



## **Invesco Hong Kong Limited**

### **Firm Brochure**

(Part 2A of Form ADV)

This brochure provides information about the qualifications and business practices of Invesco Hong Kong Limited. If you have any questions about the contents of this brochure, please contact us at: (852) 3128 6310 or by email at: [LiChian.See@invesco.com](mailto:LiChian.See@invesco.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

Additional information about Invesco Hong Kong Limited is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

14 May, 2020

## Material Changes

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### Annual Update

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

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### Material Changes since the Last Update

The Methods of Analysis, Investment Strategies and Other Financial Industry Activities and Affiliations have been updated.

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### Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: (852) 3128 6310 or by email at: [LiChian.See@invesco.com](mailto:LiChian.See@invesco.com)

# Table of Contents

<b>Material Changes.....</b>	<b>i</b>
<b>Advisory Business .....</b>	<b>2</b>
<b>Fees and Compensation .....</b>	<b>5</b>
<b>Performance-Based Fees .....</b>	<b>6</b>
<b>Types of Clients.....</b>	<b>6</b>
<b>Methods of Analysis, Investment Strategies and Risk of Loss.....</b>	<b>7</b>
<b>Disciplinary Information .....</b>	<b>23</b>
<b>Other Financial Industry Activities and Affiliations .....</b>	<b>24</b>
<b>Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....</b>	<b>26</b>
<b>Brokerage Practices.....</b>	<b>28</b>
<b>Review of Accounts .....</b>	<b>30</b>
<b>Client Referrals and Other Compensation .....</b>	<b>31</b>
<b>Custody.....</b>	<b>31</b>
<b>Investment Discretion.....</b>	<b>31</b>
<b>Voting Client Securities .....</b>	<b>32</b>
<b>Financial Information .....</b>	<b>32</b>

## Advisory Business

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### Firm Description

Invesco Hong Kong Limited (“IHKL”) was founded in 1972.

IHKL is an indirect, wholly owned subsidiary of Invesco Ltd. Invesco’s regional presence covers investment capabilities in domestic and specialist Asian products, available to local investors as well as investors worldwide.

IHKL is an investment adviser, which offers funds encompassing equity, bond, balanced and money market vehicles, to retail investors. The funds are distributed through most of the major financial institutions, including retail and private banks, and insurance companies. The role of IHKL is to make investment decisions, execute trades and provide portfolio securities administration for the funds it manages.

Apart from the retail business, IHKL manages assets for institutions ranging from public funds and pension funds to institutional working capital, according to the mandates’ investment objectives and guidelines.

Invesco Taiwan Limited became a wholly-owned subsidiary of IHKL on May 31, 2012.

In September 2012, IHKL entered into an agreement to acquire a 49 percent interest in Religare Asset Management Company Private Limited (RAMC) in India. The acquisition was formally completed on April 2, 2013. RAMC has been renamed as Religare Invesco Asset Management Company Private Limited (“RIAMC”).

On November 18, 2015, Invesco Ltd. (“Invesco”) and Religare Enterprises Limited jointly announced that they have entered into a definitive agreement to increase IHKL’s shareholding in RIAMC to 100%. The aforementioned transaction has been approved by the Securities and Exchange Board of India on February 18, 2016.

On April 8, 2016, Invesco announced that it has completed the acquisition of RIAMC, by increasing its shareholding from 49 percent to 100 percent. With customary Indian regulatory approvals, RIAMC was renamed as Invesco Asset Management (India) Private Limited with effect from May 3, 2016. The

management team, investment management team and investment process of Invesco Asset Management (India) Private Limited will remain unchanged.

Invesco Investment Management (Shanghai) Limited was incorporated in Shanghai and became a wholly-owned subsidiary of IHKL on April 13, 2017. In November 2017, Invesco Investment Management (Shanghai) Limited registered as a private securities fund manager with the Asset Management Association of China (AMAC).

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### Principal Owners

IHKL is wholly-owned by Invesco Asset Management Pacific Limited which is wholly-owned by Invesco Pacific Group Limited. Invesco Pacific Group Limited is wholly-owned by Invesco Holding Company Limited whose parent (100% owned) is Invesco Ltd, which is publicly traded on the New York Stock Exchange under the symbol IVZ.

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### Types of Advisory Services

IHKL provides investment supervisory services, also known as asset management services; manages investment accounts and provide investment advice for the advisory accounts; issues periodic materials about the fund performance as well as market views.

As of 31 December 2019, IHKL manages approximately US\$ 31,203 million in assets for its discretionary and advisory accounts.

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### Tailored Relationships

The goals and objectives for each client are documented in investment management agreements/ advisory agreements. Clients may impose restrictions on investing in certain securities or types of securities.

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### Types of Agreements

The following agreements define the typical client relationships.

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## Investment Management Agreement

Most clients choose to have IHKL manage their assets through an Investment Management Agreement. These include full discretionary, Asian Investment portfolio services to clients based in the United States of America or other regions. Portfolio management services commonly relate to country specific or regional portfolios.

These services will be furnished against the payment of a fee which is based on the value of asset under management and complexity of the mandate, and it is subject to negotiation.

The scope of work and fee for an Investment Management agreement is provided to the client in writing prior to the start of the relationship.

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## Asset Management

This represents the management of mutual funds which are distributed outside the U.S., usually distributed through major financial institutions, including retail and private banks, insurance companies or financial consultants.

These services will be furnished against the payment of a fee which is based on the value of asset under management (management fees). As an indication, the retail fund products currently charge up to 2% management fees depending on different type of products. The initial charge is usually up to 5.25 % depending on the distributors. All the fees and charges are stated in the relevant prospectuses.

Investments mainly include equities (stocks), debt, cash and cash equivalents and financial derivative instruments.

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## Advisory Service Agreement

Some of the IHKL's clients would like to obtain IHKL's advice on IHKL's expertise of managing a portfolio of Asian securities and enter an advisory agreement with IHKL.

The scope of work and fee for an Advisory Service Agreement is provided to the client in writing prior to the start of the relationship.

These services will be furnished against the payment of a fee which is based on the value of asset under management and complexity of the mandate, and it is subject to negotiation.

IHKL will also provide sub-advisory services to affiliated entities under the common ownership of Invesco Ltd.

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#### Termination of Agreement

Investment advisory services generally may be terminated by either party upon prior written notice. Upon termination, any unearned fee will be refunded to the client in accordance with the terms of the agreement with the client.

#### Fees and Compensation

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##### Description

With regards to most of the IHKL's managed or advisory portfolios, IHKL receives payment of a fee which is based on the value of asset under management and complexity of the mandate which are subject to negotiation.

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##### Billing

Investment management fees are billed in arrears, meaning that IHKL invoices the client after the billing period ended. Billing period would be subject to the agreement with the client. Payment in full is expected upon invoice presentation.

