



Invesco Markets II plc

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THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This circular (the "Circular") is sent to you as a Shareholder in Invesco Variable Rate Preferred Shares UCITS ETF (the "Fund"), a sub-fund of Invesco Markets II plc (the "Prospectus"). It is important and requires your immediate attention. If you are in any doubt as to the action you should take, seek advice from your stockbroker, bank manager, solicitor, accountant or independent financial adviser. The Circular and the changes it proposes have not been received by the Central Bank of Ireland (the "Central Bank") and it is possible that changes may be necessary to meet the requirements of the Central Bank.

If you have sold or transferred your shares in the Fund, please pass this circular to the purchaser or transferee or to the stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee as soon as possible.

Unless otherwise defined herein, all capitalised terms used herein shall bear the same meaning as capitalised terms used in the latest prospectus of the Company (the "Prospectus"). A copy of the Prospectus and the supplement relating to the Fund (the "Supplement") is available on request during normal business hours from the Company or from the local representative of the Company in any jurisdiction in which the Fund is registered for public distribution, including from the German information agent Macard, Stein & Co AG, Ballindamm 36, 20095 Hamburg, Germany.

The Directors accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

RE: Invesco Variable Rate Preferred Shares UCITS ETF

Notification of Extraordinary General Meeting to change the investment objective of the Fund

7 May 2021

Dear Shareholder

1. INTRODUCTION

The Company is authorised by the Central Bank pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011, as

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Invesco Markets II plc, registered in Ireland as an open-ended variable capital umbrella investment company with limited liability and segregated liability between sub-funds.
Registration number: 567964. Registered office: 32 Molesworth Street, Dublin 2, D02 Y512 Ireland

amended (the “**UCITS Regulations**”). The Company is established an umbrella fund with segregated liability between sub-funds and the Fund is a sub-fund of the Company.

The purpose of this letter is to notify you of an extraordinary general meeting (“**EGM**”) to consider and vote on a proposed material amendment to the investment objective of the Fund (the “**Material Change**”).

2. MATERIAL CHANGE TO THE INVESTMENT OBJECTIVE

The current investment objective of the Fund is to achieve the net total return performance of the Wells Fargo Diversified Hybrid and Preferred Securities Floating and Variable Rate Index (the “**Reference Index**”) less fees, expenses and transaction costs.

It is proposed that the Fund’s investment objective be changed such that the Fund will seek to achieve the net total return performance of the ICE Diversified Variable Rates Preferred & Hybrid Securities Index (the “**New Reference Index**”) less fees, expenses and transaction costs.

The reason for the Material Change is due to the discontinuation of the Reference Index by Wells Fargo Securities LLC, the index provider. Rather than terminate the Fund, the Investment Manager has worked to source an appropriate replacement (provided by ICE Data Indices, LLC) that provides substantially similar characteristics to the Reference Index that is being discontinued, in terms of number of component securities, number of issuers, issuer name and weight overlaps and sector breakdowns .

Shareholders should note that:

Shareholders will not bear any additional legal or administrative costs as a result of the Material Change.

The Fund may incur transaction costs associated with the Material Change. The transaction costs, based on the Fund’s current portfolio, are expected to be minimal and will be borne by the Fund.

The total expense ratio will not change as a result of the Material Change. The anticipated tracking error and risk profile of the Fund are expected to remain the same.

Subject to Shareholder approval being obtained, the Material Change will take effect on or around 30 June 2021 (the “**Effective Date**”).

Recommendation:

The Directors believe that the resolution to be proposed at the EGM is in the best interests of Shareholders and, accordingly, the Directors recommend that Shareholders vote in favour of the resolution.

New Reference Index Description

This section is a summary of the principal features of the New Reference Index and is not a complete description of the New Reference Index.

The Reference Index is designed to track the performance of floating and variable rate investment grade and sub-investment grade U.S. dollar-denominated preferred and hybrid securities publicly issued by corporations in the U.S. domestic market.

“**Preferred Securities**” are a class of equity security that is so named because it is “preferred” over common stock within an issuer’s capital structure. This preference means that an issuer must pay distributions on its preferred stock before paying dividends on its common stock, and that claims of preferred stockholders to an issuer’s assets are placed ahead of claims of common stockholders when an issuer liquidates. However, as an equity security, preferred stock is junior to an issuer’s various forms of debt. “**Hybrid Securities**” are debt securities that have equity features such as deferral of interest payment obligations and the extendibility of maturity dates. An example of a hybrid security would be a debt security with no fixed maturity date or a maturity date that is extendible

The Reference Index is further described below but only represents an extract of information available from public sources and neither the Directors, the Manager, ICE Data Indices, LLC (“ICE”) or its affiliates or such other successor sponsor to the Reference Index (the “**Index Provider**”) nor the Investment Manager take any responsibility for the accuracy or completeness of such information.

