



## **Invesco Preferred Shares UCITS ETF**

### **Supplement to the Prospectus**

This Supplement contains information in relation to Invesco Preferred Shares UCITS ETF (the "**Fund**"), a sub-fund of Invesco Markets II plc (the "**Company**") an umbrella type open ended investment company with variable capital, governed by the laws of Ireland and authorised by the Central Bank of Ireland (the "**Central Bank**") of New Wapping Street, North Wall Quay, Dublin 1, Ireland.

**This Supplement forms part of, may not be distributed unless accompanied by (other than to prior recipients of the Prospectus of the Company dated 25 February 2019, as may be amended, supplemented or modified from time to time, (the "Prospectus")), and must be read in conjunction with, the Prospectus.**

**THIS DOCUMENT IS IMPORTANT. YOU SHOULD NOT PURCHASE SHARES IN THE FUND DESCRIBED IN THIS SUPPLEMENT UNLESS YOU HAVE ENSURED THAT YOU FULLY UNDERSTAND THE NATURE OF SUCH AN INVESTMENT AND THE RISKS INVOLVED AND ARE SATISFIED THAT THE INVESTMENT IS SUITED TO YOUR CIRCUMSTANCES AND OBJECTIVES, THE RISKS INVOLVED AND YOUR OWN PERSONAL CIRCUMSTANCES. IF YOU ARE IN ANY DOUBT ABOUT THE CONTENTS OF THIS SUPPLEMENT YOU SHOULD TAKE ADVICE FROM AN APPROPRIATELY QUALIFIED ADVISOR.**

**Capitalised terms used in this Supplement will have the meanings given to them in the Definitions section below or in the Prospectus.**

#### **Invesco Markets II plc**

An umbrella fund with segregated liability between the sub-funds

**Dated 12 March 2019**

**This Supplement replaces the Supplement dated 25 February 2019.**

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## **IMPORTANT INFORMATION**

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### **Suitability of Investment**

You should inform yourself as to (a) the possible tax consequences, (b) the legal and regulatory requirements, (c) any foreign exchange restrictions or exchange control requirements and (d) any other requisite governmental or other consents or formalities which you might encounter under the laws of the country of your citizenship, residence or domicile and which might be relevant to your purchase, holding or disposal of the Shares.

The Shares are not principal protected. The value of the Shares may go up or down and you may not get back the amount you have invested. See the section headed "Risk Factors" of the Prospectus and the section headed "Other Information – Risk Factors" of this Supplement for a discussion of certain risks that should be considered by you.

In addition to investing in transferable securities, the Company may invest on behalf of the Fund in financial derivative instruments ("FDIs"), where applicable.

The Fund's Shares purchased on the secondary market cannot usually be sold directly back to the Fund. Investors must buy and sell Shares on a secondary market with the assistance of an intermediary (e.g. a stockbroker) and may incur fees for doing so. In addition, investors may pay more than the current net asset value when buying Shares and may receive less than the current net asset value when selling them.

Certain risks attached to investments in FDIs are set out in the Prospectus under "Risk Factors".

An investment in the Shares is only suitable for you if you (either alone or with the help of an appropriate financial or other advisor) are able to assess the merits and risks of such an investment and have sufficient resources to be able to bear any losses that may result from such an investment. The contents of this document are not intended to contain and should not be regarded as containing advice relating to legal, taxation, investment or any other matters.

### **Profile of a typical investor**

A typical investor would be one who is a public or institutional investor and is seeking capital appreciation over the long term. Such an investor is also one that is able to assess the merits and risks of an investment in the Shares.

### **Responsibility**

The Directors (whose names appear under the heading "**Directors of the Company**" of the Prospectus) accept responsibility for the information contained in the Prospectus and this Supplement. 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 Supplement when read together with the Prospectus (as complemented, modified or supplemented by this Supplement) is in accordance with the facts as at the date of this Supplement and does not omit anything likely to affect the importance of such information.

