

First of its Kind: Invesco US Senior Loan ESG Strategy



Quick Facts: Never before has ESG been applied to a Bank Loan strategy.

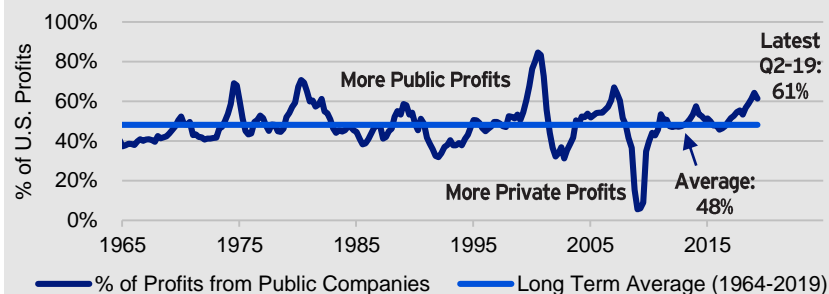
The FACT: Investors around the globe are looking for ways to implement ESG investments in their portfolios.

The PROBLEM: Senior secured bank loans, however, are private instruments and often issued to private companies. Only ~10%¹ of the senior secured bank loan universe are covered by traditional ESG ratings providers

The SOLUTION: Invesco's senior secured bank loan analysts have independently rated over 660 corporate issuers globally from an ESG perspective

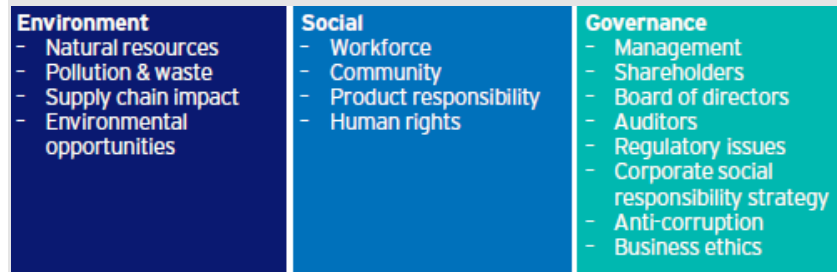
Half of all Profits in the U.S. Economy are from Private Companies

In the United States, around half of economic profits (\$1.8T) are generated from companies that are not influenced by today's common ESG ratings, which are only applicable to public companies. Bank Loans' private issuers require a novel approach to ESG.²



Proprietary ESG Rating System

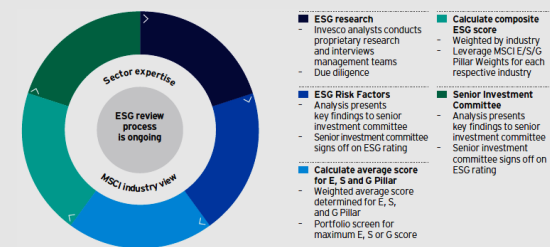
Invesco's team of dedicated senior secured bank loan analysts have independently rated over 660 corporate issuers from an ESG perspective. They have conducted ESG diligence reviews with issuers' management teams utilizing a rigorous, multifaceted process to determine an proprietary ESG composite score. 16 independent ESG factors are scored 1-5 for risk (1 indicating "low risk" and 5 indicating "high risk").



Process (1), Portfolio Construction (2), and Output (3)

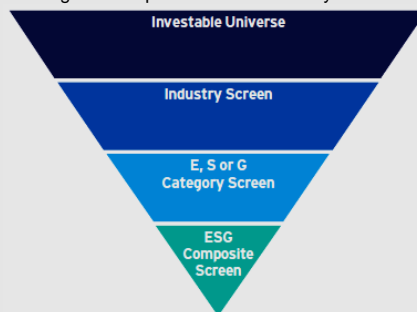
1. How does the ESG Ratings Process Work?

