



Globalize Your Portfolios

Explore four trends that are driving global growth, and three ideas for diversifying your portfolio.

Not a Deposit | Not FDIC Insured | Not Guaranteed by the Bank | May Lose Value | Not Insured by any Federal Government Agency

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The Invesco
Global Advantage

An interconnected world calls for global investing

The world is rapidly changing. Across the globe, major societal, economic, technological, and demographic shifts are taking place that are creating potential opportunities for investors. The notion that the United States is the only or best place to invest has become outdated. The economies of countries like China and India have been growing three times faster than the US economy.¹

If you focus your investments within the United States, you may be missing a world of opportunity. *The Generations Project* found that 40% of the high-net-worth investors surveyed do have an interest in owning international emerging market stocks, and the expressed level of interest was even higher among Millennials.² But that interest hasn't translated into action as US investors have 2.5 times more of their assets in US stocks than in global companies.³ That may be out of step with the reality of today's global economy as more than three-quarters of the world's economic output – 76% – is produced outside the United States, as shown on the right.

The world has become too interconnected to keep viewing markets and investment opportunities through a "US" vs. "foreign" lens. Just consider Apple, the United States' second-largest company by market cap.⁴ But the iPhone is made in China and has components manufactured by companies in Germany, Japan, the Netherlands, South Korea, Taiwan, and the United Kingdom.

Today's opportunities don't end at the horizon. Investors can potentially benefit considerably if they extend the reach of their portfolios beyond the United States.

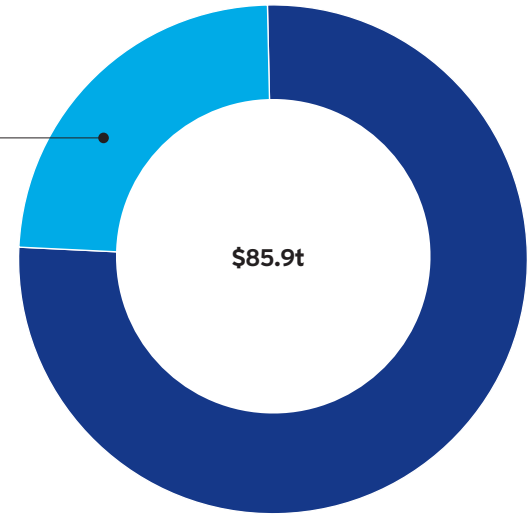
Investors focused on the United States are missing a world of opportunity

The United States' shrinking share of global gross domestic product (GDP)

US percentage of world GDP

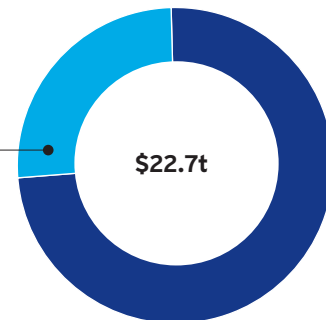
2019

24%



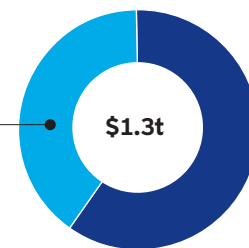
1990

26%



1960

40%



Source: World Bank, as of 12/31/18, most recent data available. Gross domestic product is a broad indicator of a region's economic activity, measuring the monetary value of all the finished goods and services produced in that region over a specified period of time.

1 Source: International Monetary Fund (IMF), World Economic Outlook Database, April 30, 2019.

2 Source: OppenheimerFunds, The Generations Project, June 2018, 500 high-net-worth investors.

3 Source: Statista, May 2018.

4 Source: Statista, 2019 ranking.

Four major trends are driving global growth

Across the globe, there are four major trends driving economic growth – increased wealth, technological innovation, dynamic reinventions of countries, industries, and companies; and changing demographics. These changes are taking place over the course of decades, and we don't believe they will be disrupted by shorter-term market movements and economic cycles. For long-term investors, these are developments that could potentially deliver the sustained growth they need for their portfolios to realize goals that are 10, 20, or 30 years away. These trends are occurring around the world, and investors who focus primarily on the United States could miss the opportunity to capitalize on them.

01

Increased Wealth

A growing middle class has money to spend

Economic growth around the world, and in the emerging markets, in particular, is enabling more people to rise out of subsistence living and join the ranks of the middle class.