### **General**

This Supplement sets out information in relation to the Shares and the Fund. You must also refer to the Prospectus which is separate to this document and describes the Company and provides general information about offers of shares in the Company. You should not take any action in respect of the Shares unless you have received a copy of the Prospectus. Should there be any inconsistency between the contents of the Prospectus and this Supplement, the contents of this Supplement will,

to the extent of any such inconsistency, prevail. This Supplement and the Prospectus should both be carefully read in their entirety before any investment decision with respect to Shares is made.

As at the date of this document, the Fund has no loan capital (including term loans) outstanding or created but unissued, nor any outstanding mortgages, charges or other borrowings or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptances or acceptance credits, hire purchase or finance lease commitments, or guarantees or other contingent liabilities.

### **Distribution of this Supplement and Selling Restrictions**

Distribution of this Supplement is not authorised unless accompanied by a copy of the Prospectus and the latest annual report and audited accounts of the Company and the Fund (other than to prior recipients of the Prospectus) and if published after such report, a copy of the then latest semi-annual report and unaudited accounts. The distribution of this Supplement and the offering or purchase of the Shares may be restricted in certain jurisdictions. If you receive a copy of this Supplement and/or the Prospectus you may not treat such document(s) as constituting an offer, invitation or solicitation to you to subscribe for any Shares unless, in the relevant jurisdiction, such an offer, invitation or solicitation could lawfully be made to you without compliance with any registration or other legal requirement other than those with which the Company has already complied. If you wish to apply for the opportunity to purchase any Shares, it is your duty to inform yourself of, and to observe, all applicable laws and regulations of any relevant jurisdiction. In particular, you should inform yourself as to the legal requirements of so applying, and any applicable exchange control regulations and taxes in the countries of your respective citizenship, residence or domicile.

### **Definitions**

Words and expressions defined in the Prospectus will, unless otherwise defined in this Supplement, have the same meaning when used in this Supplement.

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## ***TERMS OF THE SHARES REPRESENTING INTERESTS IN THE FUND***

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### **Investment Objective of the Fund**

The investment objective of the Fund is to achieve the performance of the BofA Merrill Lynch Diversified Core Plus Fixed Rate Preferred Securities Net Total Return Index (the "**Reference Index**") less fees, expenses and transaction costs.

The Reference Index is designed to measure the performance of fixed rate US Dollar denominated preferred securities issued in the US domestic market. Further information on the components and selection criteria of the Reference Index is set out below under "**General Description of the Reference Index**".

### **Investment Policy of the Fund**

In order to achieve the investment objective, the Company will employ a replication method that looks to invest predominantly in securities that as closely as possible match the constituents of the Reference Index. Such securities will be held with weightings generally proportionate to that security's weighting in the Reference Index. Further information in relation to how the Fund will seek to track the Reference Index is set out in section 4 "Investment Objective and Policies" of the Prospectus.

The Fund may hold a sample of the components of the Reference Index where it is not possible or practicable to purchase all of the securities of the Reference Index in their proportionate weightings or to purchase them at all due to various factors such as those described the Prospectus under "**Investment Objectives & Policies**" or in other circumstances where it is in the best interest of the Fund in pursuit of the Investment Objective of the Fund and in tracking the Reference Index.

This Sampling Strategy involves the use of quantitative analysis to select securities from the Reference Index in order to obtain a sample of components of the Reference Index. The level of sampling will vary over the life of the Fund depending on asset levels of the Fund, as certain asset levels may make replication uneconomical or impractical, and the nature of the components of the Reference Index.

Where consistent with its investment objective, and in conjunction with the use of a Sampling Strategy the Fund may also hold some securities which are not component securities of the Reference Index, but are of a similar nature to them and whose risk and return characteristics either (a) closely resemble the risk and return characteristics of constituents of the Reference Index or of the Reference Index as a whole, (b) whose addition improves the quality of the replication of the Reference Index, or (c) whose future inclusion into the Reference Index is anticipated.