To derive an issuer-level ESG rating, we use a weighting schematic for the issuer's broad industry category. These ratings are averaged into an overall ESG score that is approved by our Senior Investment Committee, and are reviewed at least annually. Most importantly, the process leads to new conversations and behaviors from management teams.³



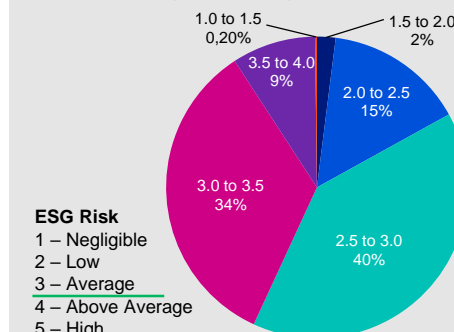
2. ESG Portfolio Construction

First, portfolios are screened for industry exclusions, such as Tobacco, Weapons, Coal or Energy from unconventional sources. Then each ESG Pillar is screened using Invesco's proprietary ratings. Lastly, we screen based on a calculated composite ESG score that weights ESG pillars for their industry risk.⁴



3. Results

Despite eliminating high ESG risk issuers (composite score > 4.0, below), the ESG portfolio is not very different from the traditional Bank Loan strategy, with little differentiation in credit quality and spread. The average ESG Rating is 2.9.⁵



1 Source: Invesco, June 2019

2 Source: BEA, 6/30/19. Latest Data Available.

3, 4, 5, 6 Sources: Invesco Proprietary Research as of 8/31/19.

Invesco US Senior Loan ESG Strategy

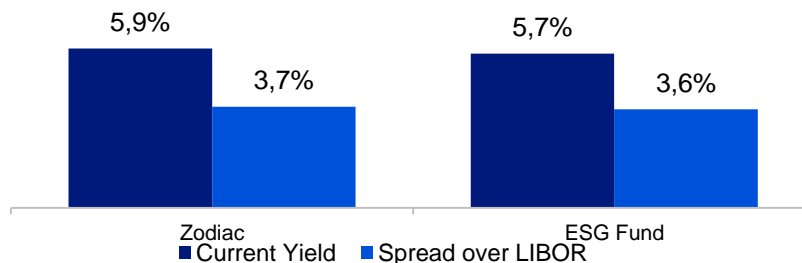
Quick Facts:

The Invesco Senior Loan Team is a 45 member dedicated team with 29 investment professionals averaging 18 years experience.

Invesco US Senior Loan ESG Fund, A Sub-Fund of Invesco Zodiac Funds (Portfolio Statistics as of 8/31/19)

Portfolio Statistics	Zodiac	ESG Fund
Average Current Yield	5.89%	5.69%
Average Yield to Maturity	6.82%	6.34%
Assets Average Maturity (years)	5.23	5.22
Average Spread (above LIBOR)	373 bps	364 bps
Average Coupon	5.63%	5.56%
Number of Issuers	475	444
Number of Holdings	706	634

Return Profile



Zodiac refers to Invesco US Senior Loan Fund and ESG Fund refers to Invesco US Senior Loan ESG Fund. Source: Invesco, For Illustrative Purposes Only. The ESG Fund is constructed via an asset transfer-in-kind from US Zodiac to the ESG Fund with assets that meet the specified ESG portfolio guidelines. Portfolio characteristics reflect August 31, 2019 assets and may not represent exact assets at time of transfer and may not be applicable going forward

Risk warnings

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 particularly dependent on the analytical abilities of its investment manager on senior loans. Many senior loans are illiquid, meaning that the fund may not be able to sell them quickly at a fair price and/or that the redemptions may be delayed due to illiquidity of the senior loans. The market for illiquid securities is more volatile than the market for liquid securities. The market for senior loans could be disrupted in the event of an economic downturn or a substantial increase or decrease in interest rates. Senior loans, like most other debt obligations, are subject to the risk of default.

For important information on risks associated with this product, see the "Risk Factor" section in Appendix I of the Prospectus.

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

All information is sourced from Invesco, unless otherwise stated. All data is USD, unless otherwise stated. All information as of 31 August 2019, unless otherwise noted.

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Further information on the fund, the current Prospectus and the latest annual report can be obtained from the contact details below. Investors should not invest in the fund solely based on the information provided in this document.

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