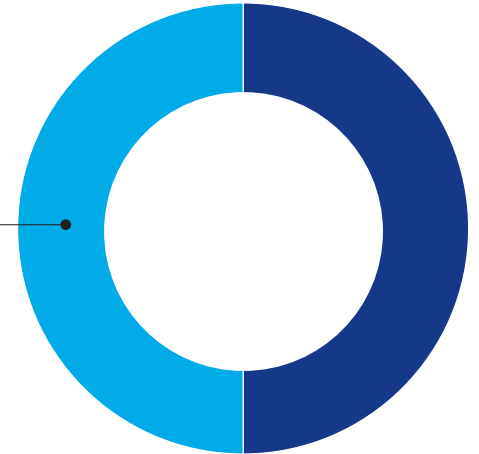
With discretionary income at their disposal, these consumers want the staples of middle-class lifestyles. That has created rapidly growing markets for companies that provide everything from beer and liquor, to fashion and cosmetics, and TV and internet access. While the economic hardships created by the COVID-19 pandemic may slow down the pace of people shifting into the middle, we don't think it will bring a halt to this long-term trend.

2018

3.8 billion – 50% – of the world's 7.6 billion people are now in the middle class or affluent.

Middle class or affluent

50%



140 Million Per year

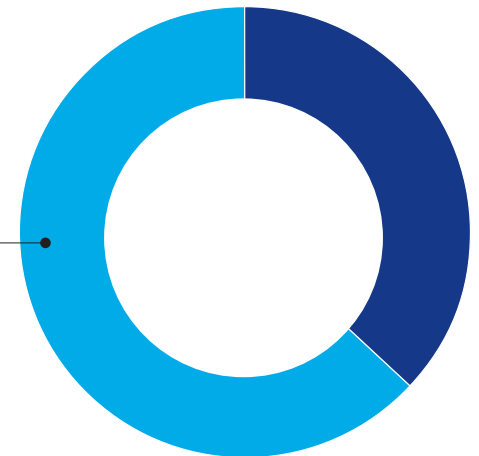
More than **140 million people** join their ranks every year. Within a few years, a majority of the world's population might be middle class.

2030

By 2030, it's estimated that 63% of the world's population will be middle class or affluent.

Middle class

63%



Source: "A global tipping point: Half of the world is now middle class or wealthier," Brookings Institution, Sept. 27, 2018, most recent data available. There is no guarantee the outlook mentioned will come to pass.

02

Technological Innovation

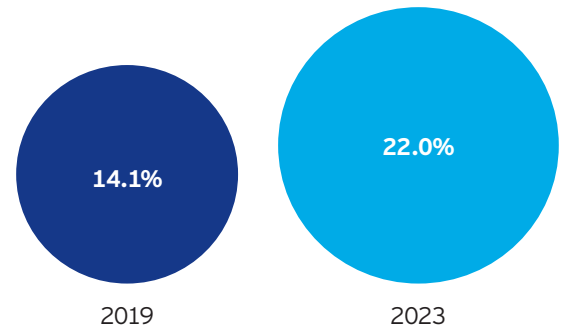
Advances are disrupting every type of industry

Almost every industry and every aspect of our personal and work lives are being disrupted by the accelerating pace of technological innovation.

Innovation is changing the landscapes of multiple industries, such as retail, which increasingly takes place online, and manufacturing, where assembly lines are becoming automated. The vast quantities of data online are creating opportunities for all the companies that transmit, store, and analyze that data. As everyday items like cars become more electronic and other industries like gaming expand into 3D and augmented reality, the markets for companies that make these capabilities and deliver these experiences may continue to rapidly expand.

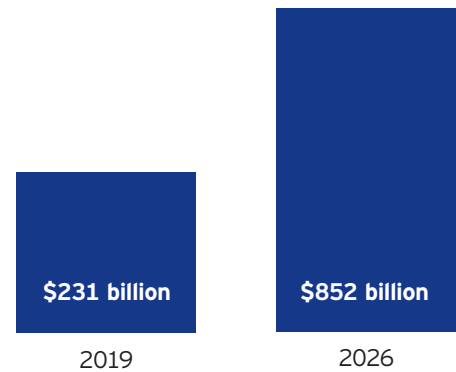
E-commerce's share of retail sales

In 2019, retail e-commerce sales accounted for **14.1%** of all retail sales worldwide. This number is expected to grow to 22% by 2023.



