumping after the world reopened. Nevertheless, despite underperforming quarter-to-date, the sector has been the best performer in the last 12 months.

Perhaps this should not be a surprise considering the sector's minimal exposure to tariffs (even the idea of 100% tariffs on foreign-made films seems to have faded into the background). Streaming providers are still the most dominant stocks within the sector, which may also explain why it seems to have weathered concerns about an economic slowdown relatively well.

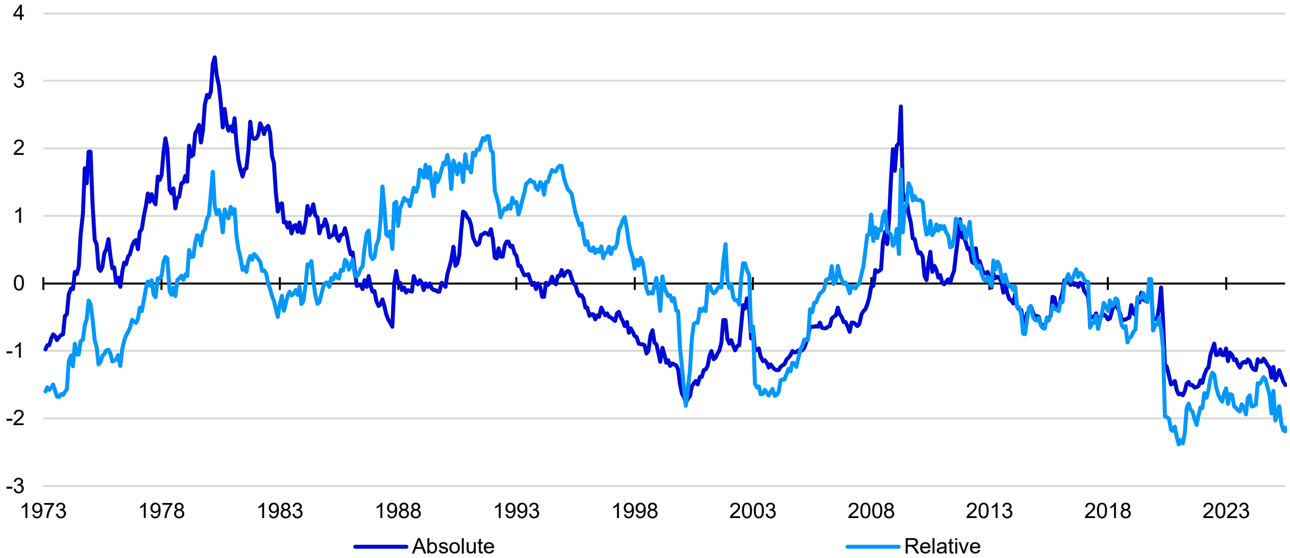
In any case, a reacceleration of growth would not hurt the sector, although it would probably raise the hurdle for outperformance against more cyclical sectors. Importantly the resumption of rate cuts by the US Federal Reserve could boost valuations for such a long duration sector.

This may be particularly important for media as it is dominated by US names – the US accounts for 76% of market capitalisation, followed by Europe at 16%, Japan at 4% and Emerging Markets at 2%. Unsurprisingly, the dominant subsector (out of four in total) is entertainment, which includes the two dominant streaming providers, accounting for 63% of market capitalisation. This is followed by radio and TV broadcasters at 22%, media agencies at 10% and publishing at 4%. Another aspect of high concentration is that the top four stocks account for 66% of market capitalisation (as of 28 July 2025).

As ever, there are multiple moving parts when trying to determine how media will fare in the next 12 months. Even though exposure to streaming services may have reduced the cyclicality of the sector somewhat, the path of global economic growth could still be an important factor to consider. Although trailing earnings growth has been strong in the last 12 months, trailing dividend growth has been deteriorating since Q3 2024.

At the same time, after being the best performer in the last 12 months, sector valuations look rich. This may be a risk even if global economic growth reaccelerates.

Figure 1 – Global media dividend yield versus historical average (z-scores)



Notes: Data as of 28 July 2025. **Past performance is no guarantee of future results.** We use monthly data based on the 12-month trailing dividend yield on the Datastream World Media Index and the Datastream World Total Market Index with 28 July 2025 the last data point. Relative dividend yields are calculated by dividing the yield on the media index by the yield on the total market index. Z-scores are calculated by dividing the difference from the long-term average since 2 January 1973 by the standard deviation of respective dividend yields.
Source: LSEG Datastream and Invesco Global Market Strategy Office

A lot of good news may have been priced in including the four Fed rate cuts currently implied by rate futures for the next 12 months (as of 28 July 2025).

