

Conclusions from April 2020 Review of Country Assignments in the Invesco Indexing Investable Universe Methodology

May 26, 2020

Invesco Indexing has recently completed a review of the country assignment methodology for the Invesco Indexing Investable (III) Universe. Through this review, which covered both country assignments for companies and country assignments for primary securities, the team expects to enhance the III Universe's consistency with industry best practices and market participant expectations.

Invesco Indexing recognizes that methodology changes may have an impact on organizations that use indexes based on the III Universe as the basis of a portfolio, a performance benchmark, or a comparative index for analytical purposes, among other uses. Therefore, the firm sought feedback from its clients on the proposed changes to better understand the impact from the viewpoint of various stakeholders. Invesco Indexing actively solicited feedback from clients on the outcome of this methodology review through May 26, 2020.

After consultation with clients and having received additional stakeholder feedback, Invesco Indexing will implement the new country assignment treatment, as proposed, in the III Universe methodology. This change will be in effect starting with the June 2020 III Universe reconstitution. The details of the change to be implemented can be found below.

As always, the team welcomes any questions or comments at IndexSupport@invesco.com

Kind regards,

Invesco Indexing, LLC

III Universe Methodology Change, Part 1: Country assignment for companies when neither the country of headquarters nor the country of incorporation aligns with trading

The company is assigned to the headquarters country if that country is an emerging market and is not considered a tax haven. Otherwise, the company is assigned to the country that is most relevant for the company's securities trading.

Country assignment methodology for companies¹

Three criteria are considered when assigning a company to the Invesco Indexing Country: the country in which the company is headquartered, the country in which the company is incorporated, and the country that is most relevant for the company's securities trading. If all of these are the same, then the company is assigned to that country. If the company is headquartered and trades in the same country, then this defines the country. Otherwise, if the company is incorporated and trades in the same country, then this defines the country.

In cases for which neither the country of headquarters nor the country of incorporation aligns with trading, additional criteria are reviewed to determine the country assignment for a company, as outlined below.

Current country assignment methodology for companies when neither the country of headquarters nor the country of incorporation aligns with trading:

In these cases, the company is first assigned to the headquarters country as long as it is not a tax haven. If the country of headquarters is a tax haven, then the company is assigned to the country of incorporation as long as it, too, is not a tax haven. If both the country of headquarters and incorporation are tax havens, the company is assigned to the country that is most relevant for the company's securities trading.

New country assignment methodology for companies when neither the country of headquarters nor the country of incorporation aligns with trading:

In these cases, the company is assigned to the headquarters country if that country is an emerging market and is not considered a tax haven. Otherwise, the company is assigned to the country that is most relevant for the company's securities trading.

¹ As part of the methodology changes, Invesco Indexing will apply a separate process for China, Russia, and Israel, in recognition of their unique treatment in the industry. As with the existing methodologies described above, the process is entirely rules-based.

III Universe Methodology Change, Part 2: Country assignment for primary securities

When no liquid listing exists in a company's home country, evaluate liquid listings in the company's economic region.²

When no liquid listing exists in a developed market company's home country, or within that company's economic region, evaluate developed market liquid listings globally. If no such liquid listings exist, the company will not become a constituent of the III Universe.

When no liquid listing exists in an emerging market company's home country, or within that company's economic region, evaluate all liquid listings globally.

Current country assignment methodology for primary securities when no liquid listings exist in the company's home country:

In these cases, securities are evaluated at the geographic region³ level. If there is only one security in the company's geographic region, then this is designated as the primary. If there are multiple listings, but only one trades in the company's geographic region, then this listing is designated as the primary. If there are multiple listings trading in the company's geographic region, the security with the most volume in the past year is designated as the primary. Finally, if there are no securities at the geographic region level, the security with the most volume in the past year globally is selected as the primary.

New country assignment methodology for primary securities when no liquid listings exist in the company's home country:

In these cases, securities are evaluated at the economic region level. If there is only one security in the company's economic region, then this is designated as the primary. If there are multiple listings, but only one trades in the company's economic region, then this listing is designated as the primary. If there are multiple listings trading in the company's economic region, the security with the most volume in the past year is designated as the primary.

For developed market companies, if there are no liquid listings in the company's economic region, the security with the most volume in the past year across global developed markets is

² Economic regions are defined as: Developed Americas, Emerging Americas, Developed Europe, Emerging Europe, Developed Asia Pacific, Emerging Asia Pacific, and Middle East & Africa .

³ Geographic regions are defined as: Americas, Europe, Asia Pacific, and Middle East & Africa.

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designated as the primary. If there are no liquid listings in global developed markets, the company will not become a constituent of the III Universe.

For emerging market companies, if there are no liquid listings in the company's economic region, the security with the most volume in the past year across global developed and emerging markets is designated as the primary.

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