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##### Other Fees

Custodians may charge transaction fees on purchases or sales of certain mutual funds. These transaction charges are usually small and incidental to the purchase or sale of a security. Brokerage fees would also be incurred during the execution of securities.

IHKL may buy or sell securities or investment products in which IHKL or IHKL's affiliates or the portfolios managed by IHKL or IHKL's affiliates may have some financial interest.

Concerning mutual funds, there may be other fees such as the initial fees or the redemption charges which are stated in the relevant prospectuses.

#### Performance-Based Fees

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##### Performance fees

As negotiated with certain clients, additional fees may be paid, based on portfolio out-performance relative to an agreed formula.

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#### Conflicts of Interest

IHKL may acquire funds which are managed by IHKL's affiliates for the clients' portfolios. In these cases, pre-approvals from clients need to be obtained in writing and the limits on such investment, as well as the fees are needed to be agreed before any purchase can be made.

#### Types of Clients

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##### Description

IHKL generally provides investment advice/ managed assets for financial institutions, investment companies, pension, trusts or foundations, corporations or business entities, or other entities.

Client relationships vary in scope and length of service.

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#### Account Minimums

In general, the minimum account size is \$ 20 million of assets under management for the separate accounts which have direct holdings on the investments. For discretionary fund-of-funds accounts, the minimum account size is \$ 5 million. IHKL has the discretion to waive the account minimum. Accounts of less than \$5 million may be set up when there is potential that the client will add additional funds to the accounts bringing the total to \$ 5 million within a reasonable time.



## Methods of Analysis, Investment Strategies and Risk of Loss

### Investment Strategies

Invesco employs several methods of analysis and investment strategies in managing assets, each of which is discharged by discrete investment centers. These are each described in the table below.

Investment center	Summary of Philosophy and process	Sub strategies/mandates
Invesco Asia Equity Investment Team	The team's goal is to take advantage of market inefficiencies through a disciplined bottom-up stock selection process. The investment team believes that there are pockets of inefficiencies in the Chinese/Asian equity markets, resulting in frequent mispricing of stocks due to over/under-reaction to new information. The team seeks to systematically take advantage of market inefficiencies through identifying changes in fundamentals by strictly adhering to a disciplined investment process focusing on earnings and valuation of each company. The team's investment style is described as seeking 'sustainable value investment'. The team adopts a selective approach to invest in companies with sustainable leadership and competitive advantages at a discount to their fair value. The team also believes that local knowledge is important. By having an experienced team conducting proprietary on the ground research and capturing the best ideas, the team gains an information advantage and an opportunity to achieve favourable returns.	<ul style="list-style-type: none"> <li>• China Equity investment strategy</li> <li>• Greater China investment strategy</li> <li>• China-India investment strategy</li> <li>• Asia ex-Japan equities investment strategy</li> <li>• India equity investment strategy</li> <li>• Asia Balanced investment strategy</li> <li>• ASEAN Equity investment strategy</li> <li>• Korean Equity investment strategy</li> </ul>
Asian Fixed	Our IFI team's investment philosophy is	<ul style="list-style-type: none"> <li>• Asian Flexible</li> </ul>

Income	<p>built on a belief that increasingly dynamic and complex fixed income markets create opportunities for investors, that are best captured by specialist decision makers, interconnected as a global team. Timely investment decisions are captured through a rigorous and effective portfolio management process, designed to maximize each opportunity. The investment process integrates both top-down and bottom-up approach. While a top-down approach is used for interest rate strategies, currency, country and industry allocations, a bottom-up approach is used for selecting bond issuers and securities.</p>	<p>bond</p> <ul style="list-style-type: none"> <li>• Asian Investment Grade</li> <li>• Asian High Yield</li> <li>• Renminbi bond</li> <li>• Belt and Road bond</li> <li>• Fixed maturity</li> </ul>
International & Global Growth Equities	<p>The Adviser's International &amp; Global Growth Equities investment strategies employ a rigorous, bottom-up stock selection process that seeks to identify companies with sustainable quality, growth characteristics and attractive valuations.</p>	<ul style="list-style-type: none"> <li>• Asia Pacific Growth</li> <li>• Developing Markets</li> <li>• European Growth</li> <li>• European Small Company</li> <li>• Global Growth</li> <li>• Global Small &amp; Mid Cap</li> <li>• International Growth</li> <li>• International Small Company</li> </ul>

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## Risk of Loss

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Active Trading Risk.** Active trading of portfolio securities may result in added expenses, a lower return and increased tax liability.
- **Allocation Risk.** The investment performance depends, in part, on how its assets are allocated among the underlying strategies or asset classes. IHKL's evaluations and assumptions regarding asset allocation do not assure profit or diversification and may cause the strategy to be invested (or not invested) in one or more asset classes or underlying strategies at an inopportune time, which could negatively affect the strategy's performance.
- **Asia Pacific Region Risk (ex-Japan).** The level of development of the economies of countries in the Asia Pacific region varies greatly. Furthermore, the economies of countries in this region are largely intertwined, meaning that an economic recession experienced by one country in this region may adversely impact the economic performance of other countries in the region. Certain economies in the region may also be adversely affected by increased competition, high inflation rates and interest rates, rising unemployment, undeveloped financial services sectors, currency fluctuations or restrictions, political and social instability and increased economic volatility.
- **Asia Pacific Region Risk (including Japan).** In addition to the risks listed in the above section, Asia Pacific Region Risk (ex-Japan), the strategy's Japanese investments may be adversely affected by protectionist trade policies, slow economic activity worldwide, dependence on exports and international trade, increasing competition from Asia's other low-cost emerging economies, political and social instability, regional and global conflicts and natural disasters, as well as by commodity markets fluctuations related to Japan's limited natural resource supply.
- **Banking and Financial Services Industry Focus Risk.** From time to time, an investment strategy may invest more than 25% of its assets in unsecured bank instruments, including but not limited to certificates of deposit and time deposits, or securities that may have guarantees or credit and liquidity enhancements provided by banks, insurance companies or other financial institutions. To the extent the strategy focuses its investments in these instruments or securities, the strategy's performance will depend on the overall condition of those industries and the individual banks and financial institutions in which the strategy invests (directly or indirectly), the supply of short-term financing, changes in government regulation, changes in interest rates, and economic downturns in the United States and abroad.
- **Borrowing Risk.** Borrowing money to buy securities exposes the strategy to leverage and will exaggerate the effect of any increase or decrease in the

value of the strategy's portfolio securities. It may also require the strategy to liquidate positions when it may not be advantageous to do so to satisfy borrowing obligations. In addition, the strategy will incur interest expenses and other fees on borrowed money. There can be no assurance that the strategy's borrowing strategy will enhance and not reduce the strategy's returns.

- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Cash/Cash Equivalents Risk:** Holding cash or cash equivalents may negatively affect performance. To the extent the client account holds cash or cash equivalents rather than securities in which it primarily invests or uses to manage risk, the client account may not achieve its investment objectives and may underperform.
- **Changing Fixed Income Market Conditions Risk.** The current low interest rate environment was created in part by the Federal Reserve Board (FRB) and certain foreign central banks keeping the federal strategy and equivalent foreign rates near, at or below zero. Increases in the federal strategy and equivalent foreign rates may expose fixed income markets to heightened volatility and reduced liquidity for certain fixed income investments, particularly those with longer maturities. In addition, decreases in fixed income dealer market-making capacity may also potentially lead to heightened volatility and reduced liquidity in the fixed income markets. As a result, the value of the strategy's investments and share price may decline. Changes in central bank policies could also result in higher than normal shareholder redemptions, which could potentially increase portfolio turnover, which may result in increased brokerage costs and other transaction costs and taxes, and which may lower the strategy's actual return.
- **Consumer Discretionary Sector Risk.** The strategy may concentrate its investments in securities of issuers in the consumer discretionary sector. Companies engaged in the consumer discretionary sector are affected by fluctuations in supply and demand, changes in consumer preferences and spending, political and economic conditions, commodity price volatility, changes in exchange rates, imposition of import controls, increased competition, depletion of resources and labor relations.
- **Contingent Convertible Securities.** Contingent convertible securities ("CoCos") have no stated maturity, fully discretionary coupons and are typically issued in the form of subordinated debt instruments. CoCos generally either convert into equity or have their principal written down upon the occurrence of certain triggering events linked to regulatory capital thresholds or regulatory actions relating to the issuer's continued viability. As a result, an investment in CoCos

is subject to the risk that coupon (i.e., interest) payments may be cancelled by the issuer or a regulatory authority in order to help the issuer absorb losses. An investment in CoCos is also subject to the risk that, in the event of the liquidation, dissolution or winding-up of an issuer prior to a trigger event, the investor's rights and claims will generally rank junior to the claims of holders of the issuer's other debt obligations. In addition, if CoCos held are converted into the issuer's underlying equity securities following a trigger event, the holding may be further subordinated due to the conversion from a debt to equity instrument. Further, the value of an investment in CoCos is unpredictable and will be influenced by many factors and risks, including interest rate risk, credit risk, market risk, liquidity risk and valuation risk.

- **Convertible Securities Risk:** The client account may own convertible securities. The values of convertible securities in which the client account may invest may be affected by market interest rates. The values of convertible securities also may be affected by the risk of actual issuer default on interest or principal payments and the value of the underlying stock. Additionally, an issuer may retain the right to buy back its convertible securities at a time and price unfavorable to the client account.
- **Correlation Risk.** Certain investment strategies seek to balance risk across certain asset classes and, within each asset class, across different countries and investments. However, from time to time, the asset class, selected country or investment may become correlated in a way not anticipated by IHKL, causing risks and loss unbalanced and even magnified.
- **Credit Risk/Defaulted Securities Risk.** The credit quality of a security or instrument may deteriorate and impair the liquidity of the security or instrument and decrease its value. Additionally, some investments may have less credit risk than others. For example, debt of issuers with poor credit offer higher yields and more credit risk than debt of issuers with more secure credit and higher ratings.

Defaulted securities pose a greater risk that principal will not be repaid than non-defaulted securities. Defaulted securities and any securities received in an exchange for such securities may be subject to restrictions on resale

- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk. If a client account buys a security denominated in a foreign currency, during the time that the client account owns that security, for the purposes of calculating the NAV of that client account, the value of the security is converted into U.S. dollars on a daily basis. Fluctuations in the value of the U.S. dollar relative to the foreign currency impact the NAV of the client account. If the value of the U.S. dollar has increased relative to the foreign currency, the return on the foreign security may be reduced, eliminated or made negative. The opposite can also occur; that is, a client account holding a security denominated in a foreign currency may benefit from an increase in the value of the foreign currency

relative to the U.S. dollar. Some portfolio managers choose or are required to mitigate this risk by using derivatives to hedge the impact of foreign currency fluctuations. However, these derivative transactions may not be fully effective. Some foreign governments may restrict currency exchange. If we cannot exchange the currencies in which a client account is invested, the client account will be less liquid.

- **Cyber Security Risk.** IHKL and its service providers may be prone to operational and information security risks resulting from cyber-attacks. Cyber-attacks include, among other behaviors, stealing or corrupting data maintained online or digitally, denial of service attacks on websites, the unauthorized release of confidential information or various other forms of cyber security breaches. Cyber-attacks affecting IHKL, or its service providers may adversely impact client accounts. For instance, cyber-attacks may interfere with the processing of investor transactions, impact the ability to calculate, the value of securities and/or the account cause the release of private shareholder information or confidential business information, impede trading, subject IHKL and/or an advisory account to regulatory fines or financial losses and/or cause reputational damage. Similar types of cyber security risks are also present for issuers of securities in which a client account may invest, which could result in material adverse consequences for such issuers and may cause an account's investment in such companies to lose value. While IHKL has risk management systems to prevent such cyber-attacks, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Furthermore, IHKL cannot control the cyber security plans and systems put in place by service providers to client accounts and issuers in which the account invests
- **Depository Receipts Risk:** Depository receipts involve many of the same risks as those associated with direct investment in foreign securities. In addition, the underlying issuers of certain depository receipts, particularly unsponsored or unregistered depository receipts, are under no obligation to distribute shareholder communications to the holders of such receipts or to pass through to them any voting rights with respect to the deposited securities.
- **Derivatives Risk:** The value of a derivative instrument depends largely on (and is derived from) the value of an underlying security, currency, commodity, interest rate, index or other asset (each referred to as an underlying asset). In addition to risks relating to the underlying assets, the use of derivatives may include other, possibly greater, risks, including counterparty, leverage and liquidity risks. Counterparty risk is the risk that the counterparty to the derivative contract will default on its obligation to pay the client account the amount owed or otherwise perform under the derivative contract. Derivatives create leverage risk because they do not require payment up front equal to the economic exposure created by owning the derivative. As a result, an adverse change in the value of the underlying asset could result in the client account sustaining a loss that is substantially greater than the amount invested in the derivative, which may make the client account's returns more

volatile and increase the risk of loss. Derivative instruments may also be less liquid than more traditional investments and the client account may be unable to sell or close out its derivative positions at a desirable time or price. This risk may be more acute under adverse market conditions, during which the Client account may be most in need of liquidating its derivative positions. Derivatives may also be harder to value, less tax efficient and subject to changing government regulation that could impact the Client account's ability to use certain derivatives or their cost. Also, derivatives used for hedging or to gain or limit exposure to a particular market segment may not provide the expected benefits, particularly during adverse market conditions.