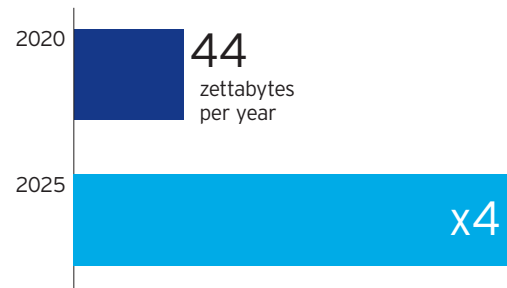
Internet of Things

Spending on the Internet of Things – which allows objects like cars and appliances to send and receive data – is expected to hit **\$852 billion** worldwide by the end of 2026, up from \$231 billion in 2019.



The data deluge

The world is expected to create 44 zettabytes (one trillion gigabytes) of data in 2020 – and that already astonishing volume is expected to **increase fourfold by 2025.**



Sources: For retail e-commerce data: Statista, 2019 projection as of August 30, 2019. For the Internet of Things: Industry Research, "Global Internet of Things Technology Market Size," 2020. For the data deluge: Visual Capitalist, "How Much Data is Generated Each Day," 2020 & 2025 projections as of April 15, 2019. There is no guarantee any outlooks mentioned will come to pass.

03

Dynamic Reinvention

Countries and companies are embracing change

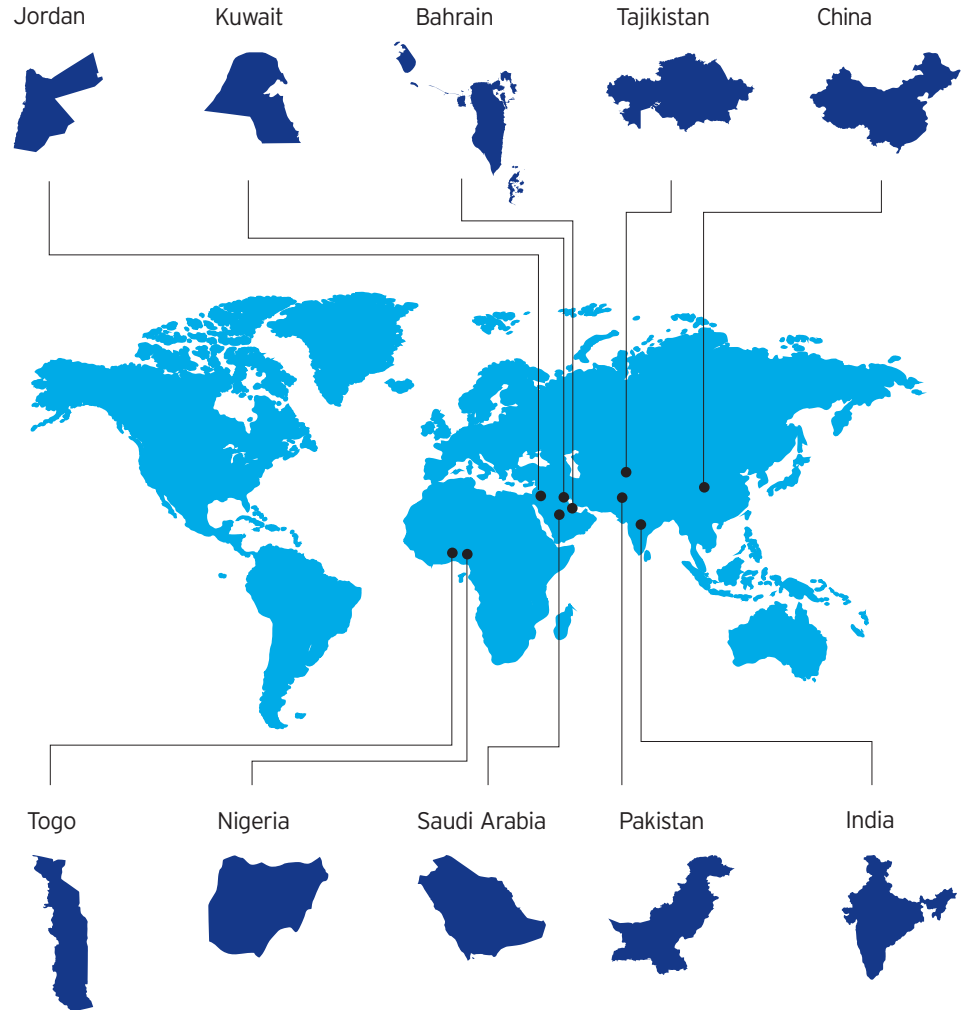
Today, the world is truly one global market, even with the recent rise in protectionist impulses in some countries, including the United States.

