Invesco

Invesco Senior Secured Loans

Strategy Profile

as at 31 March 2024

Invesco Senior Secured Loans

Strategy Profile

Invesco Senior Secured Loans Strategy

The Invesco Senior Secured Loans Strategy ('the Strategy') invests primarily in senior secured loans to a diverse group of global companies with interest rates that float at a spread above LIBOR and are reset about every 60 days.

Senior secured loans have a unique combination of appealing characteristics as follows:

High income	Stable monthly income stream from contractual loans to a diverse group of global companies
Floating rate	Near zero duration risk, income rises when interest rates rise, providing a hedge against inflation
Senior Secured	Highest priority to be repaid and first right to the companies' assets
Diversification	Diverse group of large, mature and global companies; complementary with other assets in a traditional portfolio
Liquidity	Liquid US$1.6 trillion-plus market with consistently high trading volumes allows ready access to funds

Credit Suisse Leveraged Loan Market Statistics (Wider definition of Institutional Market vs. S&P) Credit Suisse Leveraged Loan Index, Credit Suisse Western European Leveraged Loan Index as of 31 March 2024.

The Strategy is managed by the Invesco Private Credit Team ('team'). The team seeks companies that in the judgment of our analysts have capable management, consistent and dependable sources of cash flow, and reliable collateral packages that provide a second source of repayment if required. To manage risk, the team keeps the underlying portfolio broadly diversified and generally avoids industries believed to be fundamentally flawed or speculative.

Invesco's competitive advantages and information edge:

Experienced pure-play Private Credit Team	• One of the largest sector-based loan teams • 100+ professionals • Leadership has decades of experience together • Differentiated client experience
Market innovator with presence in all sectors	• Senior loan investing since 1989 • Daily liquid institutional loan product launched 2006 • Senior loan ETF launched 2011 • ESG mandates launched 2013; First ESG loan product launched in 2019 • Dedicated direct lending, distressed credit and multi-strategy capabilities
Proven credit process and proprietary tools	• Fundamental research to measure risk and identify relative value through quantitative tools • Proprietary ESG ratings on over 1000 issuers • Customised tools and metrics • History of outperformance
Private side investor	• Private side affords deeper access to management teams and private projections • Early look at new loan transactions • Can aid in mitigating downside risk

Management and Team

Invesco's Private Credit platform is one of the largest private-side senior loan managers in the world with around US $43 billion of AUM in US and European private credit across senior secured loans, direct lending and distressed credit. The Senior Loans Investment Committee is highly experienced and stable, having worked together since 2000 and with 30 years average investment experience. The team is backed by the global resources of Invesco Fixed Income.

The investment and portfolio management process is overseen by the Investment Committee, led by CIO, Scott Baskind. Our highly interactive Investment Committee approach ensures a senior portfolio manager could quickly manage the strategy in the absence of another main principal.

The team has 31 dedicated credit professionals, including six Investment Committee members and a dedicated trading team who have spent most of their careers in the senior secured loan asset class. This team is solely focused on the senior secured loan market and takes day-to-day ownership for all investment recommendations and portfolio positions. The team is supported by dedicated client service staff, headed by Kevin Petrovcik as Senior Client Portfolio Manager.

Source: Invesco as at 31 March 2024.

Invesco Senior Loans Team

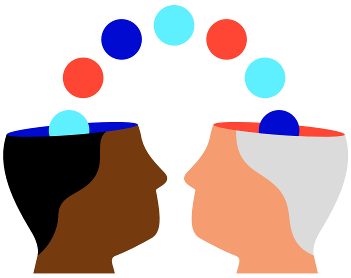
Investment Committee					
Scott Baskind (28 YE) Head of Global Private Credit/Chief Investment Officer	**Kevin Egan (38 YE)** Senior Portfolio Manager / Co-Head of Credit Research	**Tom Ewald (37 YE)** Senior Portfolio Manager / Co-Head of Credit Research	**David Lukkes (30 YE)** Senior Portfolio Manager	**Seth Misshula (20 YE)** Head of US Trading / Portfolio Manager	**Michael Craig (26 YE)** Head of European Senior Loans / Senior Portfolio Manager
25 years at firm	26 years at firm	24 years at firm	16 years at firm	19 years at firm	18 years at firm

Industry Specialists/Team Leaders				
Gabe Lepp 16 YE	**Phil Yarrow** 29 YE	**Gerard Fogarty** 27 YE	**Peter Wollman** 36 YE	**Jean-Marie Capelle** 18 YE

US and European Credit
31 dedicated specialists with over 18 years combined average experience

Global Trading and CLO team
5 dedicated specialists with over 19 years combined average experience

YE: years of investment experience.