- **Distressed Debt Risk.** – IHKL invests in securities and other obligations and assets of companies in special situations involving financial or business distress, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Such investments involve a substantial degree of risk. There is no assurance that IHKL will correctly evaluate the value of the assets collateralizing an investment or the prospects for a successful reorganization or similar action in respect of any company. In any reorganization or liquidation proceeding, IHKL may lose its entire investment, be required to accept cash or securities or assets with a value less than their original investment and/or be required to accept payment over an extended period of time.
- **Dividend Paying Security Risk.** Securities that pay high dividends as a group can fall out of favor with the market, causing such companies to underperform companies that do not pay high dividends. With respect to Commingled Funds that invest in other funds or track an index, changes in the dividend policies of the companies in an underlying fund's index and the capital resources available for such companies' dividend payments may affect an underlying fund.
- **Emerging Markets Securities Risk.** Emerging markets (also referred to as developing markets) are generally subject to greater market volatility, political, social and economic instability, uncertain trading markets and more governmental limitations on foreign investment than more developed markets. In addition, companies operating in emerging markets may be subject to lower trading volume and greater price fluctuations than companies in more developed markets. Securities law and the enforcement of systems of taxation in many emerging market countries may change quickly and unpredictably. In addition, investments in emerging markets securities may also be subject to additional transaction costs, delays in settlement procedures, and lack of timely information.
- **Energy Sector Risk.** Changes in worldwide energy prices, exploration and production spending, government regulation, world events, economic conditions, exchange rates, transportation and storage costs and labor relations can affect companies in the energy sector. In addition, these companies are at an increased risk of civil liability and environmental damage

claims, and may be subject to the risk of loss from terrorism and natural disasters.

- **Environmental and Social Investing Risk.** By using environmental and social factors to exclude certain investments for non-financial reasons, the strategy may forego some market opportunities available to other strategy's that do not use these criteria. Further, there is a risk that information used to evaluate environmental and social factors may not be readily available, complete or accurate, which could negatively impact the strategy's ability to apply its environmental and social standards, and negatively impact the strategy's performance.
- **Equity risk:** Companies issue equities, or stocks, to help finance their operations and future growth. A company's operating results, financial strength, competitive position and prospects for future growth will have the most influence on its stock price over the long term. In addition, the economic environment in which the company operates will also impact stock prices. When the economy is expanding, the outlook for many companies will be positive and the value of their stocks should rise. The opposite is also true. In the short term, investor sentiment can have a significant impact on stock prices as investors necessarily evaluate the uncertainty of a company's future value. The value of a client account is affected by changes in the prices of the stocks it holds. The risks and potential rewards are usually greater for small companies, newly public companies and companies in emerging markets. Investments that are convertible into equity may also be subject to interest rate risk.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good and bad times. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- **Financial Services Sector Risk.** The strategy may be susceptible to adverse economic or regulatory occurrences affecting the financial services sector. Financial services companies are subject to extensive government regulation and are disproportionately affected by unstable interest rates, each of which could adversely affect the profitability of such companies. Financial services companies may also have concentrated portfolios, which make them especially vulnerable to unstable economic conditions.
- **Floating Rate Obligations/Inverse Floating Rate Obligations Risk.** The price of inverse floating rate obligations (inverse floaters) is expected to decline when interest rates rise, and generally will decline further than the price of a bond with a similar maturity. The price of inverse floaters is typically more volatile than the price of bonds with similar maturities. These risks can be particularly high if leverage is used in the formula that determines the interest payable by the inverse floater, which may make the strategy's returns more volatile and increase the risk of loss. Additionally, these securities may lose



some or all of their principal and, in some cases, the strategy could lose money in excess of its investment.

- **Foreign Credit Exposure Risk.** U.S. dollar-denominated securities carrying foreign credit exposure may be affected by unfavorable political, tax, economic or governmental developments that could affect payments of principal and interest.
- **Foreign Government Debt Risk.** Investments in foreign government debt securities (sometimes referred to as sovereign debt securities) involve certain risks in addition to those relating to foreign securities or debt securities generally. The issuer of the debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal or interest when due in accordance with the terms of such debt, and the strategy may have limited recourse in the event of a default against the defaulting government. Without the approval of debt holders, some governmental debtors have in the past been able to reschedule or restructure their debt payments or declare moratoria on payments.
- **Foreign Securities Risk:** The dollar value of a client account's foreign investments may be affected by changes in the exchange rates between the dollar and the currencies in which those investments are traded. The value of the client account's foreign investments may be adversely affected by political and social instability in their home countries, by changes in economic or taxation policies in those countries, or by the difficulty in enforcing obligations in those countries. Foreign companies generally may be subject to less stringent regulations than U.S. companies, including financial reporting requirements and auditing and accounting controls. As a result, there generally is less publicly available information about foreign companies than about U.S. companies. Trading in many foreign securities may be less liquid and more volatile than U.S. securities due to the size of the market or other factors.
- **Fund of Funds Risk.** The strategy is also subject to risks associated with investments in the underlying funds. For example, the strategy will indirectly pay a proportional share of the fees and expenses of the underlying funds in which it invests. In addition, the strategy will vary from its target weightings (if any) in the underlying fund, the underlying funds will not achieve their investment objectives, the underlying funds will underperform in comparison to their represented asset classes, and the strategy may withdraw its investments in an underlying strategy at a disadvantageous time.
- **Geographic Focus Risk:** The client account may from time to time invest a substantial amount of its assets in securities of issuers located in a single country or a limited number of countries. Adverse economic, political or social conditions in those countries may therefore have a significant negative impact on the client account's investment performance.

- **Growth Investing Risk:** Growth stocks tend to be more expensive relative to the issuing company's earnings or assets compared with other types of stock. As a result, they tend to be more sensitive to changes in, or investors' expectations of, the issuing company's earnings and can be more volatile.
- **Health Care Sector Risk.** The health care sector is subject to significant government regulations, such as government health care programs, increases or decreases in the cost of medical products and services, and competitive forces that could negatively impact a health care company's profitability. The health care sector may also be affected by government health care programs.
- **High Yield Debt Securities (Junk Bond) Risk.** Investments in high yield debt securities ("junk bonds") and other lower-rated securities may subject the strategy to substantial risk of loss. These securities are considered to be speculative with respect to the issuer's ability to pay interest and principal when due, are more susceptible to default or decline in market value and volatile prices and are less liquid than investment grade debt securities.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Infrastructure-Related Companies Risk.** Infrastructure-related companies are subject to a variety of risk factors, including costs associated with environmental, governmental and other regulations, high interest costs for capital construction programs, high leverage, the effects of economic slowdowns, surplus capacity, increased competition, fluctuations of fuel prices, the effects of energy conservation policies, unfavorable tax laws or accounting policies, environmental damage, difficulty in raising capital, increased susceptibility to terrorist acts or political actions, and general changes in market sentiment towards infrastructure assets.
- **Initial Public Offering (IPO) Risk.** The prices of IPO securities often fluctuate more than prices of securities of companies with longer trading histories and sometimes experience significant price drops shortly after their initial issuance. In addition, companies offering securities in IPOs may have less experienced management or limited operating histories.
- **Interest Rate Risk.** Changes in interest rates may affect operating results by impacting the interest received on floating rate interest bearing investments, the financing costs of debt, and any interest rate swaps that may be utilized for hedging purposes. Borrower default rates may also be affected, which may have a negative impact on the strategy's performance.
- **Investing in the European Union Risk:** Investments in certain countries in the European Union are susceptible to high economic risks associated with high levels of debt, such as investments in sovereign debt of Greece, Italy and Spain. Separately, the European Union faces issues involving its membership, structure, procedures and policies. The exit of one or more member states

from the European Union would place its currency and banking system in jeopardy. Efforts of the member states to further unify their economic and monetary policies may increase the potential for the downward movement of one member state's market to cause a similar effect on other member states' markets.

