

Built for performance: Engineering your equity portfolio

Lessons from engineering, racing and markets

In high-performance motor racing, success is rarely about a single heroic decision in the driver's seat. Research suggests that 88% of outcomes are dictated by the car itself, not the individual driver. The driver matters, but only once the engineering foundations are right.

In equity investing, stock selection gets the attention – but long-term outcomes are often driven by the portfolio's underlying exposures. So, the real question isn't "Which stocks?" It's "Which exposures are we intentionally taking – and are they engineered to hold up across cycles?"

Source: Bayesian Analysis of Formula One Race Results: Disentangling Driver Skill and Constructor Advantage – Journal of Quantitative Analysis in Sport.



The structural drivers of equity returns

Just as racing performance is governed by physical principles, long term equity outcomes are shaped by persistent return drivers – these are not secrets. They are foundational concepts that have persisted for decades, and in some cases, centuries: value, momentum and quality.

Crucially, few investors would ever choose the opposite combination – expensive companies, with weak finances and deteriorating performance. That alone highlights how fundamental these concepts really are.

Success does not rely on knowing something others don't. It comes from disciplined, consistent exposure to well-understood return drivers – continually refined through innovation, much like racing where the physics are known, but relentless development drives better outcomes.



Why factors persist

Value, momentum and quality have endured because they are structural features of markets – not anomalies. They persist due to behavioural biases (e.g. overreaction, underreaction), limits to arbitrage and the simple economics of owning businesses.

01



Better acceleration

Value investing is about identifying companies that are cheap relative to fundamentals such as earnings, sales or cash flow. The intuition is simple: much like a car with a higher power to weight ratio, for two similar businesses the one bought at a lower price delivers more “return” for the same underlying engine.

This idea has been documented for nearly a century, yet it has not been arbitrated away. Even in modern global equity markets, portfolios tilted toward attractively valued companies have demonstrated persistent excess returns over time, albeit with cyclical and periods of underperformance.



02

Harnessing tailwinds

Momentum captures market and fundamental sentiment. Companies experiencing positive share-price trends or improving fundamentals tend to continue outperforming in the near to medium term, while those facing sustained headwinds often struggle.

Just as aerodynamics reduce drag in racing, momentum seeks to minimise headwinds and maximise tailwinds in portfolios. While momentum can experience sharp reversals, its long-term contribution has proven durable and complementary to other factors.



03

Staying on the track

Quality speaks to a company's ability to endure - strong balance sheets, sustainable profitability and resilience through market cycles.

High-quality companies may not always deliver the highest short-term returns, but they tend to contribute consistency, downside resilience and reliability over time.

From single factors to a multi-factor framework – and why implementation matters

While each factor works on its own, relying on any single one requires tolerance for extended cycles of underperformance. The real power emerges when they are combined thoughtfully.

Multi-factor investing delivers two key benefits:

- **Diversification of return sources:** Value, momentum and quality behave differently through market regimes. When one factor struggles, another may lead.
- **Improved risk-adjusted outcomes:** Effectively combining factors smooths the return profile and reduces reliance on any single driver.

Although factors are well understood, how they are implemented makes a material difference. We build our portfolios differently to drive superior outcomes:

- 01 Multi signal factor definitions**

Each factor is captured using multiple complementary signals to improve robustness and reduce single metric fragility.
- 02 Effective factor combination and crowding control**

Factors are combined within a unique portfolio framework that accounts for interactions, correlations, and crowding risk to help avoid concentrated 'everyone in the same trade' exposures.
- 03 Proprietary risk model**




A proprietary risk model helps keep active risk intentional, not accidental, by controlling factor exposures and unintended sector, country, and style risks.
- 04 Risk balanced factor allocation**

Capital is allocated based on each factor's contribution to total portfolio risk so no single factor dominates outcomes as correlations and volatilities change.
- 05 Index enhanced, low active risk approach**

Portfolios operate with modest tracking error to preserve market beta while supporting smoother relative returns and seeking consistent, incremental alpha.

Invesco Global Enhanced strategy

Key features

-  Low active risk and controlled tracking error
-  Systematic exposure to durable sources of excess return
-  Competitive fees enabled by scale and technology

Underpinned by Invesco Quantitative Strategies – with over 20 years of experience in managing global equity portfolios and supported by more than 50 investment professionals around the globe.

Our objective is to perform consistently, delivering attractive risk-adjusted returns across market cycles that compound over the long-term for our investors.