Investment process overview

Invesco's senior secured loan investment process is predicated on a disciplined, fundamental approach to investing. The bias is toward more liquid positions in the upper mid-to-large cap segment of the senior secured loans market. The team's investment style is driven by 1) individual bottom-up credit selection, and 2) top-down macro risk positioning tied to broader economic trends.

Our analysts are structured by industry specialty and have a deep understanding of the companies that operate in the senior secured loan space. In addition to credit selection, Invesco's investment process is predicated on active portfolio management. Our investment process is designed to optimise the portfolio return while minimising downside credit risk by investing through a full credit cycle.

Over the years the senior secured loans process has been enhanced by the introduction of a suite of quantitative tools to provide a consistent foundation for risk assessment across sectors and issue types.

Investment process detail

As mentioned, the senior secured loans investment process brings together bottom-up credit selection with top-down macro risk positioning. Bottom-up input belongs to specialised credit analysts while top-down input is provided by an experienced Investment Committee comprising Invesco's most seasoned and senior secured loan investment professionals.

Our investment process is designed to optimise portfolio return while minimising downside credit risk by investing through a full credit cycle. Our credit selection process is illustrated in the next section.

Time-tested investment process

Differentiated credit risk assessment process and actively managed portfolios is supported by proprietary analytical tools to achieve alpha generation.

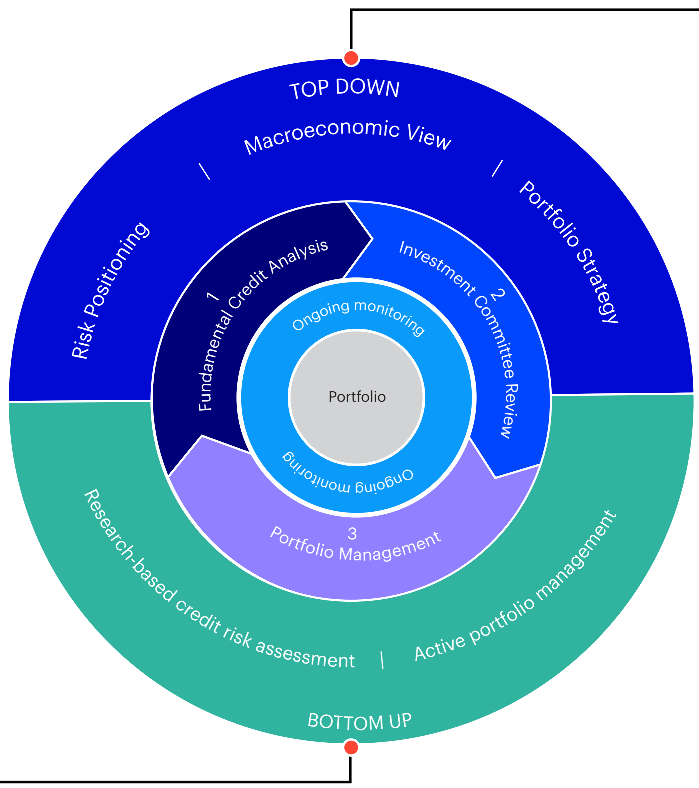
Bottom Up

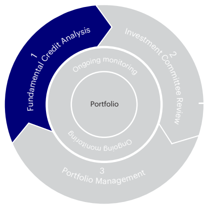
Credit analysts and team leaders are responsible for fundamental qualitative research-based, credit and ESG analysis to help predict default risk and enterprise value.

Credit ratings are approved by investment committee.