- **Investment Companies Risk.** Investing in other investment companies could result in the duplication of certain fees, including management and administrative fees, and may expose the strategy to the risks of owning the underlying investments that the other investment company holds.
- **Issuer Risk.** The value of a security may decline for a number of reasons which directly relate to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's products or services.
- **Leverage Risk.** Certain transactions and investment strategies may give rise to leverage, including, but not limited to: borrowing, dollar rolls, reverse repurchase agreements, loans of portfolio securities and the use of when-issued, delayed-delivery or forward-commitment transactions. The use of certain derivatives may also increase leveraging risk and adverse changes in the value or level of the underlying asset, rate, or index may result in a loss substantially greater than the amount paid for the derivative. The use of leverage may exaggerate any increase or decrease in the net asset value (NAV), causing an investment's price to be more volatile. The use of leverage may increase expenses and increase the impact of other risks. In the case of Commingled Funds, the use of leverage may cause a fund to liquidate portfolio positions in disadvantageous times to satisfy its borrowing obligations, resulting in increased volatility of returns. Leverage, including borrowing, may cause a strategy to be more volatile than if the strategy had not been leveraged.
- **Limited Number of Holdings Risk.** Because the strategy may hold a more limited number of securities than other strategies with a similar investment strategy, a change in the value of these securities could significantly affect the value of your investment in the strategy.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Management Risk:** The investment techniques and risk analysis used by some client account's portfolio managers may not produce the desired results.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions, investor sentiment, general economic and market conditions, regional or

global instability, currency and interest rate fluctuations may trigger market events.

- **Natural Disaster/Epidemic Risk.** Natural or environmental disasters, such as earthquakes, fires, floods, hurricanes, tsunamis and other severe weather-related phenomena generally, and widespread disease, including pandemics and epidemics, have been and can be highly disruptive to economies and markets, adversely impacting individual companies, sectors, industries, markets, currencies, interest and inflation rates, credit ratings, investor sentiment, and other factors affecting the value of the strategy's investments. Given the increasing interdependence among global economies and markets, conditions in one country, market, or region are increasingly likely to adversely affect markets, issuers, and/or foreign exchange rates in other countries, including the U.S. These disruptions could prevent IHKL from executing advantageous investment decisions in a timely manner and negatively impact its ability to achieve its client investment objectives. Any such event(s) could have a significant adverse impact on the value and risk profile of client accounts.
- **Non-Correlation Risk.** The return of an underlying strategy's preferred equity segment may not match the return of the underlying index for a number of reasons. For example, an underlying strategy incurs operating expenses not applicable to the underlying index, and incurs costs in buying and selling securities, especially when rebalancing securities holdings to reflect changes in the index. In addition, the performance of the preferred equity segment and the underlying index may vary due to asset valuation differences and differences between the preferred equity segment and the index resulting from legal restrictions, costs or liquidity constraints.
- **Non-Diversification Risk:** The client account may be non-diversified, meaning it can invest a greater portion of its assets in the obligations or securities of a small number of issuers or any single issuer than a diversified client account can. To the extent that a large percentage of the client account's assets may be invested in a limited number of issuers, a change in the value of the issuers' securities could affect the value of the client account more than would occur in a diversified client account.
- **Operational Risk.** IHKL, its service providers, and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect IHKL or an investment strategy, despite the efforts of Invesco Adviser and its service providers to adopt technologies, processes, and practices intended to mitigate these risks. Power or communications outages, cyber-attacks, acts of god, information technology equipment malfunctions, operational errors, and inaccuracies within software or data processing systems may also disrupt business operations or impact critical data. Market events also may trigger a volume of transactions that overloads current information technology and

communication systems and processes, impacting the ability of IHKL to conduct its operations.

- **Preferred Securities Risk:** Preferred securities may include provisions that permit the issuer, in its discretion, to defer or omit distributions for a certain period of time. If the client account owns a security that is deferring or omitting its distributions, the client account may be required to report the distribution on its tax returns, even though it may not have received this income. Further, preferred securities may lose substantial value due to the omission or deferment of dividend payments. Preferred securities may be less liquid than many other securities, such as common stocks, and generally offer no voting rights with respect to the issuer. Preferred securities also may be subordinated to bonds or other debt instruments in an issuer's capital structure, subjecting them to a greater risk of non-payment than more senior securities. In addition, in certain circumstances, an issuer of preferred securities may redeem the securities prior to a specified date, and this may negatively impact the return of the security.
- **Repurchase Agreement Risk.** If the seller of a repurchase agreement defaults or otherwise does not fulfill its obligations, the Strategy may incur delays and losses arising from selling the underlying securities, enforcing its rights, or declining collateral value.
- **Restricted Securities.** Restricted securities cannot be sold without being registered under the Securities Act of 1933, as amended, unless they are sold pursuant to an exemption from registration (such as Rules 144 or 144A). These securities may be sold in private placement transactions between issuers and their purchasers and may be neither listed on an exchange nor traded in other established markets. Many times, these securities are subject to legal or contractual restrictions on resale. As a result of the absence of a public trading market, the prices of these securities may be more volatile, less liquid and more difficult to value than publicly traded securities. The price realized from the sale of these securities could be less than the amount originally paid or less than their fair value if they are resold in privately negotiated transactions. In addition, these securities may not be subject to disclosure and other investment protection requirements that are afforded to publicly traded securities. Certain investments may include investment in smaller, less seasoned issuers, which may involve greater risk.
- **Reverse Repurchase Agreement Risk.** If the risk that the market value of securities to be repurchased declines below the repurchase price, or the other party defaults on its obligation, an underlying strategy may be delayed or prevented from completing the transaction. In the event the buyer of securities under a reverse repurchase agreement files for bankruptcy or becomes insolvent, an underlying strategy's use of the proceeds from the sale of the securities may be restricted. When an underlying strategy engages in reverse repurchase agreements, changes in the value of an underlying strategy's investments will have a larger effect on its share price than if it did not engage in these transactions due to the effect of leverage, which will make an underlying strategy's returns more volatile and increase the risk of

loss. Additionally, interest expenses related to reverse repurchase agreements could exceed the rate of return on other investments held by an underlying strategy, thereby reducing returns to shareholders.

