

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

April 16, 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 seeks feedback from its clients on proposed changes to better understand the impact from the viewpoint of various stakeholders. Invesco Indexing will actively solicit feedback from clients on the outcome of this methodology review until May 26, 2020.

Invesco Indexing encourages clients to provide feedback on the proposed changes by contacting the client engagement team at IndexSupport@Invesco.com. Consideration of insights from a range of stakeholders is expected to ensure that the III Universe continues to seek to represent most accurately the global equity opportunity set through a clear, thoughtful, and transparent methodology.

Proposal, 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.

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

Proposal, 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.

Proposed 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 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.

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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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.

For additional information, please contact a member of the client engagement team at IndexSupport@Invesco.com.

Kind regards,

Invesco Indexing LLC

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