Top Down

Investment committee is responsible for top-down macroeconomic views on industry positioning and risk positioning





1. Fundamental Credit Analysis

Analysts and team leaders evaluate companies and determine credit risk including probability of default and recovery in the event of default. Qualitative risk assessment is expressed in a quantitative score.

The Credit Analyst works with a Team Leader to determine the key factors that influence credit risk:

- the probability of default
- the level of recovery upon default

Key Credit Considerations

- Management
- Cash Flow Analysis
- Industry Position and Dynamics
- Sponsors and Arrangers
- ESG Considerations
- Capital Structure
- Asset Coverage, Enterprise Value
- Insolvency, Restructuring Regime

Risk Ratings

Probability of default

1 (lowest) Near Investment Grade — 10 (highest) Default

Default rating of 1 has the lowest probability of default, 10 the highest

Recovery level in the event of default

A (highest) — E (lowest)

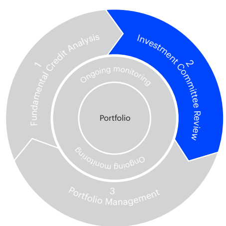
Recovery rating "A" has the highest expected level of recovery in the event of default and "E" the lowest.

The internal quantitative models that define probability of default and recovery in the event of default are back-tested against input from over 30 years of credit performance and further supported by external models.

The application of the credit ratings has become a central component of our portfolio management and construction process. It is used to position exposures and to help understand the impact that an individual credit decision will have on modelled portfolio returns.

Our Credit Analysts are organised by industry and use a variety of sources for research and monitoring issuers. We also seek to go beyond traditional sources and reach out to suppliers, customers and competitors as well as to incorporate a number of non-traditional, industry-specific data sources. ESG considerations are in 100% of research notes, and targeted ESG dialogue is a core part of the process.

Each credit is summarised in a credit write-up and distributed to the entire investment team. The Investment Thesis and Internal Risk Rating are reviewed by the Senior Investment Committee.



2. Investment Committee Review

The investment committee collectively approves each credit and three key factors – Risk rating, ESG rating and Maximum hold level.

Credit analysts present their recommendations to the investment committee.

→ **Traders** share views on liquidity, volatility and relative value.

→ **Investment committee** approves or declines the credit along with finalising the risk rating and ESG rating; then sets exposure limits based on portfolio strategy.

Risk rating

Expressed as probability of default and recovery in the event of default

ESG rating

Scale of 1-5 for E, S and G and then composite rating calculated by Industry

Max Hold Level

Max hold is differentiated by portfolio strategy and objective

3. Portfolio Management

Quantitative ratings and market prices become inputs into our Rock Bottom Spread calculation to assess relative value and potential trading opportunities.

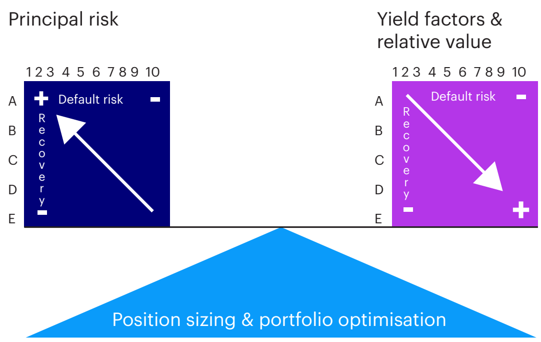
Risk rating	• Probability of default and recovery in the event of default for each asset
Rock bottom spread (RBS)	• Minimum spread needed to compensate for both volatility and credit risk based on the quantitative risk rating • The risk neutral spread to compensate for potential credit loss
RBS Premium	• The difference between an asset's spread to average life (STAL) and the RBS
Risk adjusted return	• Standardises returns across new and existing issues to reflect asset risk and volatility • Identifies anomalies and mispriced assets • Relative value across rating categories, sectors, new issue vs. secondary markets and across the entire portfolio

Returns

(Spread to Average Life - STAL (less) Rock Bottom Spread - RBS)

RBS Premium

Portfolio Construction



- Fundamental credit considerations and principal at risk
  - Default assessment on scale of 1 to 10
  - Recovery assessment on scale of A to E
  - Price entry point
- Sector biases and outlook = rotation
- Yield and relative value adjustment factors
- Stage of credit cycle & investment horizon risk positioning
- Technicals and price volatility
- Asset mix

Risk Management

Our approach to risk management of senior secured loans is proactive, utilising both tactical and fundamental risk management as follows:

- **Tactical risk management** – macro positioning within ratings segments to a) maximise relative value, and b) minimise near term draw downs/price exposure. Tied to views on directional stages of credit cycle and risk management.

