

Fund performance analysis (periods to 31 May 2017)

Net performance

Periods	Fund %	Benchmark %	Value added %
1 month	-2.60	-2.74	0.14
3 months	-0.89	1.43	-2.32
6 months	5.59	7.30	-1.71
1 year	11.08	10.80	0.28
2 years p.a.	7.93	4.15	3.78
3 years p.a.	8.03	6.04	1.99
5 years p.a.	12.56	11.78	0.78
10 years p.a.	1.82	3.49	-1.67
Calendar year to date	1.06	2.84	-1.78
Financial year to date	13.65	13.57	0.08
Since inception p.a.	9.69	9.58	0.11

Fund Manager



Nicole Schnuderl
Senior Portfolio Manager
IQS Australian Equities

The Fund returns are shown after ongoing fees and assumes reinvestment of income. Past returns are not a reliable indicator of future returns. Future returns may be affected by a range of factors including economic and market influences.

Net distribution growth splits

Periods	Distribution %	Growth %	Total %
3 months	0.00	-0.89	-0.89
6 months	2.03	3.56	5.59
1 year	3.94	7.14	11.08
2 years p.a.	3.66	4.27	7.93
3 years p.a.	3.45	4.58	8.03
5 years p.a.	3.41	9.15	12.56
10 years p.a.	8.73	-6.91	1.82

Net risk profile

Periods	Tracking error %	Information Ratio
1 year	2.78	0.10
2 years p.a.	2.66	1.42
3 years p.a.	2.58	0.77
5 years p.a.	2.63	0.30
10 years p.a.	2.77	-0.60
Since inception p.a.	2.58	0.04

Fund facts at a glance

Asset class
Australian equities

Objective¹
The Fund aims to provide long-term capital growth and some distributions by investing in larger capitalisation securities listed on the Australian sharemarket.

Management style
Core, active management using bottom-up stock selection via fundamental analysis within a quantitative framework

Benchmark

- From inception to 31/3/00 = ASX All Ordinaries Accumulation Index
- From 1/4/00 = S&P/ASX 300 Accumulation Index
- From 19/4/11 = S&P/ASX 200 Accumulation Index
- From 15/2/13 = S&P/ASX 300 Accumulation Index.

Risk profile
high

Time horizon
7 years

Distribution frequency
Half-yearly

Inception date
30/4/91

Minimum investment
\$20,000

MER/ICR
0.88%

Buy/Sell Spread
0.35%/0.35%

APIR code
CNA0811AU

¹ Invesco does not guarantee that the Fund will achieve its objective. This Fund changed its strategy to Australian Core Equity on 15 February 2013.

Australian Core Equity Strategy (periods to 31 May 2017)

In the table below we show the full performance history (gross of fees) of the Invesco Australian Core Equity Strategy since inception (30/6/08). The Fund adopted this strategy on 15 February 2013.

Gross performance

Periods	Strategy %	Benchmark %	Value added %
1 month	-2.52	-2.74	0.22
3 months	-0.67	1.43	-2.10
6 months	6.05	7.30	-1.25
1 year	12.05	10.80	1.25
2 years p.a.	8.88	4.15	4.73
3 years p.a.	8.98	6.04	2.94
5 years p.a.	14.65	11.70	2.95
Calendar year to date	1.43	2.84	-1.41
Financial year to date	14.56	13.57	0.99
Since inception p.a.	6.71	5.56	1.15

Returns can go up and down. Past returns are not a reliable indicator of future returns. Future returns may be affected by a range of factors including economic and market influences.

