Press Release
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Invesco seeks $500m for climate adaptation fund

London 14 May 2024 - Invesco, one of the world's leading asset managers, today announces the launch of the Invesco Climate Adaptation Action Fund (ICAAF), enabling institutional investors to support climate change mitigation efforts in vulnerable countries.

Climate change will challenge and change the way we live and the poorest regions, countries and communities are likely to be hit the hardest. Investment in mitigation and adaptation strategies is desperately needed, and ICAAF will help to close the climate adaptation finance gap by mobilising private and public capital to accelerate the scale up of solutions.

ICAAF will invest in public and private placement bonds in developing countries with a tilt towards climate adaptation. It aims to provide institutional investors with a triple dividend: the opportunity to minimise the economic impact of climate change, realise positive gains, and deliver wider social and environmental benefits.

Invesco is seeking to raise $500m for the Fund, which has launched an IPO that will now run for nine months. The Fund's term is 12 years, comprising a seven-year investing period during which it will target multiple climate adaptation sectors – including food security and agriculture, coastal zones, urban infrastructure, water collection and management, energy and nature-based solutions – and a five-year run-off period.
The Fund will leverage partnerships with key players in developing markets, such as the Global Centre on Adaptation (GCA), to originate compelling and effective investment opportunities. An innovative, layered capital structure will aim to balance risk and reward for private and public investors. The junior share class – representing 25% of the Fund and aimed predominantly at the public sector – will target a return of 11.75% per annum, while the senior share class – representing 75% of the Fund and aimed predominantly at the private sector – will target a return of 8.1% per annum.

ICAAF benefits from Invesco's proprietary frameworks, including for climate adaptation impact evaluation, as well as its widespread experience in thematic ESG and climate investing, including the expertise of a team which launched its first clean energy fund in 2006 and already manages eight climate mitigation focused fixed income strategies.

Hamid Asseffar, Head of EMEA Sustainable & Impact Investing, Invesco, said: "We need to adapt to climate change to protect ourselves from the consequences it brings, but money is not being directed at the pace and scale needed to the world's most vulnerable regions and communities, which will be most affected. We believe there is an enormous opportunity to transform how climate adaptation is funded and have created ICAAF to enable institutions to invest to accelerate the scale up of solutions, an approach we believe will create the most impact."

He continued: "ICAAF is an innovative blended finance fund that can help unlock climate adaptation investment opportunities in developing countries, leveraging the growth of the Green Social and Sustainable labelled debt market with its very targeted use of proceeds.

We are excited to work with institutional investors, development finance organizations and partners on this new and scalable strategy.

Blended finance, as a structuring approach, offers a huge opportunity to address some of the key barriers to invest in emerging markets and developing economies and offers institutions an attractive risk adjusted way to invest in an important thematic while driving positive impact."

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About Invesco Ltd.

Invesco Ltd. (Ticker NYSE: IVZ) is a global independent investment management firm dedicated to delivering an investment experience that helps people get more out of life. With offices in more than 20 countries, our distinctive investment teams deliver a comprehensive range of active, passive and alternative investment capabilities. For more information, visit invesco.com/corporate.

Issued in the UK by Invesco Fund Managers Limited, Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire, RG9 1HH, United Kingdom. Authorised and regulated by the Financial Conduct Authority.

Investment risks

The value of investments, and any income from them, will fluctuate. This may partly be the result of changes in exchange rates. 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.

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.

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

Important information

This press release is intended for trade press use only in the UK. Please do not redistribute. All data is coming from Invesco as at 30 April 2024 unless otherwise stated. Views and opinions are based on current market conditions and are subject to change.

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.

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. 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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