

2022

Invesco Global Sovereign Asset Management Study

Study at a glance



Welcome



This summary presents highlights from Invesco's tenth annual Global Sovereign Asset Management Study. Since the publication of the first report in 2013, the study has evolved to cover 139 institutions, including interviews with chief investment officers, portfolio strategists and heads of asset classes at 81 sovereign funds, and 58 central banks. Together, these investors represent \$23 trillion USD (as of March 2022).

In 2022 we find sovereign investors grappling with an inflation shock, rising interest rates and a war in Eastern Europe. The study discusses how these factors are influencing asset allocations, and examines the impact on long-term trends, including the challenges of scale and ESG integration.

Sample and Methodology

The fieldwork for this study was conducted by NMG between January and March 2022. Invesco chose to engage a specialist independent firm to ensure high quality objective results. Key components of the methodology include:

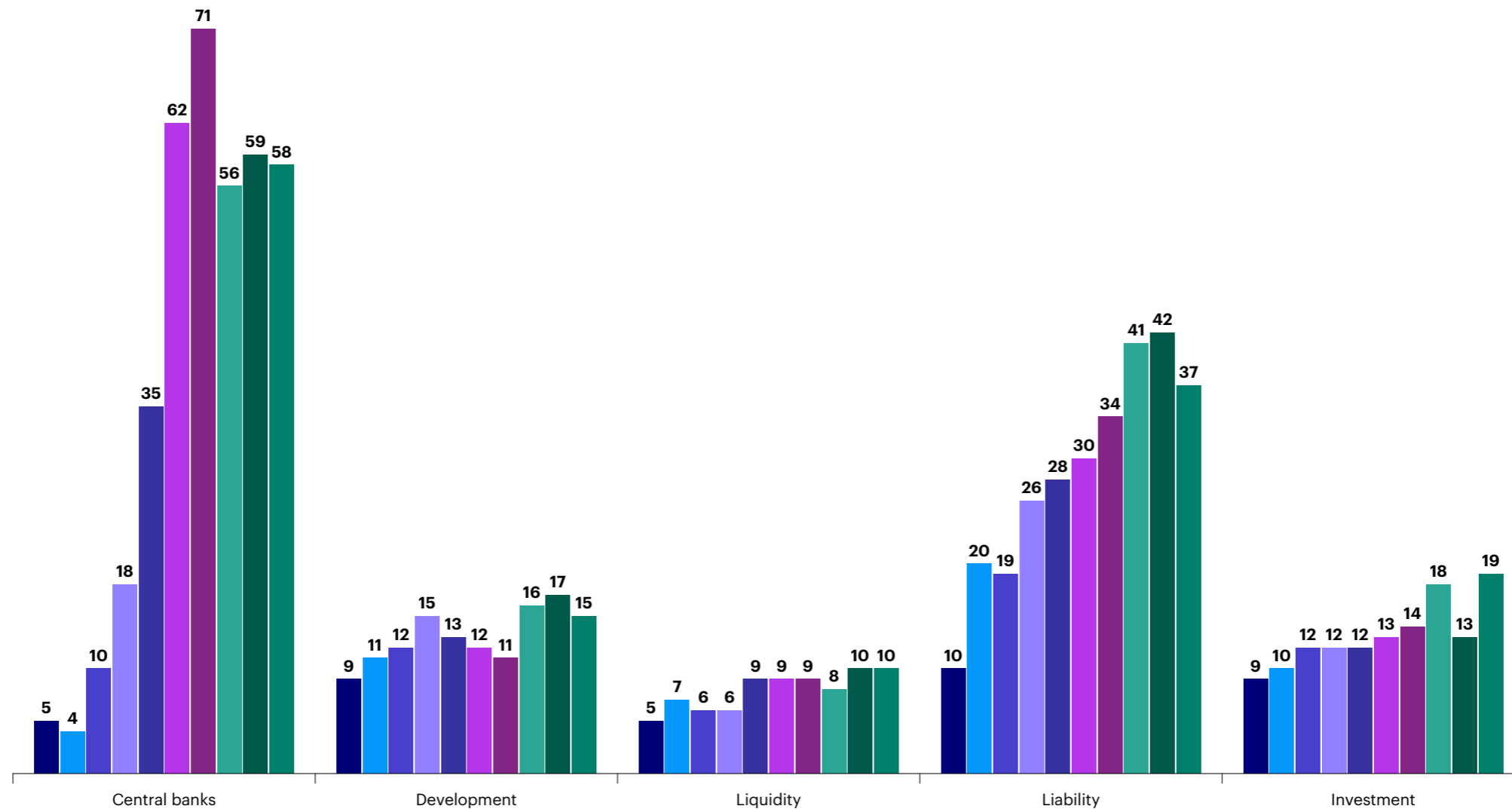
- A focus on the key decision makers within sovereign wealth funds and central banks, conducting interviews using experienced consultants and offering market insights rather than financial incentives
- In-depth (typically 1 hour) face-to-face interviews using a structured questionnaire to ensure quantitative as well as qualitative analytics were collected
- Analysis capturing investment preferences as well as actual investment allocations with a bias toward actual allocations overstated preferences.