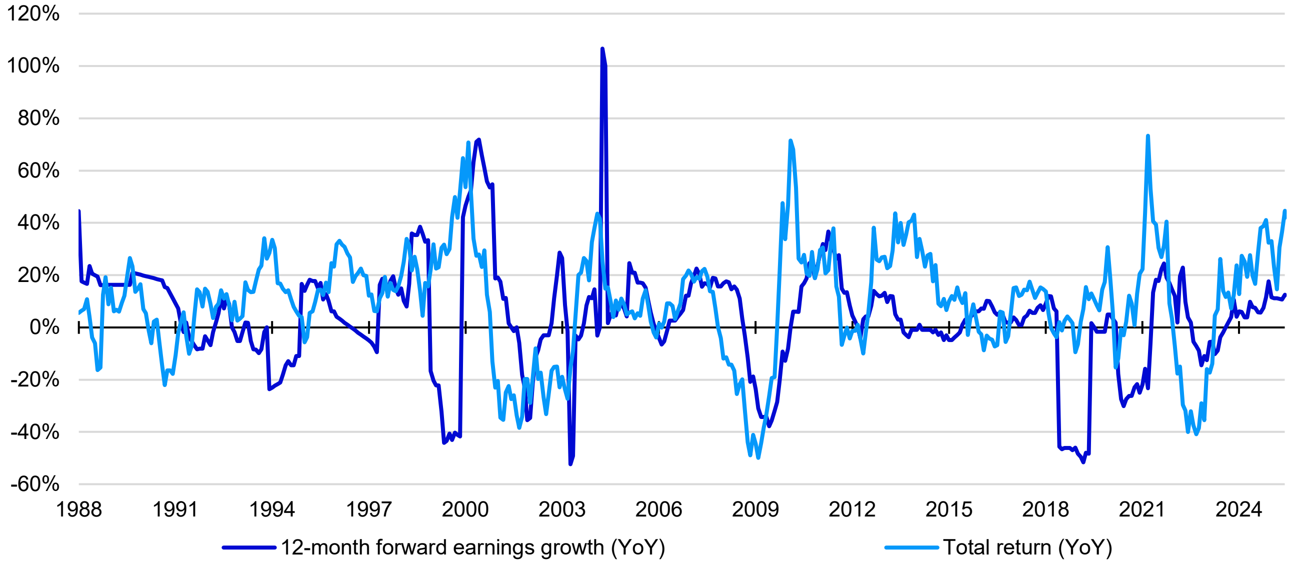
When it comes to sector allocations, we start by comparing the relative dividend yield implied by our multiple regression model to what the sector trades at. This suggests that the sector is the most overvalued versus what our model implies (**Figure 3**). We then cross-check that using our perpetual dividend growth model, which shows that dividends would have to grow by a real 6.3% per year into perpetuity for the sector to generate the hurdle rate of return, significantly higher than that of the market at 3.7% and suggesting it is expensive (**Figure 4**).

Comparing other valuation metrics to their own respective historical averages paints the same picture. The sector looks overvalued in absolute terms on all four valuations metrics (price/earnings, dividend yield, price/cash flow and price/book value – see **Figure 5**). Relative valuations also look stretched with, for example, the relative dividend yield looking overvalued at 2.1 standard deviations below the historical average, not far from the extremes reached in March 2021 (**Figure 1**). The relative price/earnings ratio also shows the sector as overvalued at 0.7 standard deviations above historical norms.

However, before the introduction of streaming services, the sector consisted of stocks that depended on advertising revenues or were providers of advertising services. As streaming services have begun to replace traditional media, business models shifted to subscriptions providing more stable income flows. Admittedly, this also meant high levels of initial investment including marketing spend. These factors may have lowered both the level and volatility of sector dividend yields. Having said that, the absolute dividend yield of the sector at 0.8% is close to the all-time low of 0.6% reached during the "dot-com bubble" (as of 28 July 2025). Although there may not be any imminent threats to the sector, such high valuations tend to carry high levels of risk, especially with only a handful of dominant stocks determining the bulk of returns.

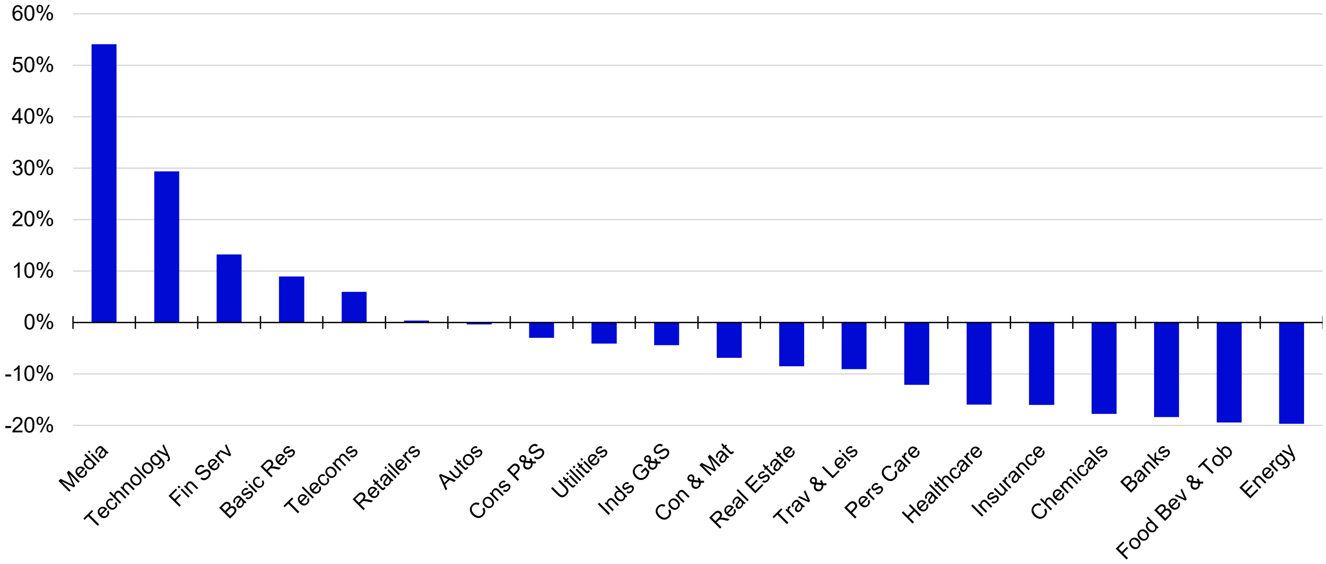
I think the decoupling of valuations from the underlying change in earnings expectations is concerning (see **Figure 2**). Even if there is no significant pull-back in absolute sector returns, it may become harder for media to outperform in the next 12 months, in my view. Also, I would not be surprised if there was a period of consolidation after recent outperformance. The sector may have to rely on volume growth and pricing to drive earnings as it could become more challenging to achieve margin expansion from historically high levels. With countries in developed markets close to saturation for streaming providers, most volume growth will have to come from emerging markets where they would struggle to charge the same prices as in the US, for example. In my view, further outperformance is less likely than in January when we upgraded the sector to Overweight, therefore I reduced the allocation to media to Underweight in the latest Strategic Sector Selector (see here).