To stay competitive on the global stage, countries, industries, and companies are recognizing the need to continually reinvent themselves. Countries, like those shown to the right, that once had highly controlled or closed economies, have been adopting growth-oriented political and economic reforms to support freer markets and allow businesses to thrive. Industries have been embracing innovation and looking for ways to operate more efficiently and profitably. Companies, no longer settling for the status quo, have been exiting sluggish lines of business and focusing on where future profits may be.



In 2019, the volume of goods and services traded across national borders exceeded \$19.1 trillion.¹

Top 10 countries for growth-oriented political and economic reforms



Source: World Bank's "Doing Business 2020" report. For illustrative purposes only.

¹ Source: World Trade Organization, "World Trade Statistical Review 2020." Data is for 2019, which is the latest available.

04

Changing Demographics

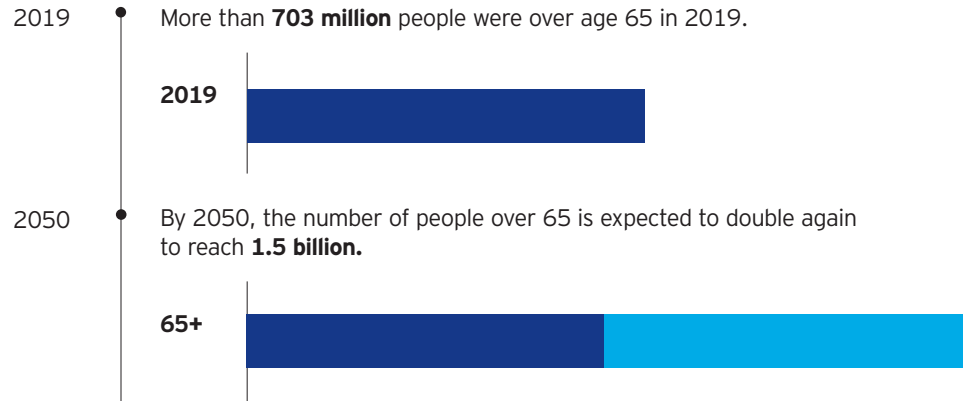
An aging population wants its preference met

The makeup of the world's population has been shifting. First and foremost, it's getting older.

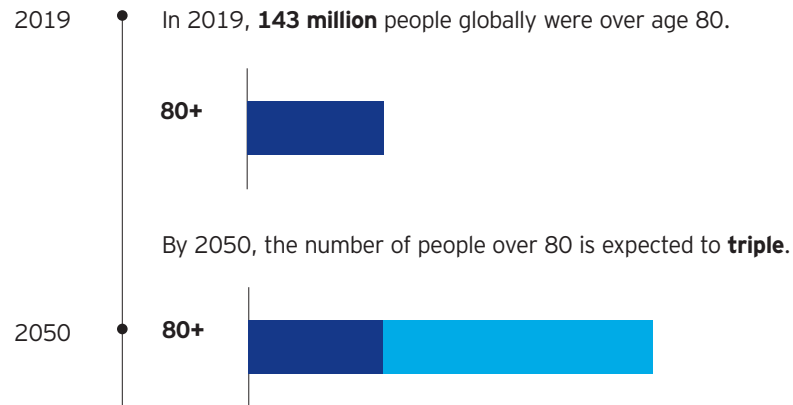
The increasing number of people living well into their senior years has created a growing market for companies that serve the "Silver Economy." That includes biotechnology and pharmaceutical firms developing cures and treatments for age-related illnesses. The aging of the world's population is combining with the global rise in incomes to create bigger markets for companies that deliver discretionary health care services – like eyeglasses, dental implants, and hearing aids. Today's seniors are also active. That means a steady rise in demand for companies that cater to their leisure interests, such as air travel and cruises to exotic locations, which we think will resume once we are past the pandemic.