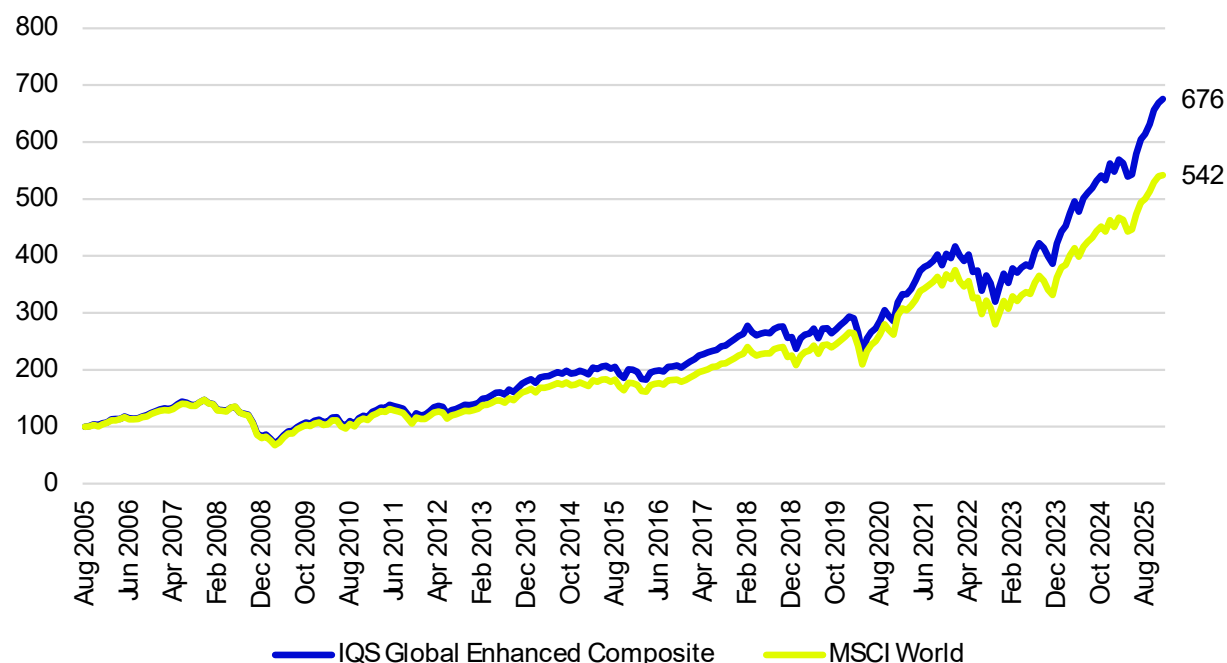
Compounding with control: Performance you can drive

When the portfolio's engineering is right, results compound with far less drama than a "hero-driver" stock pick. A disciplined, multi-factor, index-enhanced approach can keep performance moving forward through different market conditions – capturing the market's engine power (beta) while adding incremental, repeatable edge (alpha) without swerving into big unintended bets.

In other words, this is less about flooring it on a handful of high-conviction names, and more about building a well-balanced car: strong chassis, clean aero, and a setup that keeps traction through the corners so returns can keep lapping consistently, not just occasionally posting a flashy fastest lap.

Invesco Global Enhanced

Composite performance: Growth of \$100 invested



Endurance beats sprints

Over 1, 3 and 5 years, the Global Enhanced Composite repeatedly edges ahead of the benchmark, showing that consistent engineering beats short-term speed bursts. In investing, as in racing, clean execution and endurance win championships, not just pole position.

	Global Enhanced Composite	MSCI World	Active Return
31 Dec 2025			
1 Year	25.2%	21.1%	4.1%
3 Years	24.8%	21.2%	3.6%
5 Years	15.6%	12.1%	3.5%

- Consistent outperformance across 1, 3 and 5 years
- Reliable engine delivers returns year after year
- Compounding turns steady speed into a clear lead

Source: Invesco as of 31 December 2025. Inception date is 31 July 2005. Performance is gross of fees and stated in USD terms. This presentation of Invesco is supplemental information to the GIPS® compliant presentations. Performance results do not reflect the deduction of investment advisory fees. A client's actual return will be reduced by the advisory fees and any other expenses which may be incurred in the management of an investment advisory account. Past performance is not a guarantee of future results.

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