Figure 2 – Change in global media sector forward earnings vs total returns since 1988



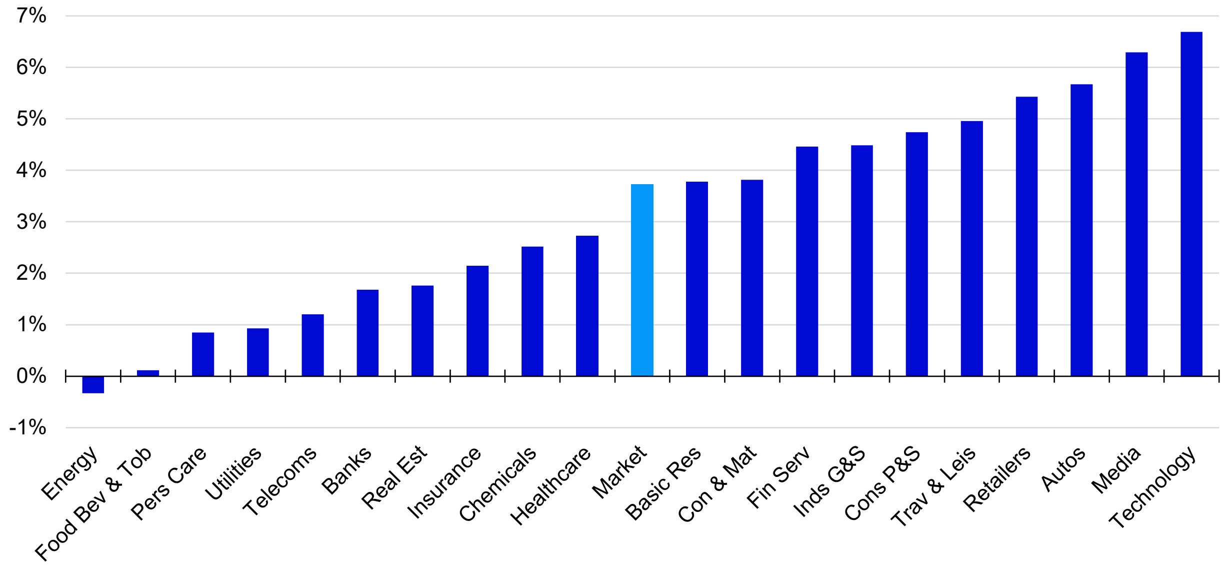
Notes: Data as of 28 July 2025. **Past performance is not a guarantee of future results.** The data shown in the chart is monthly starting in February 1988 with 28 July 2025 the last data point. The index used to represent global media is the Datastream Media World index in US dollars. We use IBES consensus 12-month forward EPS and calculate year-on-year change in those earnings.
Source: LSEG Datastream and Invesco Global Market Strategy Office

Figure 3 – Premium/discount to model-predicted ratio*



Notes: Data as of 30 June 2025. *% above/below using relative dividend yield. We run a multiple regression analysis to examine how macroeconomic factors influence sector valuations using dividend yields relative to market as the dependent variable. We then compare how current relative dividend yields compare to the model-predicted ratio to calculate how overvalued or undervalued sectors look. Fin Serv = financial services. Basic Res = basic resources. Telecoms = telecommunications. Autos = automobiles & parts. Cons P&S = consumer products & services. Inds G&S = industrial goods & services. Con & Mat = construction & materials. Trav & Leis = travel & leisure. Pers Care = personal care, drug & grocery stores. Food Bev & Tob = food, beverage & tobacco.
Source: LSEG Datastream and Invesco Global Market Strategy Office

Figure 4 – Global implied perpetual real dividend growth



Notes: Data as of 30 June 2025. We use a simple perpetual growth model to calculate implied growth in real terms to eliminate the distorting influence of inflation, the output being growth in real terms. The risk-free rate used is an equity market capitalisation weighted average of US, UK, Eurozone, Japanese and Chinese 10-year real yields. Sector betas are calculated using five years of weekly price movements relative to the global market index. The risk premium is derived from US equity and treasury market returns since 1871. The dividend yield for each sector is the 12-month trailing yield calculated by Datastream. Fin Serv = financial services. Basic Res = basic resources. Telecoms = telecommunications. Autos = automobiles & parts. Cons P&S = consumer products & services. Inds G&S = industrial goods & services. Con & Mat = construction & materials. Trav & Leis = travel & leisure. Pers Care = personal care, drug & grocery stores. Food Bev & Tob = food, beverage & tobacco.
Source: LSEG Datastream and Invesco Global Market Strategy Office