Seniors (ages **65+**) continue to be one of the fastest-growing segments of the population.

Over age 65



Over age 80



Source: United Nations, "World Population Ageing: 2019" Most recent data available. There is no guarantee any outlooks mentioned will come to pass.

How to globalize your portfolio

Consider your diversification options

Global equity portfolios

invest in US and international stocks, allowing investors to access both in a single, diversified fund. Managers of these funds invest in what they believe are the best companies in the world.

International equity funds

invest in non-US companies, generally in the developed markets. When used with US equity holdings, these funds enable investors to determine their US vs. non-US allocations.

Emerging market equity funds

focus on companies in the developing markets. These portfolios allow investors to focus on companies in countries that may offer higher growth rates than developed countries.

International bond funds

invest in developed and emerging market government and corporate debt.

Broaden your asset allocation strategy

Every investor can work with their advisor to determine the asset allocation strategy that is right for their financial circumstances, goals, and risk tolerance. As you look to globalize your portfolio, here is a general guideline of steps to consider as you seek to capitalize on the world's opportunities.

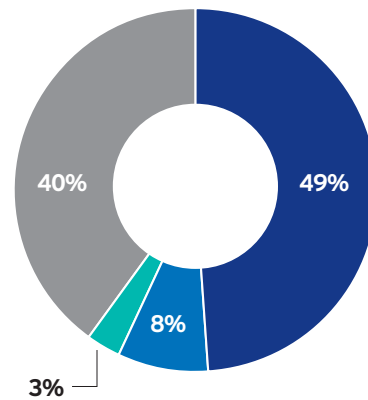
01

Align your stock holdings with the relative size of the world's stock markets.

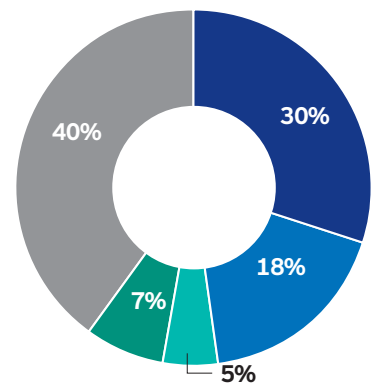
Most US investors have the bulk of their stock holdings in US companies, but the relative size of the world's various stock markets could provide a guide to an appropriate asset allocation strategy. That is the approach employed by the index that tracks the world's stock markets – the MSCI All Country World Index (ACWI).

An opportunity to migrate from a US-centric to a globally diversified approach

Sample investor equity portfolio



Sample globalized equity portfolio



■ Fixed Income ■ US ■ International Developed
■ Emerging Markets ■ International Small/Mid Cap

For illustrative purposes only. There is no guarantee that the investment techniques mentioned will produce the desired results or will result in the achievement of an investor's objective. An investment cannot be made directly into an index. The MSCI All Country World Index is an unmanaged index considered representative of large- and mid-cap stocks across developed and emerging markets. Diversification does not guarantee a profit or eliminate the risk of loss.

To implement this approach, an investor who has been US-centric could consider the following steps:

- + Lower their overall US equity weighting.
- + Increase their exposure to international developed markets.
- + Increase their emerging market equity holdings.
- + Add exposure to small- and mid-cap stocks in international developed markets.

02

Determine your international income holdings on the basis of your income needs.

Determining allocations to international bonds is not as easy as looking at the relative size of the world's debt markets. While market capitalization – which is the volume and value of outstanding stock shares – may be a good indicator of the attractiveness of a country's stock market, the volume of outstanding debt may not be. A better way to arrive at this allocation may be to determine the level of income you need.

International bonds from countries with different economic and interest rate environments, as well as different currencies, can provide additional sources of income, while also having additional risks. You can use a variety of calculation methods, using historical returns, to determine what type of bond strategy is likely to deliver a particular level of yield. For a hypothetical example of an investor looking to realize a yield of 3% to 5% annually, our calculations suggest at least 15% of their total bond holdings, or 6% of their overall portfolio, should be in international debt funds.