In order to be included in the Reference Index, qualifying securities must: (i) be publicly issued; (ii) be U.S. registered or exempt from registration; (iii) have at least one day remaining to maturity and at least 18 months to final maturity at the date of issuance; (iv) issued in either \$25 or \$1,000 par increments; and (v) have a floating rate coupon or dividend. Fixed-to-floating rate securities are included in the Reference Index while in their fixed-rate period.

Qualifying securities that are listed on the NYSE or NASDAQ exchanges, and that have average monthly consolidated trading volume over the last six months of at least 100,000 shares, must have at least \$100 million face amount outstanding. Any partial month’s trading volume data resulting from a new security at point of issue will be adjusted by multiplying the total number of trading days in the month by the average daily trading volume for the partial period. All other qualifying securities must have at least \$350 million face amount outstanding.

Qualifying \$1,000 par securities must have coupon payments that are deferrable at the option of the issuer. Contingent capital securities (“**CoCos**”) are excluded, but capital securities where conversion can be mandated by a regulatory authority, but which have no specified trigger, are included. Other hybrid capital securities, such as those issues that potentially convert into preference shares, those with both cumulative and non-cumulative coupon deferral

provisions, and those with alternative coupon satisfaction mechanisms, are also included in the Reference Index.

The Reference Index includes \$25 par securities that are rated investment grade or below investment grade, or that are unrated. Qualifying \$1,000 par securities must be rated by at least one of Moody's, S&P or Fitch and those rated below investment grade based on an average of Moody's, S&P and Fitch must also have a country of risk associated with a developed markets country. A developed markets country is defined as a member of the FX-G10, Western Europe or a territory of the U.S. and Western Europe. The FX-G10 includes all Euro members, the U.S., Japan, the U.K., Canada, Australia, New Zealand, Switzerland, Norway and Sweden.

Index constituents are market capitalisation weighted subject to the following diversification constraints:

- 1) first, a 10% cap is applied to issuers, with any weight over 10% redistributed to all issuers under the cap on a pro rata basis;
- 2) next, the Reference Index is divided into two groups: (i) a small cap group comprised of issuers with weights less than 4.5%; and (ii) a large cap group comprised of issuers with weights greater than or equal to 4.5%;
- 3) a 4.25% cap is applied to issuers in the small cap group, with any excess weight redistributed within the small cap group to all issuers under the cap. If all issuers in the small cap group reach the 4.25% cap then any remaining excess weight is redistributed across all issuers in the group on a pro rata basis;
- 4) a 45% cap is applied to the combined weight of all issuers in the large cap group. If the weight of the large cap group is greater than 45%, the weight of all securities in the group reduced on a pro rata basis, provided that no issuer weight is reduced below 4.5%; and
- 5) finally, the excess weight from any reduction in the large cap group is redistributed to issuers in the small cap group with weights below the 4.25% cap. If all issuers in the small cap group reach the 4.25% cap, then any remaining weight is redistributed pro rata across all securities in the small cap group as long as all issuers remain below 4.5%. Any remaining weight is then redistributed across the entire Reference Index on a pro rata basis.

3. NOTICE OF EGM TO CONSIDER AND VOTE ON MATERIAL CHANGE

In order to obtain Shareholder approval for the Material Change, the Board has decided to convene an EGM at which a resolution to approve the Material Change will be proposed. You will find attached to this letter a notice of EGM ("**Notice of EGM**") which will be held at 10 a.m.

(Irish time) on 31 May 2021. **Please note that you are only entitled to attend and vote at the meeting (or any adjournment thereof) if you are a registered shareholder. As the Fund uses the International Central Securities Depository (ICSD) model of settlement and The Bank of New York Depository (Nominees) Limited is the sole registered shareholder of shares in the Fund, investors in the Fund should submit their voting instructions through the relevant ICSD or the relevant participant in an ICSD (such as a local central securities depository, broker or nominee). If any investor has invested in the Fund through a broker/dealer/other intermediary, the investor should contact this entity to provide voting instructions.**

Proxy Form

The form of proxy accompanying this Notice of EGM should be completed and returned in accordance with the instructions thereon, so as to be received **no later than 48 hours before the time fixed for the holding of the EGM.**

Re-convening the EGM

Should it be necessary to re-convene the EGM, Shareholders should note that the Board has determined that the re-convened meeting would take place on 2 June 2021 at 10.00 a.m. (Irish time).

Publication of Results

The results of the EGM will be announced through the regulatory news service on the Euronext Dublin website and will be published in the appropriate manner in each of the other jurisdictions in which the Fund is listed on a stock exchange.

Redemption of Shares

Shareholders who do not wish to remain in the Fund following the implementation of the Material Change (if the resolution is passed) will have the opportunity to redeem their Shares on any Dealing Day prior to the Effective Date in the manner prescribed in the Prospectus.

Should you have any questions relating to these matters, you should either contact the Company at the above address or alternatively you should contact your investment consultant.

Yours faithfully



Director

For and on behalf of
Invesco Markets II plc