Figure 5 – Global absolute valuations

	Price/Earnings			Dividend Yield			Price/Book Value			Price/Cash Flow		
	Now	Avg	Now vs Avg*	Now	Avg	Now vs Avg*	Now	Avg	Now vs Avg*	Now	Avg	Now vs Avg*
Energy	**14.4**	**14.4**	**0.0**	**4.9**	**3.9**	**0.8**	**1.3**	**1.8**	**-0.9**	**6.9**	**6.3**	**0.3**
Basic Materials	**20.5**	**16.7**	**0.8**	**2.8**	**2.8**	**0.0**	**1.8**	**1.8**	**0.1**	**9.0**	**7.4**	**0.9**
Basic Resources	17.5	16.8	0.1	2.8	2.9	-0.2	1.7	1.7	0.1	7.9	7.2	0.3
Chemicals	28.0	17.3	2.0	2.9	2.9	0.0	2.0	2.0	0.1	11.5	8.1	1.9
Industrials	**22.5**	**18.2**	**0.9**	**1.7**	**2.3**	**-0.8**	**3.1**	**2.2**	**2.0**	**13.6**	**9.3**	**2.2**
Construction & Mat.	18.6	16.8	0.4	1.9	2.5	-0.9	2.5	1.8	1.7	12.0	9.2	1.0
Industrial G&S	23.2	18.7	0.9	1.7	2.2	-0.7	3.2	2.3	2.0	13.9	9.4	2.3
Consumer Disc.	**23.1**	**18.9**	**0.8**	**1.4**	**2.2**	**-1.0**	**3.5**	**2.2**	**2.4**	**12.3**	**8.6**	**2.0**
Automobiles & Parts	14.9	15.0	0.0	2.1	2.6	-0.5	1.4	1.5	-0.2	7.3	5.5	1.5
Media	32.0	21.9	1.3	0.8	2.0	-1.5	3.4	2.5	1.1	14.8	9.4	1.4
Retailers	28.7	21.8	1.1	1.0	1.8	-1.0	6.3	3.6	2.3	16.2	13.4	0.8
Travel & Leisure	21.1	23.3	-0.2	1.5	1.8	-0.4	6.0	2.7	3.1	10.3	9.4	0.3
Consumer Prod & Serv	23.3	19.5	0.8	1.7	2.4	-1.0	3.6	2.2	1.9	14.3	11.0	1.2
Consumer Staples	**22.0**	**17.0**	**1.0**	**2.9**	**2.5**	**0.4**	**2.7**	**2.8**	**-0.1**	**11.9**	**10.9**	**0.4**
Food, Bev & Tobacco	20.9	18.5	0.5	3.2	2.7	0.6	2.4	2.7	-0.5	12.0	11.1	0.3
Personal Care	24.1	20.5	0.6	2.3	2.4	-0.1	3.7	3.0	0.8	11.8	10.5	0.5
Healthcare	**27.0**	**20.6**	**1.1**	**1.8**	**2.3**	**-0.6**	**3.9**	**3.4**	**0.4**	**15.8**	**12.9**	**0.8**
Financials	**13.7**	**15.5**	**-0.4**	**3.0**	**2.7**	**0.3**	**1.0**	**1.4**	**-0.7**	**7.8**	**5.8**	**1.4**
Banks	10.9	14.1	-0.6	3.9	3.0	1.0	1.3	1.3	-0.2	6.7	6.3	0.3
Financial Services	20.6	18.3	0.4	1.8	2.2	-0.8	0.7	1.4	-1.2	13.6	9.2	2.1
Insurance	14.4	15.9	-0.3	2.9	2.5	0.5	2.0	1.7	0.5	5.7	3.8	1.8
Real Estate	23.2	19.3	0.7	3.5	3.3	0.3	1.3	1.4	-0.4	15.4	13.8	0.6
Technology	**33.2**	**24.6**	**0.8**	**0.7**	**1.6**	**-0.9**	**8.5**	**3.4**	**3.7**	**23.1**	**12.1**	**2.5**
Telecommunications	**17.8**	**17.3**	**0.1**	**3.1**	**4.2**	**-0.6**	**2.2**	**2.6**	**-0.3**	**6.2**	**6.1**	**0.1**
Utilities	**17.4**	**14.7**	**0.7**	**3.2**	**4.7**	**-0.9**	**2.0**	**1.6**	**1.0**	**7.7**	**5.7**	**1.4**
Market	**21.1**	**17.2**	**0.8**	**2.0**	**2.7**	**-0.7**	**2.4**	**2.0**	**0.7**	**11.6**	**8.0**	**2.1**

Notes: *in standard deviations from historical average. Data as of 30 June 2025. Mat. = materials. G&S = goods & services. Disc. = discretionary. Prod & Serv = products & services. Bev = beverage. Data starts on 1st January 1973 for price/earnings and dividend yield and 1st January 1980 for price/book and price/cash flow. See appendices for methodology and disclaimers.
Source: LSEG Datastream and Invesco Global Market Strategy Office

Figure 6 – Asset class total returns (%)