The Fund may hold ancillary liquid assets and use efficient portfolio management techniques in accordance with the requirements of the Central Bank.

The Fund may also engage in transactions in FDIs for hedging and/or efficient portfolio management purposes. The Fund may use the following FDIs listed on a Market or traded OTC, as applicable: options and futures transactions, forward contracts, non-deliverable forwards, spot foreign exchange transactions and contracts for difference. Further details on FDIs and how they may be used are contained in the main part of the Prospectus under "**Appendix III - Use Of Financial Derivative Instruments And Efficient Portfolio Management**".

The Fund shall not invest more than 10% of its net assets in other UCITS or other open or closed ended CIS. With the exception of permitted investment in unlisted securities or in units of open-ended CIS, investment will be limited to the stock exchanges and regulated markets set out in Appendix I of the Prospectus.

Further information relevant to the Fund's investment policy is contained in the main part of the Prospectus under "**Investment Objectives & Policies**" and under "**Investment Restrictions**".

### **Index Tracking Strategy**

The Manager aims to keep the "Tracking Error" of the Fund (being the standard deviation of the difference in returns between the Fund and the Reference Index) between 0.10% and 1.00% under normal market conditions. However, exceptional circumstances may arise which cause the Fund's Tracking Error to exceed 1.00%.

### **Investment Restrictions of the Fund**

Investors in particular must note that the general investment restrictions set out under "**Investment Restrictions**" in the Prospectus apply to the Fund.

### **Efficient Portfolio Management**

Further information on efficient portfolio management is contained in the main body of the Prospectus under the heading "**Use of Financial Derivative Instruments and Efficient Portfolio Management**".

### **Securities Financing Transactions and Total Return Swaps**

The Fund may use certain '*securities financing transactions*', as defined in Regulation 2015/2365 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012 ("**SFTR**"), ("**Securities Financing Transactions**"), namely securities lending. The Fund's use of Securities Financing Transactions will be subject to the requirements of SFTR and in accordance with normal market practice, the Central Bank Regulations and any other statutory instrument, regulations, rules, conditions, notices, requirements or guidance of the Central Bank issued from time to time applicable to the Company pursuant to the Regulations ("**Central Bank Rules**"). Such Securities Financing Transactions may be entered into for any purpose that is

consistent with the investment objective of the Fund, including to generate income or profits in order to increase portfolio returns or to reduce portfolio expenses or risks.

Assets held by the Fund in accordance with its investment objective and policies may be subject to such Securities Financing Transactions. The maximum proportion of the Fund's assets that may be subject to securities lending is 100%, however the Fund does not currently plan to carry out any securities lending and therefore the expected proportion of the Fund's assets that may be subject to securities lending is 0%.

Securities lending means transactions by which one party transfers securities to the other party subject to a commitment that the other party will return equivalent securities on a future date or when requested to do so by the party transferring the securities, that transaction being considered as securities lending for the party transferring the securities.

All the revenues arising from Securities Financing Transactions and any other efficient portfolio management techniques shall be returned to the Fund following the deduction of any direct and indirect operational costs and fees arising. Such direct and indirect operational costs and fees (which are all fully transparent), which shall not include hidden revenue, shall include fees and expenses payable to securities lending agents engaged by the Company from time to time. Such fees and expenses of any securities lending agents engaged by the Company, which will be at normal commercial rates together with VAT, if any, thereon, will be borne by the Company or the Fund in respect of which the relevant party has been engaged. Details of Fund revenues arising and attendant direct and indirect operational costs and fees as well as the identity of any specific or securities lending agents engaged by the Company from time to time shall be included in the Company's semi-annual and annual reports.

While the Company will conduct appropriate due diligence in the selection of counterparties, including consideration of the legal status, country of origin, credit rating and minimum credit rating (where relevant), it is noted that the Central Bank Rules do not prescribe any pre trade eligibility criteria for counterparties to the Fund's Securities Financing Transactions.