- Risk of Purchasing A Shares in Chinese Companies. Substantial liquidity risks exist in the A share market for Chinese companies. Chinese A shares may therefore be subject to the strategy's limitation on investing in illiquid securities and are also subject to regulations regarding minimum and maximum investment quotas and repatriation restrictions for both principal invested and profits earned.
- Risks of Subordinated Debt. Perpetual subordinated debt is a type of hybrid instrument that has no maturity date for the return of principal and does not need to be redeemed by the issuer. These investments typically have lower credit ratings and lower priority than other obligations of an issuer during bankruptcy, presenting a greater risk for nonpayment. This risk increases as the priority of the obligation becomes lower. Payments on these securities may be subordinated to all existing and future liabilities and obligations of subsidiaries and associated companies of an issuer. Additionally, some perpetual subordinated debt does not restrict the ability of an issuer's subsidiaries to incur further unsecured indebtedness.
- Sector Focus Risk. A strategy may from time to time invest a significant amount of its assets (i.e. over 25%) in one market sector or group of related industries. In this event, the strategy's performance will depend to a greater extent on the overall condition of the sector or group of industries and there is increased risk that the strategy will lose significant value if conditions adversely affect that sector or group of industries.
- Small- and Mid-Capitalization Risks: Stocks of small- and mid-sized companies tend to be more vulnerable to adverse developments and may have little or no operating history or track record of success, and limited product lines, markets, management and financial resources. The securities of small- and mid-sized companies may be more volatile due to less market interest and less publicly available information about the issuer. They also may be illiquid or restricted as to resale, or may trade less frequently and in smaller volumes, all of which may cause difficulty when establishing or closing a position at a desirable price.
- Technology Sector Risk. Technology companies are subject to intense competition, rapid obsolescence of their products, issues with obtaining financing or regulatory approvals, product incompatibility, changing consumer preferences, high required corporate capital expenditure for research and development or infrastructure and development of new products, each of which make the prices of securities issued by these companies more volatile.
- Underlying strategy securities that are valued using techniques other than market quotations, including "fair valued" securities, may be subject to greater fluctuation in their value from one day to the next than would be the case if market quotations were used. In addition, there is no assurance that an underlying strategy could sell a portfolio security for the value established for

it at any time, and it is possible that an underlying strategy would incur a loss because a security is sold at a discount to its established value.

- **Unique Economic and Political Risks of Investing in Greater China.** Investments in companies located or operating in Greater China involve risks not associated with investments in Western nations, such as nationalization, expropriation, or confiscation of property; difficulty in obtaining and/or enforcing judgments; alteration or discontinuation of economic reforms; military conflicts, either internal or with other countries; inflation, currency fluctuations and fluctuations in inflation and interest rates that may have negative effects on the economy and securities markets of Greater China; and Greater China's dependency on the economies of other Asian countries, many of which are developing countries. Events in any one country within Greater China may impact the other countries in the region or Greater China as a whole. Certain securities issued by companies located or operating in Greater China, such as China A shares, are subject to trading restrictions, quota limitations and less market liquidity. Additionally, developing countries, such as those in Greater China, may subject the strategy's investments to a number of tax rules, and the application of many of those rules may be uncertain. Moreover, China has implemented a number of tax reforms in recent years and may amend or revise its existing tax laws and/or procedures in the future, possibly with retroactive effect. Changes in applicable Chinese tax law could reduce the after-tax profits of the strategy, directly or indirectly, including by reducing the after-tax profits of companies in China in which the strategy invests. Uncertainties in Chinese tax rules could result in unexpected tax liabilities for the strategy.
- **Unseasoned Issuer Risk.** Investments in unseasoned companies or companies with special circumstances often involve much greater risks than are inherent in other types of investments and securities of such companies may be more likely to experience fluctuations in price. In addition, investments made in anticipation of future events may, if the events are delayed or never achieved, cause stock prices to fall.
- **U.S. Government Obligations Risk.** Obligations of U.S. Government agencies and authorities receive varying levels of support and may not be backed by the full faith and credit of the U.S. Government, which could affect the strategy's ability to recover should they default. No assurance can be given that the U.S. Government will provide financial support to its agencies and authorities if it is not obligated by law to do so.
- **Valuation Risk.** Financial information related to securities of non-U.S. issuers may be less reliable than information related to securities of U.S. issuers, which may make it difficult to obtain a current price for a non-U.S. security held by an underlying strategy. In certain circumstances, market quotations may not be readily available for some underlying strategy securities, and those securities may be fair valued. The value established for a security

through fair valuation may be different from what would be produced if the security had been valued using market quotations.

- **Valuation Time Risk.** An underlying exchange-traded strategy may invest in securities of foreign issuers and, because foreign exchanges may be open on days when an underlying strategy does not price its shares, the value of the non-U.S. securities in an underlying strategy's portfolio may change on days when investors are not able to purchase or sell an underlying strategy's shares. As a result, trading spreads and the resulting premium or discount on an underlying strategy's shares may widen, and, therefore, increase the difference between the market price of an underlying strategy's shares and the NAV of such shares.
- **Variable-Rate Demand Note Risk.** The absence of an active secondary market for certain variable and floating rate notes could make it difficult to dispose of these instruments, which could result in a loss.
- **Volatility Management Risk.** IHKL's strategy for managing portfolio volatility may not produce the desired result and there can be no guarantee that the strategy will maintain its target volatility level. Additionally, maintenance of the target volatility level will not ensure that the strategy will deliver competitive returns. The use of derivatives in connection with the strategy's managed volatility strategy may expose the strategy to losses (some of which may be sudden) that it would not have otherwise been exposed to if it had only invested directly in equity and/or fixed income securities. Efforts to manage the strategy's volatility could limit the strategy's gains in rising markets and may expose the strategy to costs to which it would otherwise not have been exposed. IHKL uses a combination of proprietary and third-party systems and risk models to help it estimate the strategy's expected volatility, which may perform differently than expected and may negatively affect performance and the ability of the strategy to maintain its volatility at or below its target maximum annual volatility level.
- **Warrants Risk.** Warrants may be significantly less valuable or worthless on their expiration date and may also be postponed or terminated early, resulting in a partial or total loss. Warrants may also be illiquid.
- **Yield Risk.** The strategy's yield will vary as the short-term securities in its portfolio mature or are sold and the proceeds are reinvested in other securities. When interest rates are very low, the strategy's expenses could absorb all or a portion of the strategy's income and yield. Additionally, inflation may outpace and diminish investment returns over time.
- **Zero Coupon or Pay-in-Kind Securities Risk.** The value, interest rates, and liquidity of non-cash paying instruments, such as zero coupon and pay-in-kind securities, are subject to greater fluctuation than other types of securities. The higher yields and interest rates on pay-in-kind securities reflect the payment deferral and increased credit risk associated with such instruments and that



such investments may represent a higher credit risk than loans that periodically pay interest.