Data as at 28 Jul 2025		Current	Total Return (USD, %)					Total Return (Local Currency, %)				
	Index	Level/RY	1w	1m	QTD	YTD	12m	1w	1m	QTD	YTD	12m
Equities												
World	MSCI	939	1.1	2.8	2.4	13.0	19.2	1.2	3.2	2.8	10.3	17.4
Emerging Markets	MSCI	1255	0.2	2.5	3.0	19.0	20.4	0.4	3.5	3.8	15.3	18.4
China	MSCI	80	2.4	6.9	7.8	26.6	48.7	2.4	6.9	7.8	27.3	49.2
US	MSCI	6110	1.4	3.6	3.0	9.6	19.2	1.4	3.6	3.0	9.6	19.2
Europe	MSCI	2427	-0.1	0.2	0.5	24.3	18.0	0.4	1.2	1.6	11.7	10.1
Europe ex-UK	MSCI	3004	-0.2	0.0	0.2	25.2	18.0	0.3	0.6	1.0	11.3	9.2
UK	MSCI	1444	0.3	1.2	1.7	21.3	18.1	0.9	3.4	3.9	13.2	13.2
Japan	MSCI	4335	3.1	0.6	-0.2	11.7	13.9	3.7	2.9	2.4	5.4	10.0
Government Bonds												
World	BofA-ML	3.37	-0.4	-1.2	-1.5	5.8	4.3	-0.2	-0.5	-0.7	1.0	1.5
Emerging Markets	JP Morgan	3.60	-0.3	-0.1	-0.2	6.3	8.0	-0.1	0.2	0.2	3.0	6.3
China	BofA-ML	1.63	-0.3	-0.4	-0.4	2.4	6.0	-0.3	-0.3	-0.3	0.6	4.8
US (10y)	Datastream	4.41	-0.2	-0.7	-1.1	3.9	2.6	-0.2	-0.7	-1.1	3.9	2.6
Europe	Bofa-ML	2.77	-0.9	-0.9	-1.1	12.8	10.0	-0.4	-0.2	-0.2	0.4	2.6
Europe ex-UK (EMU, 10y)	Datastream	2.65	-1.1	-0.9	-1.1	11.4	7.5	-0.5	-0.2	-0.2	-0.9	0.3
UK (10y)	Datastream	4.65	-0.8	-2.9	-3.0	9.4	4.9	-0.2	-0.8	-0.9	2.2	0.5
Japan (10y)	Datastream	1.54	-1.0	-3.1	-3.4	3.0	1.1	-0.4	-0.9	-0.9	-2.8	-2.3
IG Corporate Bonds												
Global	BofA-ML	4.51	-0.1	0.0	-0.3	7.2	7.4	0.0	0.3	0.0	3.5	5.2
Emerging Markets	BBloom	6.34	0.2	1.1	0.7	7.1	10.4	0.2	1.1	0.7	7.1	10.4
China	BofA-ML	2.30	-0.1	-0.2	-0.2	2.8	4.9	-0.1	-0.1	-0.1	1.0	3.7
US	BofA-ML	5.13	0.0	0.3	-0.2	4.0	5.3	0.0	0.3	-0.2	4.0	5.3
Europe	BofA-ML	3.10	-0.6	-0.1	-0.3	15.1	12.8	-0.1	0.6	0.5	2.4	5.2
UK	BofA-ML	5.42	-0.5	-2.3	-2.3	10.6	8.7	0.1	-0.1	-0.2	3.2	4.2
Japan	BofA-ML	1.54	-0.8	-2.7	-2.9	5.3	3.0	-0.2	-0.4	-0.4	-0.7	-0.5
HY Corporate Bonds												
Global	BofA-ML	7.01	0.2	0.8	0.5	7.4	10.5	0.3	0.9	0.7	5.0	9.0
US	BofA-ML	7.29	0.2	0.8	0.5	5.1	8.9	0.2	0.8	0.5	5.1	8.9
Europe	BofA-ML	5.54	-0.1	0.4	0.2	16.7	16.1	0.4	1.1	1.1	3.8	8.3
Cash (Overnight rates)												
US		4.36	0.1	0.3	0.3	2.5	4.7	0.1	0.3	0.3	2.5	4.7
Euro Area		1.92	-0.9	-1.0	-1.5	13.5	9.8	0.0	0.2	0.1	1.4	2.8
UK		4.22	-0.9	-2.3	-2.4	9.5	8.6	0.1	0.3	0.3	2.5	4.7
Japan		0.48	-0.8	-2.6	-3.0	6.1	3.9	0.0	0.0	0.0	0.3	0.3
Real Estate (REITs)												
Global	FTSE	1667	-0.4	0.5	0.1	7.0	7.4	0.1	1.2	1.0	-4.8	0.2
Emerging Markets	FTSE	1293	-0.9	2.6	2.4	12.5	13.0	-0.4	3.3	3.3	0.1	5.4
US	FTSE	3115	-0.6	0.8	0.2	-0.1	3.0	-0.6	0.8	0.2	-0.1	3.0
Europe ex-UK	FTSE	2705	-1.7	-3.0	-3.3	21.4	16.5	-1.2	-2.4	-2.5	8.0	8.6
UK	FTSE	903	-1.4	-6.1	-5.5	15.7	0.2	-0.8	-4.0	-3.4	8.0	-4.0
Japan	FTSE	2292	1.3	-0.9	-1.0	20.8	13.8	1.9	1.4	1.6	14.0	9.9
Commodities												
All	GSCI	3829	-0.2	2.3	2.7	4.7	7.3	-	-	-	-	-
Energy	GSCI	652	0.0	3.8	4.5	2.4	1.3	-	-	-	-	-
Industrial Metals	GSCI	1775	-0.7	0.2	0.3	7.9	10.5	-	-	-	-	-
Precious Metals	GSCI	3663	-2.7	1.5	0.9	25.4	37.3	-	-	-	-	-
Agricultural Goods	GSCI	476	-0.3	-1.8	-1.2	-7.6	2.0	-	-	-	-	-
Currencies (vs USD)*												
EUR		1.16	-0.9	-1.1	-1.7	11.9	6.7	-	-	-	-	-
JPY		148.54	-0.8	-2.6	-3.0	5.8	3.5	-	-	-	-	-
GBP		1.34	-0.6	-2.2	-2.1	7.1	4.4	-	-	-	-	-
CHF		1.24	-0.7	-0.6	-1.3	12.9	10.0	-	-	-	-	-
CNY		7.18	0.0	-0.1	-0.2	1.7	1.0	-	-	-	-	-

Notes: *The currency section is organised so that in all cases the numbers show the movement in the mentioned currency versus USD (+ve indicates appreciation, -ve indicates depreciation). **Past performance is no guarantee of future results.** Please see appendix for definitions, methodology and disclaimers.
Source: LSEG Datastream and Invesco Global Market Strategy Office

Figure 7 – Global equity sector total returns relative to market (%)

Data as of 28 Jul 2025	Global				
	1w	1m	QTD	YTD	12m
Energy	**0.6**	**-0.9**	**-0.4**	**-7.4**	**-14.5**
Basic Materials	**-1.0**	**0.3**	**0.4**	**4.1**	**-8.7**
Basic Resources	-1.1	1.3	1.4	8.4	-4.8
Chemicals	-0.7	-1.3	-1.1	-2.1	-14.3
Industrials	**0.5**	**0.3**	**0.3**	**3.7**	**2.5**
Construction & Materials	1.0	1.4	1.7	7.1	0.7
Industrial Goods & Services	0.4	0.2	0.1	3.2	2.8
Consumer Discretionary	**0.0**	**-1.1**	**-0.7**	**-5.1**	**2.5**
Automobiles & Parts	0.9	0.7	2.1	-14.7	-0.4
Media	-2.7	-7.7	-8.1	6.4	20.2
Retailers	0.5	-0.5	0.3	-4.7	4.5
Travel & Leisure	-0.8	0.2	0.0	-4.0	7.2
Consumer Products & Services	0.1	-1.6	-1.9	-2.6	-6.7
Consumer Staples	**-2.3**	**-3.4**	**-3.5**	**-2.6**	**-10.7**
Food, Beverage & Tobacco	-3.0	-3.4	-3.5	-1.8	-10.9
Personal Care, Drug & Grocery Stores	-0.9	-3.3	-3.4	-3.8	-10.2
Healthcare	**2.3**	**-0.5**	**-0.6**	**-8.5**	**-19.0**
Financials	**-0.3**	**-0.5**	**-0.4**	**5.9**	**7.9**
Banks	-0.1	0.2	0.4	10.4	12.0
Financial Services	-0.3	0.3	0.2	1.7	4.7
Insurance	-0.7	-3.4	-3.5	2.6	3.7
Real Estate	**-0.8**	**-0.8**	**-0.8**	**-1.5**	**-4.7**
Technology	**0.0**	**2.2**	**2.0**	**1.2**	**7.5**
Telecommunications	**-0.7**	**-1.2**	**-1.9**	**5.6**	**5.8**
Utilities	**-1.4**	**-1.2**	**-1.2**	**1.0**	**-1.9**