From time to time, the Fund may engage securities lending agents that are related parties to the Depositary or other service providers of the Company. Such engagement may on occasion cause a conflict of interest with the role of the Depositary or other service provider in respect of the Company. Please refer to Prospectus section "**Potential Conflicts of Interest**" for further details on the conditions applicable to any such related party transactions. The identity of any such related parties will be specifically identified in the Company's semi-annual and annual reports.

Please refer to the "**Risk Factors**" sections in respect of the risks related to Securities Financing Transactions. The risks arising from the use of Securities Financing Transactions shall be adequately captured in the Company's risk management process.

The Fund will not enter into repurchase and/or reverse repurchase agreements or total return swaps.

### **Currency Hedging Policy**

The Fund may enter into transactions for the purposes of hedging the foreign exchange exposure in any hedged Share Classes (identified by "Hdg" in their names). The purpose of the hedging in the hedged Share Classes is to limit, at a Share Class level, the profit or loss generated from foreign exchange exposure when holding an asset in a currency other than the Base Currency of the Fund. This is achieved by the hedged Share Classes employing 30 day rolling forward FX contracts.

All costs and losses arising in relation to such currency hedging transactions will be borne by the hedged Share Class and all gains arising in connection with such hedging transactions will be attributable to the relevant Share Class. Although the Fund may utilise currency hedging transactions in respect of Share Classes, it shall not be obliged to do so and to the extent that it does employ strategies aimed at hedging certain Share Classes, there can be no assurance that such strategies will be effective. The costs and related liabilities/benefits arising from instruments entered into for the purposes of hedging the currency exposure for the benefit of any particular Share Class of the Fund (where the currency of a particular Share Class is different to the Base Currency of the Fund) shall be

attributable exclusively to the Share Class. Under exceptional circumstances, such as, but not limited to, where it is reasonably expected that the cost of performing the hedge will be in excess of the benefit derived and therefore detrimental to Shareholders, the Company may decide not to hedge the currency exposure of such Share Classes.

Where the Investment Manager seeks to hedge against currency fluctuations, while not intended, this could result in over-hedged or under-hedged positions due to external factors outside the control of the Company. However, over-hedged positions will not exceed 105% of the Net Asset Value of the relevant Share Class and hedged positions will be kept under review to ensure that over-hedged positions do not exceed the permitted level and that under-hedged positions do not fall short of 95% of the portion of the Net Asset Value of the relevant Share Class. This review will also incorporate a procedure to ensure that positions in excess of 100% of Net Asset Value will not be carried forward from month to month.

Further information on currency hedging at Share Class level is contained in the main body of the Prospectus under the heading "**Hedged Classes**".

### **Collateral Policy**

- (a) Non-Cash Collateral: In addition to the requirements for valuation of non-cash collateral in the Prospectus, subject to any agreement on valuation made with the counterparty, collateral posted to a recipient counterparty for the benefit of the Fund will be valued daily at mark-to-market value.
- (b) Issuer Credit Quality: In addition to the requirement for Issuer Credit Quality set out in the Prospectus, assets provided by the Fund on a title transfer basis shall no longer belong to the Fund and shall pass outside the custodial network. The counterparty may use those assets at its absolute discretion. Assets provided to a counterparty other than on a title transfer basis shall be held by the Depository or a duly appointed sub-depositary.

Further information on the criteria which collateral received by the Fund must meet is contained in the main body of the Prospectus under the heading "**Non-Cash Collateral**".

- (c) Collateral - Posted by the Fund: In addition to the requirements in respect of collateral posted to a counterparty in the Prospectus, collateral posted to a counterparty by or on behalf of the Fund will consist of such collateral as is agreed with the counterparty from time to time and may include any types of assets held by the Fund.
- (d) Valuation: Information in respect of the collateral valuation methodology used by the Company can be found in the Prospectus under the heading "**Appendix III - Use Of Financial Derivative Instruments And Efficient Portfolio Management**". The rationale for the use of this collateral valuation methodology is primarily to guard against the price volatility of assets being received by the Fund as collateral.