This document is intended only for Professional Clients in Continental Europe (as defined in the important information); Malta, Cyprus, Dubai, Jersey, Guernsey, Isle of Man, Ireland, South Africa and the UK; for Qualified Clients/Sophisticated Investors in Israel; for a Middle East client, Exempt Investor, Accredited Investor or non-Natural Qualified Investor; for Institutional Investors in the United States; for AFPs and Qualified Investors in Chile; for Accredited and Institutional Investors in Mexico, for Sophisticated or Professional Investors in Australia; for Professional Investors in Hong Kong; for Institutional Investors and/or Accredited Investors in Singapore; for certain specific sovereign wealth funds and/or Qualified Domestic Institutional Investors approved by local regulators only in the People's Republic of China, for Qualified Institutional Investors, pension funds and distributing companies in Japan; for Wholesale Investors (as defined in the Financial Markets Conduct Act) in New Zealand, for certain specific Qualified Institutions/Sophisticated Investors only in Taiwan and for one-on-one use with Institutional Investors in Bermuda, Panama and Peru. The video is intended only for accredited investors as defined under National Instrument 45-106 in Canada. It is not intended for and should not be distributed to, or relied upon, by the public or retail investors.

Sample and Methodology

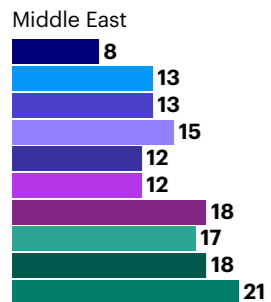
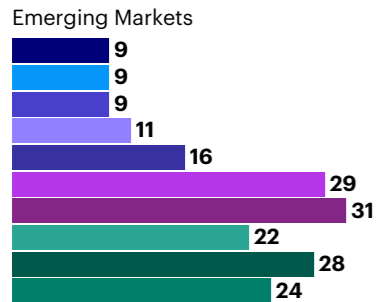
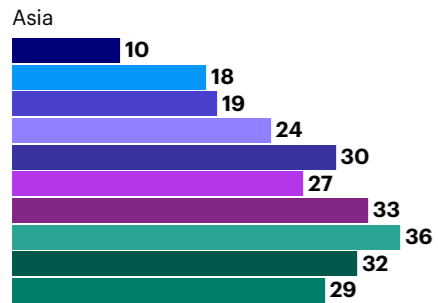
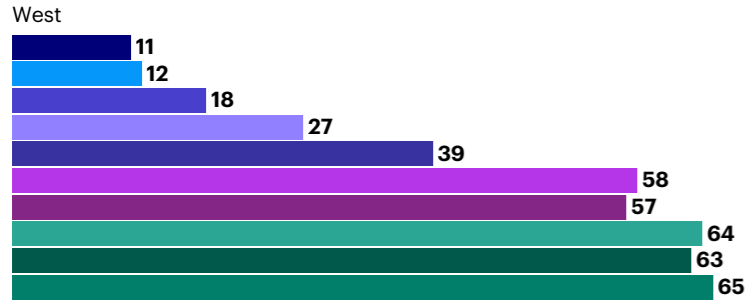
Sovereign investor sample, by segment