Notes: Returns shown are for Datastream sector indices versus the total market index. **Past performance is no guarantee of future results.** Source: Refinitiv Datastream and Invesco

Figure 8a – US factor index total returns (%)

Data as of 28 Jul 2025	Absolute					Relative to Market				
	1w	1m	QTD	YTD	12m	1w	1m	QTD	YTD	12m
Growth	2.2	3.8	2.6	8.8	11.7	0.8	0.2	-0.4	-0.6	-5.9
Low volatility	0.1	1.3	0.3	3.2	7.4	-1.2	-2.2	-2.6	-5.7	-9.5
Price momentum	1.2	2.7	1.7	8.4	20.0	-0.2	-0.9	-1.3	-1.0	1.2
Quality	2.4	3.6	3.0	9.3	9.0	1.0	0.0	0.0	-0.1	-8.1
Size	2.7	4.6	4.4	5.7	7.2	1.3	0.9	1.3	-3.4	-9.6
Value	1.4	3.1	2.8	9.1	12.1	0.1	-0.4	-0.3	-0.3	-5.5
Market	1.3	3.6	3.0	9.4	18.6					
Market - Equal-Weighted	1.7	3.2	2.7	7.6	12.0					

Notes: **Past performance is no guarantee of future results.** All indices are subsets of the S&P 500 index, they are rebalanced monthly, use data in US dollars and are equal-weighted. Growth includes stocks in the top third based on both their 5-year sales per share trend and their internal growth rate (the product of the 5-year average return on equity and the retention ratio); Low volatility includes stocks in the bottom quintile based on the standard deviation of their daily returns in the previous three months; Price momentum includes stocks in the top quintile based on their performance in the previous 12 months; Quality includes stocks in the top third based on both their return on invested capital and their EBIT to EV ratio (earnings before interest and taxes to enterprise value); Size includes stocks in the bottom quintile based on their market value in US dollars. Value includes stocks in the bottom quintile based on their price to book value ratios. The market represents the S&P 500 index. Source: LSEG Datastream and Invesco Global Market Strategy Office

Figure 8b – European factor index total returns (%)

Data as of 28 Jul 2025	Absolute					Relative to Market				
	1w	1m	QTD	YTD	12m	1w	1m	QTD	YTD	12m
Growth	0.5	1.4	1.8	8.5	10.0	0.1	0.3	0.3	-2.2	-0.6
Low volatility	-0.7	-0.6	-0.4	11.7	14.9	-1.1	-1.7	-1.8	0.6	3.9
Price momentum	-0.1	2.1	1.7	22.1	26.0	-0.5	1.1	0.2	10.0	13.9
Quality	-0.1	2.3	2.4	15.9	16.8	-0.5	1.2	0.9	4.4	5.6
Size	-0.1	0.8	1.4	12.1	9.1	-0.5	-0.2	0.0	1.0	-1.4
Value	0.3	0.8	1.6	21.0	20.3	-0.1	-0.2	0.2	9.0	8.8
Market	0.4	1.0	1.5	11.0	10.6					
Market - Equal-Weighted	0.3	1.4	1.8	13.2	13.7					

Notes: **Past performance is no guarantee of future results.** All indices are subsets of the STOXX 600 index, they are rebalanced monthly, use data in euros and are equal-weighted. Growth includes stocks in the top third based on both their 5-year sales per share trend and their internal growth rate (the product of the 5-year average return on equity and the retention ratio); Low volatility includes stocks in the bottom quintile based on the standard deviation of their daily returns in the previous three months; Price momentum includes stocks in the top quintile based on their performance in the previous 12 months; Quality includes stocks in the top third based on both their return on invested capital and their EBIT to EV ratio (earnings before interest and taxes to enterprise value); Size includes stocks in the bottom quintile based on their market value in euros; Value includes stocks in the bottom quintile based on their price to book value ratios. The market represents the STOXX 600 index. Source: LSEG Datastream and Invesco Global Market Strategy Office

Figure 9 – Model asset allocation

	Neutral	Policy Range		Allocation	Position vs Neutral	Hedged	Currency
Cash Equivalents	**5%**	**0-10%**		**0%**			
Cash	2.5%			0%			
Gold	2.5%			0%			
Bonds	**40%**	**10-70%**	↑	**40%**			
Government	25%	10-40%	↑	25%			
US	8%		↑	8%		50%	JPY
Europe ex-UK (Eurozone)	7%			7%			
UK	1%			2%			
Japan	7%		↑	4%			
Emerging Markets	2%			4%			
China**	0.2%			0%			
Corporate IG	10%	0-20%		10%			
US Dollar	5%			5%		50%	JPY
Euro	2%			1%			
Sterling	1%			2%			
Japanese Yen	1%			0%			
Emerging Markets	1%			2%			
China**	0.1%			0%			
Corporate HY	5%	0-10%	↑	5%			
US Dollar	4%		↑	4%		50%	JPY
Euro	1%			1%			
Bank Loans	**4%**	**0-8%**		**8%**			
US	3%			6%			
Europe	1%			2%			
Equities	**45%**	**25-65%**	↓	**42%**			
US	25%		↓	10%			
Europe ex-UK	7%			12%			
UK	4%			6%			
Japan	4%			5%			
Emerging Markets	5%		↓	9%			
China**	2%			4%			
Real Estate	**4%**	**0-8%**	↓	**6%**			
US	1%			1%			
Europe ex-UK	1%			2%			
UK	1%		↓	1%			
Japan	1%		↓	1%			
Emerging Markets	1%			1%			
Commodities	**2%**	**0-4%**		**4%**			
Energy	1%			2%			
Industrial Metals	0.3%			1%			
Precious Metals	0.3%			0%			
Agriculture	0.3%			1%			
Total	**100%**			**100%**			
Currency Exposure (including effect of hedging)							
USD	52%			30%			
EUR	19%			25%			
GBP	7%		↓	11%			
JPY	13%		↑	19%			
EM	9%		↓	16%			
Total	**100%**			**100%**			