Fund analysis (as at 31 May 2017)

Assets under management

	A\$m
Fund AUM:	13.95
Strategy AUM:	14.34

Sector allocation

Sector	Fund %	Benchmark %	Active weight %
Consumer Discretionary	5.42	5.15	0.27
Consumer Staples	8.89	7.24	1.66
Energy	5.61	4.41	1.20
Financials Ex Lpt	33.47	36.35	-2.89
Health Care	9.06	7.07	2.00
Industrials	6.27	7.51	-1.24
Information Technology	2.75	1.31	1.44
Materials Ex Metals and Mining	2.55	4.12	-1.56
Metals and Mining	12.28	11.85	0.43
Other	2.06	0.00	2.06
Real Estate	7.21	8.77	-1.56
Telecommunication Services	3.45	3.82	-0.38
Utilities	0.47	2.39	-1.92
[Cash]	0.51	0.00	0.51

Five largest overweight positions

Security	Fund %	Benchmark %	Active weight %
Downer EDI Limited	2.32	0.25	2.07
Cochlear Limited	2.53	0.54	1.99
Woodside Petroleum Ltd	3.43	1.51	1.92
CIMIC Group Limited	2.18	0.26	1.92
Challenger Limited	2.36	0.47	1.90

Five largest underweight positions

Security	Fund %	Benchmark %	Active weight %
Woolworths Ltd	0.18	2.18	-2.00
Australia and New Zealand Banking Group Limited	3.47	5.32	-1.84
Westpac Banking Corporation	4.97	6.62	-1.65
Transurban Group Ltd.	0.00	1.64	-1.64
Suncorp Group Limited	0.00	1.15	-1.15

10 largest holdings

Security	Fund %	Benchmark %	Active weight %
Commonwealth Bank of Australia	10.44	8.91	1.53
National Australia Bank Limited	5.03	5.21	-0.18
Westpac Banking Corporation	4.97	6.62	-1.65
Wesfarmers Limited	4.90	3.13	1.77
Macquarie Group Limited	3.84	1.97	1.87
BHP Billiton Limited	3.83	4.96	-1.13
Rio Tinto Limited	3.62	1.72	1.90
Australia and New Zealand Banking Group Limited	3.47	5.32	-1.84
Woodside Petroleum Ltd	3.43	1.51	1.92
CSL Limited	3.03	3.81	-0.77

Note: Security selection will change. You should not rely on this statement in making an investment decision about any security, but should make your own independent enquiries.

Monthly commentary

Performance Commentary

In May the portfolio outperformed its benchmark. Relative performance is based on different aspects.

Our stock selection model favours companies that in our view are attractively valued, have good earnings and price momentum, and show a high balance sheet quality.

Stock selection was slightly positive over the month. Momentum related concepts were the strongest contributors followed by Value, while Quality continued to perform poorly. From a sector perspective, stock selection was strong within Health Care and Consumer Staples but detracted within Materials and Energy.

The fund's style exposure improved performance while the sector exposure was unrewarded. Sector and style exposure are residuals of our stock selection process.

Model Commentary

The Fund's quantitative approach rates stocks based on four factors or 'concepts', namely Earnings Expectations, Market Sentiment, Management & Quality, and Value. The results of our analysis, for each of these concepts as well as combined, provide information about the predictive ability of our stock selection model.

The predictive ability of our stock selection model was negative over the month led by poor performance of quality and attractively valued stock. Signals of our momentum related factors were slightly positive to flat. The relative return distribution of all stocks in the Australian universe showed that on average our most attractive stocks underperformed while stocks we regard as least attractive outperformed against expectations.

Portfolio Activity

During the month we made a number of adjustments to the portfolio as a result of our stock selection model. We bought Computershare and increased our positions in NAB and Rio Tinto with trade weights of 2.48%, 1.81% and 1.65% respectively. On the other side we sold out of CYBG and Medibank and reduced the position in OZ Minerals with trade weights of -1.33%, -1.31% and -1.13% respectively. Buy and sell decisions are based on return and risk considerations

Risk management

The ex-ante tracking error of the fund was at 2.26% (ex post target 3%) at month-end. At 84%, the major part of our active risk is associated with stock-specific risk. A further 8% came from risk indices representing unintended style exposure within the portfolio. Industry risk contribution, a by-product of stock selection, represented 8%. Within a tight product specific range, the portfolio beta was 1.03 at month-end.

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