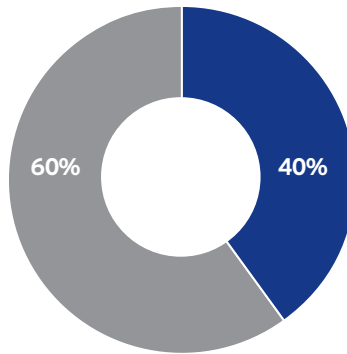
03

Find an appropriate balance for your diversified global stock and bond portfolio.

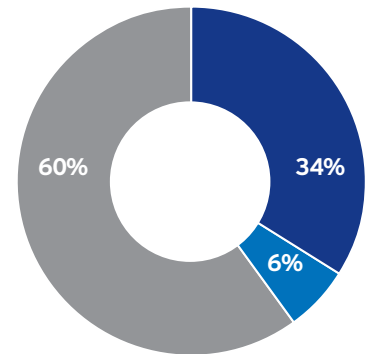
For simplicity, we have presented the traditional broad asset allocation approach of putting 60% of one's holdings in stocks and 40% in bonds to determine what an appropriate global diversification strategy could be, using the assumptions made above for each asset class. You and your advisor can tailor your specific approach, but the following chart can serve as a guide to a broadly diversified strategy that can globalize your portfolio.

An international bond allocation may help boost yields

Sample fixed income portfolio



Sample globalized income portfolio



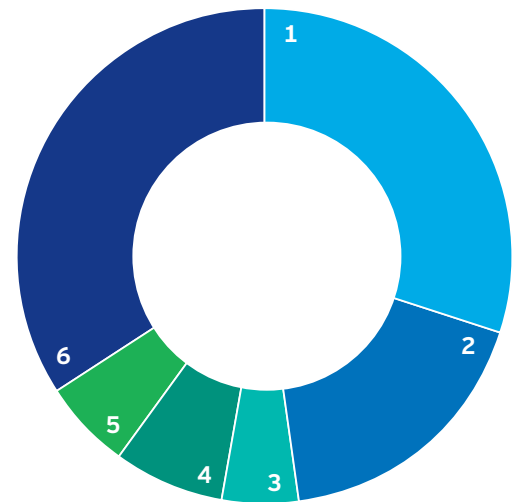
■ Equity ■ US Fixed Income ■ International Fixed Income

The calculations of bond allocation strategies needed to achieve certain yield levels based on the Black-Litterman model, which is a mathematical model for portfolio allocation developed in 1990 at Goldman Sachs by Fischer Black and Robert Litterman, and published in 1992. For illustrative purposes only. There is no guarantee that the investment techniques mentioned will produce the desired results or will result in the achievement of an investor's objective.

A globalized stock and bond portfolio

Sample globalized portfolio

- 1 US Equities 30%
- 2 International Developed Equities 18%
- 3 Emerging Markets Equities 5%
- 4 International Small/Mid Cap Equities 7%
- 5 International Fixed Income 6%
- 6 US Fixed Income 34%



For illustrative purposes only. Diversification does not guarantee a profit or eliminate the risk of loss. There is no guarantee that the investment techniques mentioned will produce the desired results or will result in the achievement of an investor's objective.

The Invesco global advantage

When you are ready to globalize your portfolio, it can be critical to partner with a firm that has experience navigating international markets. Our investment teams don't sit in a US office and make decisions by reading research reports. That would be no better than trying to understand Mumbai from a tourist guide. We believe that to understand a company, you must be familiar with its facilities and talk with its managers. And it does not stop there. Our teams talk to customers, vendors, and competitors, as well as government officials and central bankers, to get a complete picture of each company's and country's prospects.

When you partner with Invesco, you gain a number of potential advantages:

Size and scale

We have \$1.145 trillion in assets under management.¹ Our size gives us access to research and information that can help investors make better financial decisions.

Global reach

We have employees on the ground in 25 countries. Our global reach allows us to assess risks and opportunities for our clients on a firsthand basis.

Diversity of thought

We have no "house view" that homogenizes our investment strategies. Each team has the intellectual freedom to uncover opportunities through its own research and expertise.

¹ Invesco Ltd. data as of June 30, 2020, and includes all assets under advisement, distributed and overseen by Invesco.