■ 2013 ■ 2015 ■ 2017 ■ 2019 ■ 2021
■ 2014 ■ 2016 ■ 2018 ■ 2020 ■ 2022



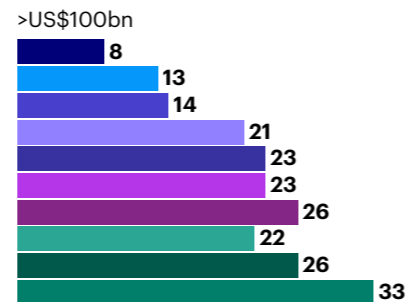
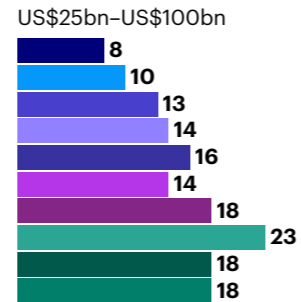
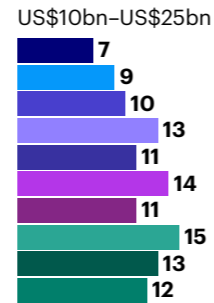
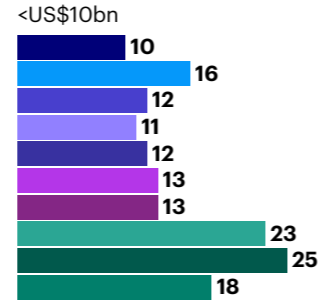
Sovereign investor sample, by region

2013 2014 2015 2016 2017 2018 2019 2020 2021 2022



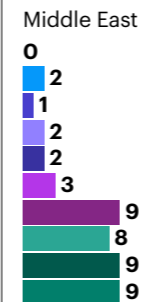
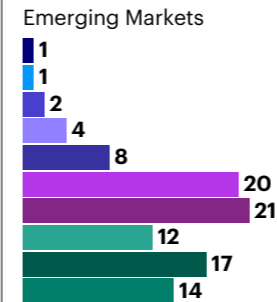
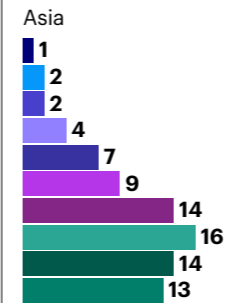
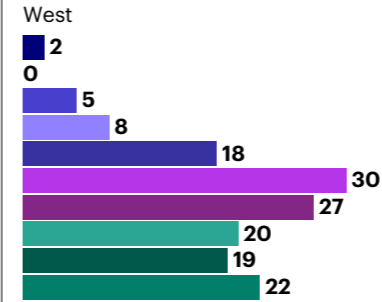
Sovereign wealth fund sample, by assets under management

2013 2014 2015 2016 2017 2018 2019 2020 2021 2022



Central bank sample, by region

2013 2014 2015 2016 2017 2018 2019 2020 2021 2022



Theme 1

Inflation shock presents sovereigns with hard choices



High levels of uncertainty put the brakes on major portfolio shifts, with continued increases in real asset allocations the exception.



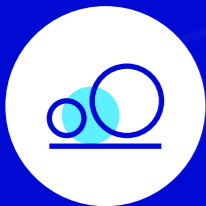
Sovereigns ponder when and how to re-enter fixed income as rates rise, and assess potential opportunities in a sharp and deepening equity market correction.



Russia's invasion of Ukraine dampens demand for European assets; surging commodity prices fuel caution in emerging markets; meanwhile, allocations to North America and developed market APAC are increasing.



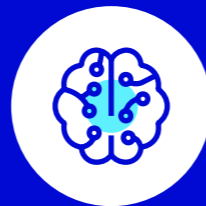
External expertise and data science help overcome scale challenges



Scale challenges and large private markets allocations lead larger sovereigns to seek external expertise.



Around half of sovereigns engage asset managers in strategic partnerships; one third plan an increase in these arrangements over the next five years, citing ESG and managing beta exposure, sovereign and currency risk as likely areas of focus.



Sovereigns embrace technology with nearly 50% of all sovereigns – and nearly three-quarters of the largest – investing in data science teams in the last five years as they use machine learning and AI to gain an edge in alpha generation and portfolio optimisation.