- **Coronavirus and Public Health Emergencies.** As of the date of this filing, there is an outbreak of a novel and highly contagious form of coronavirus (“COVID-19”), which the World Health Organization has declared constitutes a “Public Health Emergency of International Concern.” The outbreak of COVID-19 has resulted in numerous deaths, adversely impacted global commercial activity and contributed to significant volatility in certain equity and debt markets. Measures taken by national and regional governments, states, districts and municipalities, as well as the general uncertainty surrounding the dangers and impact of COVID-19, are creating significant disruption in supply chains and economic activity. As COVID-19 continues to spread, the potential impacts, including a global, regional or other economic recession, are increasingly uncertain and difficult to assess.

Any public health emergency, including any outbreak of COVID-19, SARS, H1N1/09 flu, avian flu, other coronavirus, ebola or other existing or new epidemic diseases, or the threat thereof, could have a significant impact on IHKL and its client accounts. The extent of the impact of COVID-19 or any other public health emergency on the operational and financial performance of IHKL’s client accounts will depend on many factors, including the duration and scope of such public health emergency, the extent of any related travel advisories and restrictions implemented, the impact of such public health emergency on overall supply and demand, goods and services, investor liquidity, consumer confidence and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. The effects of a public health emergency may materially and adversely impact the value and performance of the investments held in any client accounts as well as the ability of IHKL to source, manage and divest investments and achieve the investment objectives of its clients, all of which could result in significant losses to such clients. In addition, the operations of IHKL and/or its affiliates may be significantly impacted, or even halted, either temporarily or on a long-term basis, as a result of government quarantine and curfew measures, voluntary and precautionary restrictions on travel or meetings and other factors related to a public health emergency, including its potential adverse impact on the health of any such entity’s personnel.

## Disciplinary Information

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### Legal and Disciplinary

IHKL has not been involved in legal or disciplinary events related to our asset management business.

## Other Financial Industry Activities and Affiliations

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### IHKL

IHKL is an indirect, wholly-owned subsidiary of Invesco Ltd. Invesco Ltd is publicly traded on the New York Stock Exchange under the symbol IVZ.

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### Affiliations

#### **Broker-Dealers**

By virtue of Registrant's common ownership by Invesco Ltd, IHKL is a related person to the broker-dealers listed below. From time to time these broker-dealers may distribute funds, limited partnerships or other private placement offerings IHKL advises or sub-advises.

INVESCO DISTRIBUTORS, INC

INVESCO CAPITAL MARKETS, INC.

#### **Investment Advisers**

From time to time IHKL or its related parties may have arrangements with the below listed investment advisers associated with creating, sponsoring, advising, owning, or providing services to mutual funds or separate accounts that may be material to the IHKL's advisory business or its clients.

The following are the affiliated SEC Registered Investment Advisers under the common ownership of Invesco Ltd:

FOUR RIVERS INVESTMENT MANAGEMENT CO., LTD.

HARBOURVIEW ASSET MANAGEMENT CORPORATION

INVESCO ADVISERS, INC.

INVESCO ASSET MANAGEMENT (INDIA) PRIVATE LIMITED

INVESCO ASSET MANAGEMENT (JAPAN) LIMITED

INVESCO ASSET MANAGEMENT DEUTSCHLAND GMBH

INVESCO ASSET MANAGEMENT LIMITED

INVESCO ASSET MANAGEMENT SA

INVESCO CAPITAL MANAGEMENT LLC

INVESCO CANADA LTD.  
INVESCO EUROPEAN RR L.P.  
INVESCO FUND MANAGERS LTD  
INVESCO GLOBAL REAL ESTATE ASIA PACIFIC, INC.  
INVESCO INVESTMENT ADVISERS LLC  
INVESCO INVESTMENT MANAGEMENT LTD  
INVESCO MANAGED ACCOUNTS, LLC  
INVESCO MANAGEMENT S.A.  
INVESCO PRIVATE CAPITAL, INC  
INVESCO REAL ESTATE MANAGEMENT S.À R.L.  
INVESCO SENIOR SECURED MANAGEMENT, INC  
INVESCO SPECIALIZED PRODUCTS, LLC  
IRE (CAYMAN) LIMITED  
JEMSTEP, INC.OPPENHEIMERFUNDS INC  
WL ROSS & CO. LLC

**Insurance Company or Agency/ Trust Company**

Under the common ownership of Invesco Ltd, IHKL is also a related person to the affiliated SEC Registered companies below.

INVESCO INSURANCE AGENCY, INC.  
INVESCO PENSIONS LTD  
INVESCO TRUST COMPANY

**Conflict of Interest**

IHKL may acquire funds which are managed by IHKL's affiliates for the clients' portfolios. In these cases, pre-approvals from clients need to be obtained in writing and the limits on such investment, as well as the fees are needed to be agreed before any purchase can be made.

IHKL may purchase/sell a security for its clients' portfolios which may be held by its affiliates or its affiliates' managed portfolios. Besides, there may be chances that orders for different portfolios may be aggregated for central dealing. To this, IHKL has a written policy so as to ensure fair allocation and fair treatment to its clients.

## Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

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### Code of Ethics

The employees of IHKL have committed to a Code of Ethics. The firm will provide a copy of the Code of Ethics to a client upon request.

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### Participation or Interest in Client Transactions

IHKL may acquire funds which are managed by IHKL's affiliates for the clients' portfolios. In these cases, pre-approvals from clients need to be obtained in writing and the limits on such investment, as well as the fees are needed to be agreed before any purchase can be made.

It is possible that IHKL's affiliates may have seed money invested in investment products which IHKL's clients may also have made investment. But IHKL does not operate proprietary trading accounts.

If authorized by clients, IHKL may engage in any of its affiliates to perform any services deemed necessary or appropriate in connection with the investment management services provided by IHKL. Such engagements, including fee payments, are required to be on arms-length terms.

IHKL has a Code of Ethics and internal policy designed to promote high ethical and professional standards, and prevent conflicts of interest.

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### Personal Trading

All covered persons of IHKL must pre-clear with the Compliance Department using the automated review system all personal security transactions involving covered securities for which they have a beneficial interest. Covered persons may be considered to have beneficial interest in securities held by members of his or her immediate family sharing the same household (i.e., a spouse and children) or by certain partnerships, trusts, corporations, or other arrangements.

Additionally, all covered persons must pre-clear personal securities transactions involving securities over which they have discretion. Notwithstanding the foregoing, no prior approval is required to invest in other types of investments, including U.S. government securities, money market instruments, variable insurance products, open-end mutual funds and ETFs.

Trading for employee or client accounts will be restricted due to certain relationships with an actual or potential investee company. IHKL maintains and monitors a restricted list for such situations which is designed to avoid potential conflicts of interest or the appearance of an undue influence in the selection of investments.

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## Business Continuity Plan

IHKL has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

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## Disasters

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

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## Alternate Offices

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients of a disaster that dictates moving our office to an alternate location.