Notes: **China is included in Emerging Markets allocations. This is a theoretical portfolio and is for illustrative purposes only. See the latest The Big Picture document for more details. It does not represent an actual portfolio and is not a recommendation of any investment or trading strategy. Arrows indicate the direction of the most recent changes.
Source: Invesco

Figure 10 – Model allocations for Global sectors

	Neutral	Invesco	Preferred Region
Energy	**5.6%**	**Overweight**	**EM**
Basic Materials	**3.3%**	**Neutral**	**US**
Basic Resources	2.0%	Neutral	US
Chemicals	1.3%	Overweight	Europe
Industrials	**13.3%**	**Neutral**	**Europe**
Construction & Materials	1.7%	Neutral	Europe
Industrial Goods & Services	11.6%	Neutral	Europe
Consumer Discretionary	**14.2%**	**Underweight**	**Europe**
Automobiles & Parts	2.3%	Underweight	Europe
Media	1.3%	Underweight	Europe
Retailers	5.5%	Neutral	Europe
Travel & Leisure	2.0%	Underweight	EM
Consumer Products & Services	3.1%	Underweight	Europe
Consumer Staples	**4.9%**	**Neutral**	**US**
Food, Beverage & Tobacco	3.1%	Neutral	US
Personal Care, Drug & Grocery Stores	1.8%	Overweight	Europe
Healthcare	**7.8%**	**Overweight**	**US**
Financials	**16.7%**	**Neutral**	**US**
Banks	8.1%	Overweight	US
Financial Services	5.5%	Underweight	Japan
Insurance	3.2%	Neutral	US
Real Estate	**2.7%**	**Overweight**	**Japan**
Technology	**24.7%**	**Neutral**	**EM**
Telecommunications	**3.6%**	**Underweight**	**US**
Utilities	**3.3%**	**Overweight**	**US**

Notes: These are theoretical allocations which are for illustrative purposes only. They do not represent an actual portfolio and are not a recommendation of any investment or trading strategy. See the latest Strategic Sector Selector for more details.
Source: Refinitiv Datastream and Invesco

Appendix

Definitions of data and benchmarks for Figure 6

Sources: we source data from Datastream unless otherwise indicated.

Cash: returns are based on a proprietary index calculated using the Intercontinental Exchange Benchmark Administration overnight LIBOR (London Interbank Offer Rate). From 1st January 2022, we use the Refinitiv overnight deposit rate for the euro, the British pound and the Japanese yen. The global rate is the average of the euro, British pound, US dollar and Japanese yen rates. The series started on 1st January 2001 with a value of 100.

Gold: London bullion market spot price in USD/troy ounce.

Government bonds: Current levels, yields and total returns use Datastream benchmark 10-year yields for the US, Eurozone, Japan and the UK, and the Bank of America Merrill Lynch government bond total return index for the World and Europe. The emerging markets yields and returns are based on the Bloomberg Barclays emerging markets aggregate government bond index.

Corporate investment grade (IG) bonds: Bank of America Merrill Lynch investment grade corporate bond total return indices. The emerging markets yields and returns are based on the Bloomberg Barclays emerging markets aggregate corporate bond index.

Corporate high yield (HY) bonds: Bank of America Merrill Lynch high yield total return indices

Equities: We use MSCI benchmark gross total return indices for all regions.

Commodities: Goldman Sachs Commodity total return indices

Real estate: FTSE EPRA/NAREIT total return indices

Currencies: Global Trade Information Services spot rates

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.

Important information

Data as of 28 July 2025 unless stated otherwise.

By accepting this document, you consent to communicating with us in English, unless you inform us otherwise.

This marketing communication is for informational purposes only and is intended only for Professional Clients and Financial Advisers in Continental Europe (as defined below); Professional Clients only in Dubai, Ireland, the Isle of Man, Jersey, Guernsey and the UK; for Qualified Clients/Sophisticated Investors in Israel, for Professional/Qualified/Sophisticated Investors in Bahrain, Jordan, Kuwait, Lebanon, Mauritius, Oman, Qatar, Saudi Arabia, South Africa, Tunisia, Turkey, and the United Arab Emirates; for Professional Investors in Hong Kong, for certain specific sovereign wealth funds and/or Qualified Domestic Institutional Investors approved by local regulators only in the People's Republic of China, for Sophisticated/Professional Investors in Australia, for Institutional Investors in the United States, Peru and Singapore; for AFPs and Qualified Investors in Chile and Colombia; for Accredited/Institutional Investors in Mexico; for Wholesale Investors (as defined in the Financial Markets Conduct Act) in New Zealand; for certain specific Qualified Institutions and/or Sophisticated Investors only in Taiwan, for Qualified Professional Investors in Korea, for certain specific institutional investors in Brunei and Indonesia, for Qualified Institutional Investors and/or certain specific institutional investors in Thailand, for qualified buyers in Philippines and for certain specific institutional investors in Malaysia, upon request, for informational purposes only. This document is only intended for use with Qualified Institutional Investors in Japan; in Canada, this document is restricted to Institutional Investors and Advisors, is for educational purposes only, does not constitute investment, tax or legal advice and should not be relied on as such. This is not to be construed as an offer to buy or sell any financial instruments and should not be relied upon as the sole factor in an investment making decision. As with all investments there are associated inherent risks. Please obtain and review all financial material carefully before investing. All material presented is compiled from sources believed to be reliable and current, but accuracy cannot be guaranteed.