The risk exposure of the Fund to counterparties will remain within the limits prescribed in the Prospectus under "**Appendix II - Investment Restrictions Applicable to the Funds under the Regulations**".

Further information on the collateral policy is contained in the main body of the Prospectus under the heading "**Collateral Policy**".

## Borrowing and Leverage

The Company on behalf of the Fund may borrow up to 10% of the Net Asset Value of the Fund on a temporary basis. Such borrowings may only be used for short term liquidity purposes to cover the redemption of Shares. Further information on Borrowing and Leverage is contained in the main body of the Prospectus under the heading "**Borrowing and Lending Powers**" and "**Leverage**" respectively.

The Company will use the commitment approach for the purposes of calculating global exposure for the Fund. The Fund's total exposure to the Reference Index will be limited to 100% of Net Asset Value.

While it is not the Investment Manager's intention to leverage the Fund, any leverage resulting from the use of FDIs will be done in accordance with the Regulations.

## Dividend Policy

Dividends will be declared on a quarterly basis for the Dist Shares, CHF Hdg Dist Shares, EUR Hdg Dist Shares and GBP Hdg Dist Shares in accordance with the general provisions set out in the Prospectus under the heading "Dividend Policy" and Shareholders will be notified in advance of the date on which dividends will be paid. Distributions will not be made in respect of the CHF Hdg Acc Shares and income and other profits will be accumulated and reinvested.

## Trading

Application will be made to the Irish Stock Exchange, the London Stock Exchange and/or such other exchanges as the Directors may determine from time to time (the "**Relevant Stock Exchanges**") for listing and/or admission to trading of the Shares issued and available to be issued on the main market of each of the Relevant Stock Exchanges on or about the Launch Date. This Supplement and the Prospectus together comprise listing particulars for the purposes of trading on the main market of each of the Relevant Stock Exchanges.

## Exchange Traded Fund

The Fund is an Exchange Traded Fund ("**ETF**"). The Shares of this Fund are fully transferable among investors and will be listed and/or traded on the Relevant Stock Exchanges. It is envisaged that Shares will be bought and sold by public and institutional investors in the secondary market in the same way as the ordinary shares of a listed trading company.

## General Information Relating to the Fund

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|----------------------|---|
| <b>Type</b>          | Open-ended.   |
| <b>Base Currency</b> | USD   |
| <b>Business Day</b>  | A day (other than a Saturday or Sunday) on which the United States Federal Reserve System is open or such other day or days that the Directors may determine and notify to Shareholders in advance.   |
| <b>Dealing Day</b>   | <p>Any Business Day. However, some Business Days will not be Dealing Days where, for example, markets on which the Fund's Assets are listed or traded or markets relevant to the Reference Index are closed provided there is at least one Dealing Day per fortnight, subject always to the Directors' discretion to temporarily suspend the determination of the Net Asset Value and the sale, conversion and/or redemption of Shares in the Company or any Fund in accordance with the provisions of the Prospectus and the Articles.</p> <p>The Investment Manager produces dealing calendars which detail in advance the Dealing Days for each Fund. The dealing calendar may be amended from time to time by the Investment Manager where, for</p> |