Theme 3

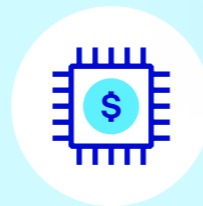
Digital assets: a disruptive technology gathering momentum



A growing number of sovereign wealth funds are conducting research into digital assets but are taking a conservative approach to investment due to volatility and regulatory pressures.



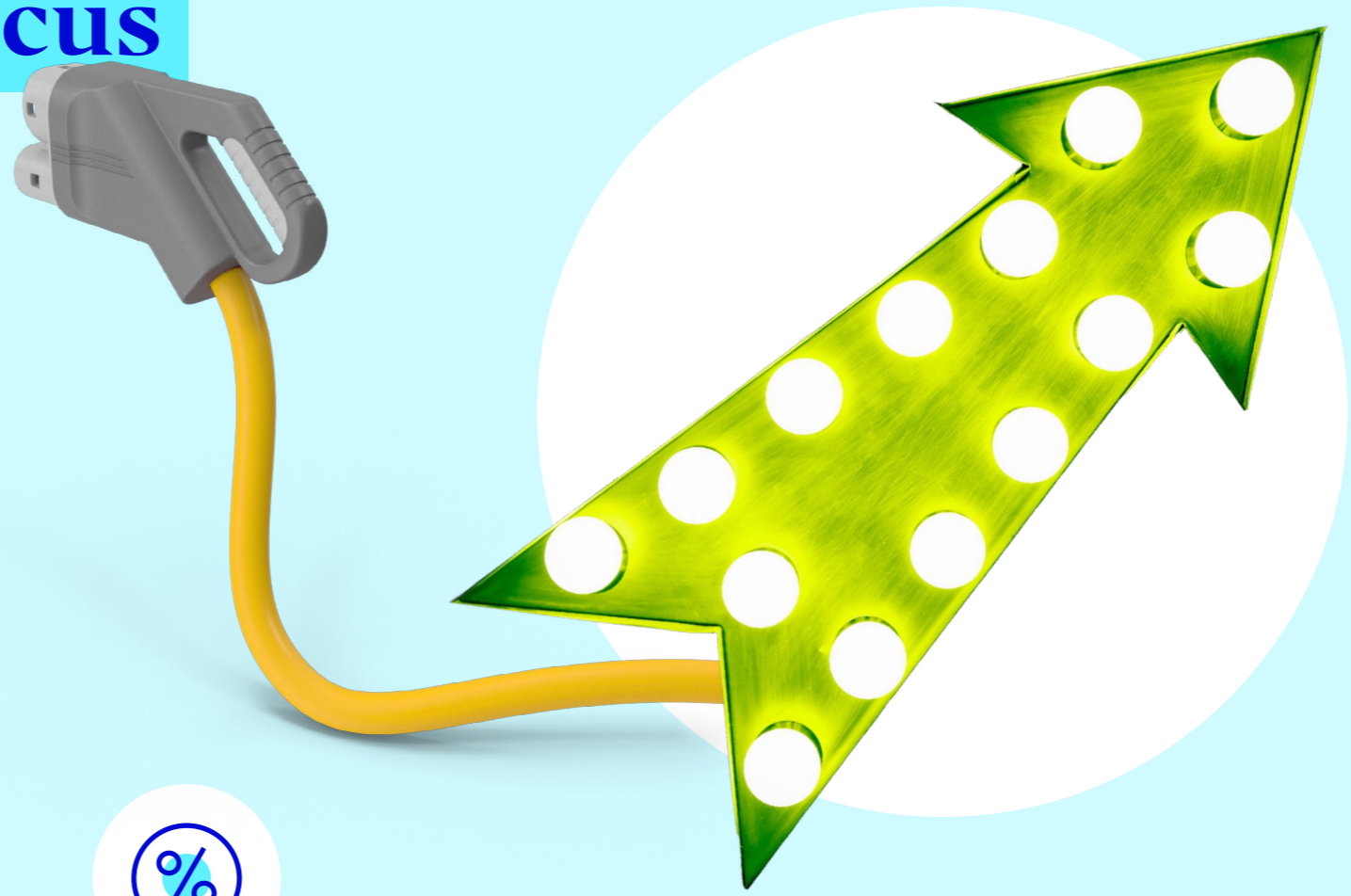
Direct investments into companies involved in the wider digital asset ecosystem is the most desired approach to gaining exposure, with several sovereigns already involved in private equity transactions.



