



# Invesco

## EUR Corporate Bond

### ESG Multi-Factor

### UCITS ETFs

January 2025

Strategy	ISIN
Invesco EUR Corporate Bond ESG Multi-Factor UCITS ETF Dist	IE0006LBEDV2
Invesco EUR Corporate Bond ESG Multi-Factor UCITS ETF Acc	IE00021E4FE3
Invesco EUR Corporate Bond ESG Short Duration Multi-Factor UCITS ETF Dist	IE000MUAJIF4
Invesco EUR Corporate Bond ESG Short Duration Multi-Factor UCITS ETF Acc	IE000PA766T7

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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 creditworthiness of the debt the Funds are exposed to may weaken and result in fluctuations in the value of the Funds. There is no guarantee the issuers of debt will repay the interest and capital on the redemption date. The risk is higher when the Funds are exposed to high yield debt securities. Changes in interest rates will result in fluctuations in the value of the funds.

The Funds intend to invest in securities of issuers that manage their Environmental, Social and Governance (ESG) exposures better relative to their peers. This may affect the Funds' exposure to certain issuers and cause the Funds to forego certain investment opportunities.

The Funds may perform differently to other funds, including underperforming other funds that do not seek to invest in securities of issuers based on their ESG ratings.

This Fund may use derivatives for investment purposes. The use of such complex instruments may impact the magnitude and frequency of the fluctuations in the value of the Fund.

The Fund may be exposed to the risk of the borrower defaulting on its obligation to return the securities at the end of the loan period and of being unable to sell the collateral provided to it if the borrower defaults.

The Funds' performance may be adversely affected by variations in the exchange rates between the base currency of the Funds and the currencies to which the Funds are exposed.

# Invesco EUR Corporate Bond ESG Multi-Factor UCITS ETF

## Invesco EUR Corporate Bond ESG Short Duration Multi-Factor UCITS ETF

### The Challenge:

ESG integration introduces biases in credit portfolios

Higher ESG ratings go hand in hand with lower spreads. Hence, ESG integration comes with the choice to:

- Accept **lower yield**, higher credit rating
- Increase yield back to benchmark by **overweighting lower rated** bonds or **introducing high yield bonds** (if allowed)
- Optimize portfolios back to benchmark risk/return characteristics potentially at the cost of **increased turnover** with partially unknown **liquidity of bond investments**
- Use **factor-based approach** to re-establish **intended portfolio characteristics** that align with a benchmark

### The Team: Invesco Multi-Asset Strategies\*

- Over 170 highlight qualified investment professionals across the globe
- More than \$167bn in AuM with a passionate focus on ESG
- Over 40 years of experience in managing systematic and sustainable investment strategies across asset classes and vehicles

### Our Solution: Use factors to achieve well-balanced ESG compliant portfolio

Integration of carry, value, low volatility to balance out the expected return reduction induced by desired ESG characteristics.

Subsequent portfolio optimization to mitigate undesired bets and achieve benchmark-like characteristics

Informed trading decisions based on a broad list of attractive factor bonds with a focus on a cost-efficient implementation



Resulting portfolio aims to overcome hurdles of traditional ESG implementation (e.g., lower yield, higher turnover, higher allocation to HY) at a low tracking error level.

Portfolio characteristics	Invesco EUR Corporate Bond ESG Multi-Factor UCITS ETF	Bloomberg EUR Agg Corp Index	Invesco EUR Corporate Bond ESG Short Duration Multi-Factor UCITS ETF	Bloomberg EUR Corp 1-5 Year Index
Duration (yrs)	4.4	4.4	2.7	2.7
OAS (bps)	101	100	84	92
DTS (yrs)	4.5	4.6	2.3	2.6
Yield (%)	3.2	3.2	2.9	3.0
No. of bonds	161	3765	199	2240
MSCI ESG Rating	7.6	7.2	7.7	7.2
Moody's ESG Rating	57.6	55.4	61.0	55.5
Carbon Intensity	48	86	50	78

Source: Invesco. Model portfolio snapshot data as at 31 December 2024. \*As at June 2024. 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 <https://www.invesco.com/managementcompany/ie/dub-manco>. An investment in this fund is an acquisition of units in a passively managed, index tracking fund rather than in the underlying assets owned by the fund.

### Portfolio Construction

#### EUR Bond Universe

Adjustable, in this case all benchmark constituents

#### Eligible ESG bond universe

- Exclusions comprise nuclear power, coal, fossil fuels, weapons and firearms, tobacco, genetic engineering, UN Global Compact breaches, and controversy screening.
- **Best in class by ESG rating**

#### Duration control

- Bucket bonds by duration
- Scale bucket weights back to benchmark
- Mitigate ESG-induced duration bias with minimal turnover impact

#### ESG single-factor portfolios:

- Carry
- Value
- Low Volatility

Transparent and rules-based selection by factor exposure

#### ESG multi-factor portfolios:

Blend individual factor portfolio, so that spread, DTS and duration match the benchmark.

Additional constraints and customization possible



The Austrian Eco-Label was awarded to the Fund by the Federal Ministry for Climate Protection, Environment, Energy, Mobility, Infrastructure and Technology (BMK) because, in addition to economic criteria, ecological and social criteria are also taken into account when selecting shares. The eco-label ensures that these criteria and their implementation are suitable for selecting appropriate shares. This has been independently verified. The award of the eco-label does not represent an economic evaluation and does not allow any conclusions to be drawn about the future performance of the financial product. For more information, visit <https://www.umweltzeichen.at>.



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Data as at 31 December 2024, unless otherwise stated.

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