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|   | <p>example, the relevant market operator, regulator or exchange (as applicable) declares a relevant market closed for trading and/or settlement (such closure may be made with little or no notice to the Investment Manager).</p> <p>The dealing calendar for the Fund is available from the Manager.</p>  |
| <b>Dealing Deadline</b>                         | 4:00pm (Dublin time) on the relevant Dealing Day or such other time as the Investment Manager may, in consultation with the Directors, determine and is notified to Shareholders by the Company provided always that the Dealing Deadline will be before the Valuation Point. No subscription, exchange or redemption applications may be accepted after the Dealing Deadline.  |
| <b>Subscriptions, Exchanges and Repurchases</b> | All subscriptions, exchanges and repurchases can only take place through an Authorised Participant or other representative appointed by the Company in the relevant jurisdiction.   |
| <b>Launch Date</b>                              | <p>29 September 2017 in respect of the Dist Shares, 16 April 2018 in respect of the EUR Hdg Dist Shares and 3 May 2018 in respect of the CHF Hdg Acc Shares.</p> <p>27 September 2018 in respect of the CHF Hdg Dist Shares and GBP Hdg Dist Shares unless such date is not a Business Day, in which case it will be the next following Business Day, or such other date as the Board of Directors may determine.</p> |
| <b>Initial Offer Period</b>                     | <p>The Initial Offer Period in respect of the Dist Shares, EUR Hdg Dist Shares, CHF Hdg Acc, CHF Hdg Dist Shares and GBP Hdg Dist Shares is now closed.</p> <p>The Initial Offer Period in respect of each other Share Class will start at 9.00 a.m. (Dublin time) on 7 December 2018 and close at 5.00 p.m. (Dublin time) on 6 June 2019 or such earlier or later date as the Directors may determine.</p>           |
| <b>Minimum Fund Size</b>                        | USD 30,000,000  |
| <b>Valuation Point</b>                          | <p>4:00pm (New York time) on the relevant Dealing Day by reference to which the Net Asset Value per Share of the Fund is determined. At all times the Valuation Point will be after the Dealing Deadline.</p> <p>The value of any investments which are listed or dealt in on a Market shall be the official closing price published by the relevant Market at the Valuation Point.</p>                               |
| <b>Settlement Date</b>                          | 2 Business Days after the relevant Dealing Day.   |
| <b>Website</b>                                  | <a href="http://etf.invesco.com">etf.invesco.com</a> Information on portfolio composition and details on the indicative net asset value are set out on the Website.   |

#### Description of the Shares

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|---|---|
| <b>Share Class</b>  | <b>"Acc"</b>  |
| <b>Share Class Currency</b>   | USD   |
| <b>Initial Issue Price</b>  | Initial Issue Price: 40 USD per Share                   |
| <b>Minimum Initial Subscription, Minimum Subscription and Minimum Redemption Amount</b> | 25,000 Shares unless the Directors determine otherwise. |
| <b>Minimum Holding</b>  | N/A.  |



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|---|---|
| <b>Share Class</b>  | <b>"Dist"</b>   |
| <b>Share Class Currency</b>   | USD   |
| <b>Initial Issue Price</b>  | Initial Issue Price: 20 USD per Share                   |
| <b>Minimum Initial Subscription, Minimum Subscription and Minimum Redemption Amount</b> | 50,000 Shares unless the Directors determine otherwise. |
| <b>Minimum Holding</b>  | N/A.  |
| <b>Share Class</b>  | <b>"CHF Hdg Acc"</b>                                    |
| <b>Share Class Currency</b>   | CHF   |
| <b>Initial Issue Price</b>  | Initial Issue Price: 20 CHF per Share                   |
| <b>Minimum Initial Subscription, Minimum Subscription and Minimum Redemption Amount</b> | 50,000 Shares unless the Directors determine otherwise. |
| <b>Minimum Holding</b>  | N/A.  |

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|---|---|
| <b>Share Class</b>  | <b>"CHF Hdg Dist"</b>                                   |
| <b>Share Class Currency</b>   | CHF   |
| <b>Initial Issue Price</b>  | Initial Issue Price: 40 CHF per Share.                  |
| <b>Minimum Initial Subscription, Minimum Subscription and Minimum Redemption Amount</b> | 25,000 Shares unless the Directors determine otherwise. |
| <b>Minimum Holding</b>  | N/A.  |