Central bank digital currencies (CBDCs) are being heavily researched, and many sovereigns and central banks see these as a threat to the long-term viability of existing cryptocurrencies.

Theme 4

Rising stakes in ESG as sovereigns focus on impact



ESG integration continues to rise: 75% of sovereign wealth funds and 47% of central banks have adopted a formal ESG policy, up from 46% and 11% in 2017.



Impact investing is widespread and growing; development sovereigns are leading the way with a focus on using impact strategies to fund the transition towards low carbon energy.



ESG considerations have driven 40% of sovereign funds to increase their active allocations, with the invasion of Ukraine highlighting the limitations of implementing ESG via passive strategies.

Theme 5

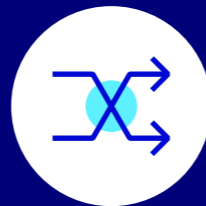
Renminbi allocations continue to rise, as Russia reserves freeze catalyses soul-searching about dollar reserves



Renminbi held by 63% of central banks with its overall share of reserves rising, but the position of the US Dollar is holding firm despite Russia sanctions.



Inflation is a concern and 71% have either taken or are planning to take action to counteract it; many are moving out of deposits into non-traditional asset classes and back into government bonds.



Further diversification into new asset classes continues: 35% of central banks are looking to move into new asset classes in the next two years and this trend is leading to an increase in the search for external manager expertise.

Investment risk

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.

Important information

This document is intended only for Professional Clients in Continental Europe (as defined below); Malta, Cyprus, Dubai, Jersey, Guernsey, Isle of Man, Ireland, South Africa and the UK; for Qualified Clients/Sophisticated Investors in Israel; for a Middle East client, Exempt Investor, Accredited Investor or non-Natural Qualified Investor; for Institutional Investors in the United States; for AFPs and Qualified Investors in Chile; for Accredited and Institutional Investors in Mexico, for Sophisticated or Professional Investors in Australia; for Professional Investors in Hong Kong; for Institutional Investors and/or Accredited Investors in Singapore; for certain specific sovereign wealth funds and/or Qualified Domestic Institutional Investors approved by local regulators only in the People's Republic of China, for Qualified Institutional Investors, pension funds and distributing companies in Japan; for Wholesale Investors (as defined in the Financial Markets Conduct Act) in New Zealand, for certain specific Qualified Institutions/Sophisticated Investors only in Taiwan and for one-on-one use with Institutional Investors in Bermuda, Panama and Peru. The video is intended only for accredited investors as defined under National Instrument 45-106 in Canada. It is not intended for and should not be distributed to, or relied upon, by the public or retail investors.

Issuing information

For the purpose of this document, Continental Europe is defined as Austria, Belgium, Bulgaria, Croatia, Czech Republic, Hungary, Denmark, Finland, France, Germany, Greece, Italy, Liechtenstein, Luxembourg, Monaco, Netherlands, Norway, Portugal, Romania, Switzerland, Spain and Sweden. Middle East is defined as Saudi Arabia, Oman, Bahrain, UAE, Kuwait and Qatar.

This document is for information purposes only and is not an offering.

It is not intended for and should not be distributed to, or relied upon by members of the public. Circulation, disclosure, or dissemination of all or any part of this material to any unauthorised persons is prohibited. The document contains general information only and does not take into account individual objectives, taxation position or financial needs. Nor does this constitute a recommendation of the suitability of any investment strategy for a particular investor. This is not an invitation to subscribe for shares in

a fund nor is it to be construed as an offer to buy or sell any financial instruments. While great care has been taken to ensure that the information contained herein is accurate, no responsibility can be accepted for any errors, mistakes or omissions or for any action taken in reliance thereon. You may only reproduce, circulate and use this document (or any part of it) with the consent of Invesco.