A selection of Invesco's global investment solutions

Category/ name and objective	Ticker	Inception date	Manager(s)
International Equity			
Invesco Developing Markets Fund*	ODMAX	11/18/96	Justin Leverenz, CFA
Fund objective: The strategy typically invests in emerging and developing market stocks.			
Invesco International Diversified Fund	OIDAX	9/27/05	George Evans, CFA
Fund objective: The strategy currently invests in four underlying products managed by the Invesco Global and Emerging Markets Equity teams.			
Invesco International Growth Fund	AIEX	4/7/92	Clas Olsson Brent Bates, CFA Matthew Dennis, CFA Mark Jason, CFA Richard Nield, CFA
Fund objective: The fund seeks long-term growth of capital by investing in a diversified portfolio of reasonably priced, quality, international companies with strong fundamentals and sustainable earnings growth.			
Invesco Oppenheimer International Growth Fund	OIGAX	3/25/96	George Evans, CFA Robert Dunphy, CFA
Fund objective: The strategy typically invests in a mix of foreign growth stocks.			
Invesco International Small-Mid Company Fund*	OSMAX	11/17/97	David Nadel
Fund objective: This strategy typically invests in international small- and mid-company stocks.			
Global Equity			
Invesco Global Opportunities Fund	OPGIX	10/22/90	Frank Jennings, PhD
Fund objective: The strategy typically invests opportunistically in both US and foreign stocks.			
International Debt			
Invesco International Bond Fund	OIBAX	6/15/95	Hemant Bajjal Wim Vandenhoeck Chris Kelly, CFA
Fund objective: The strategy uses top-down macro and bottom-up country analyses to invest across foreign exchange, interest rates, and credit securities in international and emerging markets.			

*The purchase and exchange of fund shares are restricted, subject to certain exceptions. Please see the prospectus for further information.

Greater Possibilities Together

When you open yourself to the world, you open the door to more possibilities. Visit [invesco.com/us](https://www.invesco.com/us) to learn more.

Effective September 30, 2020: Invesco Oppenheimer Developing Markets Fund was renamed Invesco Developing Markets Fund; Invesco Oppenheimer Global Opportunities Fund was renamed Invesco Global Opportunities Fund; Invesco Oppenheimer International Bond Fund was renamed Invesco International Bond Fund; Invesco Oppenheimer International Diversified Fund was renamed Invesco International Diversified Fund; Invesco Oppenheimer International Small-Mid Company Fund was renamed Invesco International Small-Mid Company Fund.

This does not constitute a recommendation of any investment strategy or product for a particular investor. Investors should consult a financial professional before making any investment decisions.

The opinions expressed are those of the author, are based on current market conditions and are subject to change without notice. These opinions may differ from those of other Invesco investment professionals.

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About Risk

In general, stock values fluctuate, sometimes widely, in response to activities specific to the company as well as general market, economic and political conditions.

A value style of investing is subject to the risk that the valuations never improve or that the returns will trail other styles of investing or the overall stock markets.

Investments focused in a particular industry or sector, are subject to greater risk, and are more greatly impacted by market volatility than more diversified investments.

Fixed income investments are subject to credit risk of the issuer and the effects of changing interest rates. Interest rate risk refers to the risk that bond prices generally fall as interest rates rise and vice versa. An issuer may be unable to meet interest and/or principal payments, thereby causing its instruments to decrease in value and lowering the issuer's credit rating.

Derivatives may be more volatile and less liquid than traditional investments and are subject to market, interest rate, credit, leverage, counterparty and management risks. An investment in a derivative could lose more than the cash amount invested.

The risks of investing in securities of foreign issuers, including emerging market issuers, can include fluctuations in foreign currencies, political and economic instability, and foreign taxation issues.

Growth stocks tend to be more sensitive to changes in their earnings and can be more volatile.

Stocks of small- and mid-sized companies tend to be more vulnerable to adverse developments, may be more volatile, and may be illiquid or restricted as to resale.

The fund is subject to certain other risks. Please see the current prospectus for more information regarding the risks associated with an investment in the fund.

Before investing, investors should carefully read the prospectus and/or summary prospectus and carefully consider the investment objectives, risks, charges and expenses. For this and more complete information about the fund(s), investors should ask their financial professional for a prospectus/summary prospectus or visit [invesco.com/fundprospectus](https://www.invesco.com/fundprospectus).