Continental Europe is defined as Andorra, Austria, Belgium, Bulgaria, Czech Republic, Croatia, Denmark, Finland, France, Germany, Gibraltar, Greece, Hungary, Italy, Kosovo, Latvia, Lithuania, Liechtenstein, Luxembourg, Malta, Monaco, Netherlands, North Macedonia, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and Switzerland.

In Monaco this document is for duly authorised intermediaries only. Such intermediaries are banks and financial activities companies duly licensed by the "Commission de Contrôle des Activités Financières" by virtue of Law n° 1.338, of September 7, 2007, and authorised under Law n° 1.144 of July 26, 1991.

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.
These materials may contain statements that are not purely historical in nature but are "forward-looking statements." These include, among other things, projections, forecasts, estimates of income, yield or return, future performance targets, sample or pro forma portfolio structures or portfolio composition, scenario analysis, specific investment strategies and proposed or pro forma levels of diversification or sector investment. These forward-looking statements can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "project," "estimate," "intend," "continue," "target," "believe," the negatives thereof, other variations thereon or comparable terminology. Forward looking statements are based upon certain assumptions, some of which are described herein. Actual events are difficult to predict, are beyond the Issuer's control, and may substantially differ from those assumed. All forward-looking statements included herein are based on information available on the date hereof and Invesco assumes no duty to update any forward-looking statement.

Australia
This document has been prepared only for those persons to whom Invesco has provided it. It should not be relied upon by anyone else. Information contained in this document may not have been prepared or tailored for an Australian audience and does not constitute an offer of a financial product in Australia. You may only reproduce, circulate and use this document (or any part of it) with the consent of Invesco.
The information in this document has been prepared without taking into account any investor's investment objectives, financial situation or particular needs. Before acting on the information the investor should consider its appropriateness having regard to their investment objectives, financial situation and needs.
You should note that this information:

- may contain references to dollar amounts which are not Australian dollars;
- may contain financial information which is not prepared in accordance with Australian law or practices;
- may not address risks associated with investment in foreign currency denominated investments; and
- does not address Australian tax issues.

New Zealand
This document is issued only to wholesale investors (as defined in the Financial Markets Conduct Act) in New Zealand to whom disclosure is not required under Part 3 of the Financial Markets Conduct Act. This document has been prepared only for those persons to whom it has been provided by Invesco. It should not be relied upon by anyone else and must not be distributed to members of the public in New Zealand. Information contained in this document may not have been prepared or tailored for a New Zealand audience. You may only reproduce, circulate and use this document (or any part of it) with the consent of Invesco. This document does not constitute and should not be construed as an offer of, invitation or proposal to make an offer for, recommendation to apply for, an opinion or guidance on Interests to members of the public in New Zealand. Applications or any requests for information from persons who are members of the public in New Zealand will not be accepted.

Issued in Australia and New Zealand by Invesco Australia Limited (ABN 48 001 693 232), Level 26, 333 Collins Street, Melbourne, Victoria, 3000, Australia which holds an Australian Financial Services Licence no. 239916.

Israel: 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 ("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 is provided by Invesco Management S.A., President Building, 37A Avenue JF Kennedy, L-1855 Luxembourg, regulated by the Commission de Surveillance du Secteur Financier, Luxembourg, Invesco Asset Management Deutschland GmbH, An der Welle 5, 60322- Frankfurt/M., Germany, Invesco Asset Management (Schweiz) AG, Talacker 34, 8001 Zurich, Switzerland, and Invesco Asset Management Limited, Perpetual Park, Perpetual Park Drive, Henley-on Thames, Oxfordshire RG9 1HH, UK Authorised and regulated by the Financial Conduct Authority, 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.

This document is issued in the following countries:

- in Hong Kong by Invesco Hong Kong Limited 景順投資管理有限公司, 45/F, Jardine House, 1 Connaught Place, Central, Hong Kong
- in Singapore by Invesco Asset Management Singapore Ltd, 9 Raffles Place, #18-01 Republic Plaza, Singapore 048619.
- in Taiwan by Invesco Taiwan Limited, 22F, No.1, Songzhi Road, Taipei 11047, Taiwan (0800-045-066). **Invesco Taiwan Limited is operated and managed independently**.
- in Japan by Invesco Asset Management (Japan) Limited, Roppongi Hills Mori Tower 14F, 6-10-1 Roppongi, Minato-ku, Tokyo 106-6114: Registration Number: The Director – General of Kanto Local Finance Bureau (Kin-sho) 306; Member of the Investment Trusts Association, Japan and the Japan Investment Advisers Association
- in the US by Invesco Advisers, Inc., 1331 Spring Street NW, Suite 2500, Atlanta, GA 30309 and Invesco Capital Management LLC, 3500 Lacey Road, Suite 700, Downers Grove, IL 60515
- in Canada by Invesco Canada Ltd., 16 York Street, Suite 1200, Toronto, Ontario M5J 0E6

Authors

András Vig
Multi-Asset Strategist
Telephone +44(0)20 3370 1152
andras.vig@invesco.com
London, EMEA

Global Market Strategy Office

Brian Levitt
Global Market Strategist, Americas
brian.levitt@invesco.com
New York, Americas

James Anania
Investment Strategy Analyst, Americas
james.anania@invesco.com
New York, Americas

David Chao
Global Market Strategist, Asia Pacific
david.chao@invesco.com
Hong Kong, Asia Pacific

Thomas Wu
Market Strategy Analyst, Asia Pacific
thomas.wu@invesco.com
Hong Kong, Asia Pacific

Tomo Kinoshita
Global Market Strategist, Japan
tomo.kinoshita@invesco.com
Tokyo, Asia Pacific

Arnab Das
Global Macro Strategist
arnab.das@invesco.com
London, EMEA

Paul Jackson
Global Head of Asset Allocation Research
paul.jackson@invesco.com
London, EMEA

András Vig
Multi-Asset Strategist
andras.vig@invesco.com
London, EMEA

Ashley Oerth
Associate Global Market Strategist
ashley.oerth@invesco.com
London, EMEA

*Affiliated member

Telephone calls may be recorded.