

# Invesco Climate Adaptation Action Fund (ICAAF)

March 2024

This marketing communication is for professional investors only. Investors should read the legal documents prior to investing.

## Opportunity



### Climate adaptation:

Refers to actions taken by governments, non-governmental organizations (NGOs) and companies to adjust and adapt to the current and future impact of climate risks.



### Why Adaptation:

We need to adapt to climate change to protect ourselves from the consequences it brings. The UN has stated poor countries will need help doing so and the fallout varies depending on where you live. It might mean fires or floods, droughts, hotter or colder days or sea-level rise.



### More finance is needed:

Money is not flowing at the pace or scale needed to protect people and livelihoods across vulnerable communities and sectors.



### Protecting the vulnerable:

We can achieve these benefits by focusing on the key systems affected by the climate: food security and agriculture, urban infrastructure, coastal zone, nature-based solutions, water collection and management and energy hydropower.



### Areas:

We will target regions in Africa, Asia-Pacific, Latin America and the Caribbean. For example, blue bonds can fund water conservation, wastewater treatment and sustainable seafood processing projects, while investments in safe water and sanitation can help millions of people in affected areas.

## ICAAF – Fund Terms

**Investment strategy:** Public and private placement bonds

**Target returns\*:** 25% Junior Class target returns of 11.7% pa; 75% Senior Class target returns of 8.1% pa

**Target size:** Up to \$500m (capacity limit)

**Fund term:** 12 years from the closing date (7-year investment period and 5-year run-off period)

**IPO period:** starts Q2 2024 for 9 months

\* De-risking mechanism: 25% Junior Class to absorb first losses due to credit events, providing risk mitigation for the 75% Senior Class. Net of fees and based on a fully invested portfolio during investment period, post the ramp-up period

Please note there is no guarantee performance targets will be achieved.

### For investment risks, please turn overleaf.

Any investment decision should take into account all the characteristics of the fund as described in the legal documents. For sustainability related aspects, please refer to [www.invescomanagementcompany.lu](http://www.invescomanagementcompany.lu). The investment concerns the acquisition of units in an actively managed fund and not in a given underlying asset.

## Approach

We will invest in public and private placement bonds in developing countries with a tilt towards climate adaptation. Our objective is to support longer-term adaptation to climate change in vulnerable countries supporting mitigating efforts.

## Our Solutions

- **Investments:** We use a combination of public and private placement bonds to target the most vulnerable communities and regions. Investing in adaptation can provide a triple dividend: it can avoid economic losses, bring positive gains, and deliver additional social and environmental benefits.
- **Providing solutions:** Our fund will aim to provide solutions for EMEA/APAC/US institutional investors to meet their allocation targets for climate adaptation investments in key countries and addresses the lack of choice for investors that seek targeted climate adaptation investment strategies. It aims to mobilise institutional investment through the de-risking provided by public financial and philanthropic institutions.

## Competitive Edge

- **Clear and consistent investment framework:** We have developed a proprietary impact evaluation framework for adaptation impact assessment across projects.
- **Impactful:** Adaptation objective and impact evaluation assessments underpinned by proprietary research framework. We have tools to support tracking and monitoring of engagement objectives and undertake comprehensive annual impact reporting.
- **Extensive thematic investment experience:** We have widespread experience in thematic investing including ESG leadership, climate investing and nature and social. We created the first clean energy fund in 2006. We currently manage 8 climate mitigation focused fixed income strategies.
- **Partnerships:** Working in partnership with key players like the Global Center of Adaptation to identify high impact investment opportunities.

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## 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.

The Fund is intended for long-term investment and for investors who can accept the risks associated with making investment in illiquid investments in privately negotiated transactions.

The Fund may be adversely affected by a decrease in market liquidity for the securities in which it invests which may impair its ability to execute transactions. Investment in debt instrument may also be exposed to risks in the event of sudden asset price shocks. Especially for private placement bonds, any buy or sell trade on these markets may lead to significant market variations/fluctuations.

Debt instruments are subject to the risk that issuers do not make payments on such securities. An issuer suffering from an adverse change in its financial condition could lower the quality of a security leading to greater price volatility on that security. A lowering of the credit rating of a security may also offset the security's liquidity, making it more difficult to sell. Private Placement instruments are more susceptible to these problems and their value may be more volatile.

Debt securities may fall in value if the interest rates change. The prices of the investment rise when interest rates fall, while the prices fall when interest rates rise. Longer term investment are usually more sensitive to interest rate changes.

Investment in private placement will from time to time rely upon projections, forecasts or estimates developed by the Fund or a company in which the Fund is invested or is considering making an investment concerning the company's future performance and cash flow. Projections, forecasts and estimates are forward-looking statements and are based upon certain assumptions. Actual events are difficult to predict and beyond the Fund's control. Actual events may differ from those assumed.

The Fund may use derivatives for investment purposes. It may be exposed to additional leverage risk, which may result in significant fluctuations of the NAV of the Sub-Fund and/or extreme losses where the Investment Manager is not successful in predicting market movements.

Investments in emerging markets may be more volatile than investments in more developed markets. Some of these markets may have relatively unstable governments, economies based on only a few industries and securities markets that trade only a limited number of securities.

Applying ESG criteria to the investment process may exclude securities of certain issuers for non-financial reasons and, therefore, may forgo some market opportunities available to funds that do not use ESG or sustainability criteria. For private placement instruments, there exists a risk of incorrectly assessing a security or issuer, resulting in the incorrect inclusion or exclusion of a security.

Operational risk embedded in operating the Fund, which is mainly linked potential valuation issues and handling restructuring or legal process related to its investments.

The value of the investments and any income will be subject to various degree of capital risk. In event of defaults or Credit Events (as defined in the Fund's offering documents), junior class investors will absorb the capital loss before the senior class.

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## Important information

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Views and opinions are based on current market conditions and are subject to change.

For more information on our funds and the relevant risks, please refer to the Offering Document, the Annual or Interim Reports, and constituent documents (all available in English). These documents are available from your local Invesco office. A summary of investor rights is available in English from [www.invescomanagementcompany.lu](http://www.invescomanagementcompany.lu). The management company may terminate marketing arrangements. The fund, as a Reserved Alternative Investment Fund domiciled in Luxembourg, is eligible for Well-Informed Investors (as defined in the Luxembourg Law dated 28 July 2023).

The fund is a dedicated Luxembourg open-ended unregulated fund. It qualifies as an alternative investment fund (AIF) managed by Invesco Management S.A. as external alternative investment fund manager (AIFM).

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