All data provided by Invesco as at 31 March 2022 unless otherwise stated.

This document has been prepared only for those persons to whom Invesco has provided it. It should not be relied upon by anyone else. Information contained in this document may not have been prepared or tailored for an Australian audience and does not constitute an offer of a financial product in Australia.

You should note that this information:

- May contain references to amounts which are not in local currencies.
- May contain financial information which is not prepared in accordance with Australian law or practices.
- May not address risks associated with investment in foreign currency denominated investments; & does not address Australian tax issues.

Hong Kong

This document is provided to Professional Investors in Hong Kong only (as defined in the Hong Kong Securities and Futures Ordinance and the Securities and Futures (Professional Investor) Rules).

Singapore

This document may not be circulated or distributed, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 304 of the SFA, (ii) to a relevant person pursuant to Section 305(1), or any person pursuant to Section 305(2), and in accordance with the conditions specified in Section 305 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

New Zealand

This document is issued only to wholesale investors in New Zealand to whom disclosure is not required under Part 3 of the Financial Markets Conduct Act. This document has been prepared only for those persons to whom it has been provided by Invesco. It should not be relied upon by anyone else and must not be distributed to members of the public in New Zealand. Information contained in this document may not have been prepared or tailored for a New Zealand audience. You may only reproduce, circulate and use this document (or any part of it) with the consent of Invesco. This document does not constitute and should not be construed as an offer of, invitation or proposal to make an offer for, recommendation to apply for, an opinion or guidance on Interests to members of the public in New Zealand. Applications or any requests for information from persons who are members of the public in New Zealand will not be accepted.

This document is issued in:

Australia by Invesco Australia Limited (ABN 48 001693 232), Level 26, 333 Collins Street, Melbourne, Victoria, 3000, Australia, which holds an Australian Financial Services Licence number 239916.

Austria and Germany by Invesco Asset Management Deutschland GmbH, An der Welle 5, 60322 Frankfurt am Main, Germany.

Belgium, France, Finland, Greece, Luxembourg, Norway, Portugal, Italy, the Netherlands, Spain, Sweden and Denmark, by Invesco Management S.A., President Building, 37A Avenue JF Kennedy, L-1855 Luxembourg, regulated by the Commission de Surveillance du Secteur Financier, Luxembourg.

Canada by Invesco Canada Ltd., 120 Bloor Street East, Suite 700, Toronto, Ontario, M4W 1S1.

Dubai by Invesco Asset Management Limited, Po Box 506599, DIFC Precinct Building No 4, Level 3, Office 305, Dubai, United Arab Emirates. Regulated by the Dubai Financial Services Authority.

Hong Kong by Invesco Hong Kong Limited 景順投資管理有限公司, 41/F, Champion Tower, Three Garden Road, Central, Hong Kong.

The Isle of Man, Jersey, Guernsey, Ireland and the UK by Invesco Asset Management Limited, Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire RG9 1HH. Authorised and regulated by the Financial Conduct Authority.

Japan by Invesco Asset Management (Japan) Limited, Roppongi Hills Mori Tower 14F, 6-10-1 Roppongi, Minato-ku, Tokyo 106-6114; Registration Number: The Director-General of Kanto Local Finance Bureau (Kinsho) 306; Member of the Investment Trusts Association, Japan and the Japan Investment Advisers Association.

New Zealand by Invesco Australia Limited (ABN 48 001 693 232), Level 26, 333 Collins Street, Melbourne, Victoria, 3000, Australia, which holds an Australian Financial Services Licence number 239916.

Singapore by Invesco Asset Management Singapore Ltd, 9 Raffles Place, #18-01 Republic Plaza, Singapore 048619.

Switzerland by Invesco Asset Management (Schweiz) AG, Talacker 34, 8001 Zurich, Switzerland.

Taiwan by Invesco Taiwan Limited, 22F, No.1, Songzhi Road, Taipei 11047, Taiwan (0800-045-066). Invesco Taiwan Limited is operated and managed independently.

The United States of America by Invesco Advisers, Inc., Two Peachtree Pointe, 1555 Peachtree Street, N.W., Suite 1800, Atlanta, Georgia 30309, US.

RO2279482/2022