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## Information Security & Data Privacy

At a time when cyber threats are considered one of the most significant risks facing financial institutions, we continue to invest in our security capabilities to keep clients, employees, and critical assets safe, while enabling a secure and resilient business. We have designated a Global Chief Security Officer and have a global security program that combines information (including cyber) security, physical security, privacy, business security and recovery, and strategy & reporting under a single umbrella supported by an intelligence function that provides timely threat information.

Our information security program, led by our Chief Information Security Officer (who reports to our Global Chief Security Officer), is designed to oversee and maintain all aspects of information security risk to ensure the confidentiality,

integrity and availability of information assets. This includes the implementation of controls aligned with industry guidelines and applicable statutes and regulations to identify threats, detect attacks and protect these information assets. We have an incident response program that includes periodic testing and is designed to restore business operations as quickly and as orderly as possible in the event of a breach.

Invesco's Board is responsible for overseeing the global security and information security programs and holding senior management accountable for its actions. This includes understanding the business need and associated risks, providing management direction, reviewing periodic reports on program effectiveness, and discussing management's strategy and recommendations for managing risk.

With respect to IHKL's staff, all salary, benefit, medical and other personal information shall generally be treated as confidential. Personnel files, payroll information, disciplinary matters, and similar information are to be maintained in a manner designed to protect confidentiality in accordance with applicable laws. All IHKL's staff shall exercise due care to prevent the release or sharing of such information beyond those persons who may need such information to fulfill their job functions. Notwithstanding the foregoing, all personnel information belongs solely to IHKL and may be reviewed or used by the company as needed to conduct its business.

## Brokerage Practices

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### Selecting Brokerage Firms

The selected brokers should be chosen from the authorized brokers list, which has been pre-approved by the Investment Director/ Chief Investment Officer, Asia Ex Japan(CIO), Head of Trading, Head of Operations and Head of Compliance upon the satisfaction of at least one of the following criteria:

- over 50% of share equity of the broker or its immediate holding company or ultimate holding company is held by a bank. ;
- shares of broker or its immediate holding company or ultimate holding company are listed on the Stock Exchange;
- share equity of broker or its immediate holding company or ultimate holding company is over USD250M; and/or

- the broker or its local agent should be one of the major brokers/dealers in the country in which security is being traded.

To qualify the first criteria above, the broker should be a wholly owned subsidiary of its immediate holding company or an indirectly wholly owned subsidiary of its ultimate holding company. Exceptions will be given where appropriate.

In addition, additional approval from the HK Trading Oversight Committee is required should the counterparty concerned not have at least “Low A” rating on the long term credit by Moody’s, S&P and Fitch, or equivalent rating by a local credit rating agent.

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### Best Execution

IHKL defines “best execution” as whether the price is the best available price for the client in the relevant market at the time of the transaction, in light of the type and size of the trade. Unless the circumstances require IHKL to act otherwise in the interest of the client, IHKL will deal at a price which is not less advantageous to the client.

IHKL periodically and systematically evaluates the execution performance of brokers executing transactions.

Brokers review is conducted by the Fund Management Department at least annually and traders review on broker performance is conducted on a semi-annual basis. Rankings are assigned to each of the authorized brokers based on its service delivered and its execution quality.

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### Soft Dollars

IHKL has appropriate internal procedures in place to enable IHKL to comply with all the applicable regulations and guidance of the U.S. Securities and Exchange Commission relating to soft dollar payments when executing transactions for and on behalf of the funds registered under the Investment Company Act of 1940. IHKL has appropriate internal procedures in place to segregate those transactions executed for and on behalf of the funds registered under the Investment Company Act of 1940 from other trades which are subject to soft dollar arrangements entered into by IHKL for other funds and/or accounts managed by IHKL that are permissible under the applicable regulatory requirements.

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## Order Aggregation

Where it has been decided to purchase a security for more than one portfolio, the order will be aggregated for transmission to the broker and then must be allocated between each individual portfolio so as to be fair between portfolios and reasonable in the interests of each portfolio. Allocation must be done by means of auto pro-rata calculation done by the trading systems called Charles River Developments Investment Management System and Aladdin® Enterprise Investment System for equity and bond trading respectively. Partially filled orders will be allocated among all aggregated accounts on pro-rata based on order size.

## Review of Accounts

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### Periodic Reviews

Account reviews are performed quarterly during a formal meeting chaired by Regional Head of Investments, Asia Pacific, with Regional Head of Investment Risk Management and Quantitative Research, CIO and relevant fund managers.

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### Review Triggers

Other conditions that may trigger a review are material event in market, or adhoc news.

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### Regular Reports

Account reviewers include Regional Head of Investments, Asia Pacific, with Regional Head of Investment Risk Management and Quantitative Research, CIO and relevant fund managers.

Clients receive periodic communications, including but not limited to portfolio statement, and commentaries (if applicable), subject to the servicing agreement agreed upon. Investors in pooled funds can refer to Invesco websites for factsheet information in relation to the funds they invest in.



## Client Referrals and Other Compensation

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### Referrals

IHKL has received a number of client referrals over the years. The referrals came from current clients, independent financial consultants, employees, personal friends of employees and other similar sources. The firm does not compensate referring parties for these referrals.

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### Other Compensation

IHKL will enter into agreements with licensed entities for distribution of financial products. Compensation will be provided to these entities with regards to their services.

### Custody

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### Account Statements and Transaction Report

Although all assets are held at designated custodians, IHKL provides its clients with monthly valuation and transaction reports at least on a monthly basis. In addition, IHKL will provide those reports to clients more frequently upon request.

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### Performance Reports

Performance Reports which forms part of monthly valuation report will be sent to the clients at least on a monthly basis.

### Investment Discretion

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### Discretionary Authority for Trading

IHKL accepts discretionary authority to manage securities accounts on behalf of clients who sign the Investment Management Agreement with IHKL. IHKL has the authority to determine the securities to be bought or sold, and the amount of the securities to be bought or sold. In some cases, clients may place limitations such as setting a block or requesting a prior client approval when trading some particular stocks. These limitations are all agreed between IHKL and its clients

and stated out on the Investment Management Agreement before executing the agreement.

The client approves the custodian to be used and the commission rates paid to the custodian. IHKL does not receive any portion of the transaction fees or commissions paid by the client to the custodian on certain trades.

Discretionary trading authority facilitates placing trades in clients' accounts on their behalf so that IHKL may promptly implement the investment policy that the clients have approved in writing.

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#### Limited Power of Attorney

The signing of the Investment Management Agreements is a discretionary Authorisation for trading purpose.

#### Voting Client Securities

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#### Proxy Votes

IHKL may vote proxies for securities over which it maintains discretionary authority consistent with its proxy voting policy. A copy of IHKL's proxy voting policy is available upon request.

#### Financial Information

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#### Financial Condition

IHKL does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.