- **Fundamental risk management** – long term positioning to a) minimise credit losses across full cycle, and b) maximise continuity of coupon interest streams. Tied to security selection and collateral protection.

Our risk management process is driven by top-down factors that influence credit performance as well as relative value considerations that examine the adequacy of market risk premiums.

We actively manage downside risk by:
- maintaining high levels of diversity
- trading in the higher quality, more liquid end of the senior secured loan market
- selectively taking advantage of total return opportunities in the market, and
- quickly exiting or decreasing positions in credits believed to have a declining risk reward profile.

Decisions to reduce risk are most commonly tied to transitioning periods in the credit cycle where we see heightened principal and/or price exposure without a commensurate level of compensation. This is accomplished through an ongoing process of self-assessment, analysis and taking appropriate action when necessary.

Trading

The senior secured loan market is an over-the-counter (OTC) private market, i.e. loans do not trade as a security. Each loan transaction is privately negotiated between the buyer and seller and trade settlement is still mostly manual. All loan trades are executed by the Invesco Senior Secured Loans team. Seth Misshula heads up the loan trading function for Invesco's senior secured loan platform.

As a longstanding dedicated loan manager, Invesco Senior Secured Loans provides 'top tier' access to the loan market. The team has consistently been one of the top five trading counterparties in the market and has relationships with all major loan trading desks. Actual trade execution is reviewed by our Brokerage Committee and compares ISSM's results to market data compiled by the LSTA.

The portfolio managers and operation professionals work closely together and interact on a daily basis. Trades executed by the trader are entered into the system bridging the portfolio management and operations team. All trades are reviewed and verified the next day by the traders and officially signed off by the portfolio managers.

ESG and Responsible Investing

ESG considerations are integrated into the investment process. For each credit ESG ratings are applied on a scale of 1-5. Each credit is summarised in a credit write-up and distributed to the entire investment team. The Investment Thesis and Internal Risk Rating are reviewed by the Senior Investment Committee.

The investment committee collectively approves each credit and three key factors – Risk rating, ESG rating and Maximum hold level.

ESG Research
- Invesco analyst conducts proprietary research and interviews management teams
- Due diligence

Investment Committee
- Analyst presents key findings to senior investment committee
- Senior investment committee signs off on ESG rating

ESG Risk Factors
Analyst assigns 1-5 rating for each of the 16 identified ESG factors
1 - Negligible risk
2 - Low risk
3 - Average risk
4 - Above average risk
5 - High risk

Calculate Composite ESG Score
- Weighted by industry
- Leverage MSCI E/S/G Pillar Weights for each respective industry

Calculate Average Score for E, S and G Pillar
- Weighted average score determined for E, S and G Pillar

Invesco Senior Secured Loans Strategy - Key Features

Total NAV: • In senior secured loans	at least 75%
• In loans made to and securities of any single borrower	up to 4%
• In any single industry	up to 20%
• In any loans to borrowers organised or located in countries other than US or Canada	up to 25%
Credit instruments other than Senior Secured Loans (e.g. second lien loans, high yield bonds)	up to 25%
Investment in collective investment funds (open and closed-end types)	up to 10%
Currency	Australian institutional and retail pooled funds are hedged back into AUD.

Learn more

Explore the Senior Secured Loans Resource Hub

A one-stop-shop featuring educational videos, case studies and infographics to provide all the information you may need to better understand Senior Secured Loans.

Visit the hub here or scan this QR code to access:

For more information or assistance, you can also contact our Client Services Team at clientservices.au@invesco.com

Important Information