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|---|---|
| <b>Share Class</b>  | <b>"EUR Hdg Acc"</b>                                    |
| <b>Share Class Currency</b>   | EUR   |
| <b>Initial Issue Price</b>  | Initial Issue Price: 40 EUR per Share.                  |
| <b>Minimum Initial Subscription, Minimum Subscription and Minimum Redemption Amount</b> | 25,000 Shares unless the Directors determine otherwise. |
| <b>Minimum Holding</b>  | N/A.  |

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|---|---|
| <b>Share Class</b>  | <b>"EUR Hdg Dist"</b>                                   |
| <b>Share Class Currency</b>   | EUR   |
| <b>Initial Issue Price</b>  | Initial Issue Price: 20 EUR per Share                   |
| <b>Minimum Initial Subscription, Minimum Subscription and Minimum Redemption Amount</b> | 50,000 Shares unless the Directors determine otherwise. |
| <b>Minimum Holding</b>  | N/A.  |

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|---|---|
| <b>Share Class</b>  | <b>"GBP Hdg Acc"</b>                                    |
| <b>Share Class Currency</b>   | GBP   |
| <b>Initial Issue Price</b>  | Initial Issue Price: 40 GBP per Share.                  |
| <b>Minimum Initial Subscription, Minimum Subscription and Minimum Redemption Amount</b> | 25,000 Shares unless the Directors determine otherwise. |
| <b>Minimum Holding</b>  | N/A.  |
| <b>Share Class</b>  | <b>"GBP Hdg Dist"</b>                                   |
| <b>Share Class Currency</b>   | GBP   |
| <b>Initial Issue Price</b>  | Initial Issue Price: 40 GBP per Share.                  |
| <b>Minimum Initial Subscription, Minimum Subscription and Minimum Redemption Amount</b> | 25,000 Shares unless the Directors determine otherwise. |
| <b>Minimum Holding</b>  | N/A.  |

Additional share classes including hedged share classes may be added to the Fund, subject to prior notification and the approval of the Central Bank, and will be set out in a revised supplement.

#### **Intra-Day Portfolio Value ("iNAV")**

Further information on intra-day portfolio value is contained in the main body of the Prospectus under the heading "**Intra-Day Portfolio Value**".

#### **Fees and Expenses**

The following fees will be incurred on each Share by Shareholders (which accordingly will not be incurred by the Company on behalf the Fund and will not affect the Net Asset Value of the Fund):

|                            |              |
|----------------------------|--------------|
| <b>Share Class</b>         | <b>"Acc"</b> |
| <b>Subscription Charge</b> | Up to 5%     |
| <b>Redemption Charge</b>   | Up to 3%     |

|                            |               |
|----------------------------|---------------|
| <b>Share Class</b>         | <b>"Dist"</b> |
| <b>Subscription Charge</b> | Up to 5%      |
| <b>Redemption Charge</b>   | Up to 3%      |

|                            |                      |
|----------------------------|----------------------|
| <b>Share Class</b>         | <b>"CHF Hdg Acc"</b> |
| <b>Subscription Charge</b> | Up to 5%             |
| <b>Redemption Charge</b>   | Up to 3%             |

|                            |                       |
|----------------------------|-----------------------|
| <b>Share Class</b>         | <b>"CHF Hdg Dist"</b> |
| <b>Subscription Charge</b> | Up to 5%              |

|                          |          |
|--------------------------|----------|
| <b>Redemption Charge</b> | Up to 3% |
|--------------------------|----------|

|                            |                      |
|----------------------------|----------------------|
| <b>Share Class</b>         | <b>"EUR Hdg Acc"</b> |
| <b>Subscription Charge</b> | Up to 5%             |
| <b>Redemption Charge</b>   | Up to 3%             |

|                            |                       |
|----------------------------|-----------------------|
| <b>Share Class</b>         | <b>"EUR Hdg Dist"</b> |
| <b>Subscription Charge</b> | Up to 5%              |
| <b>Redemption Charge</b>   | Up to 3%              |

|                            |                      |
|----------------------------|----------------------|
| <b>Share Class</b>         | <b>"GBP Hdg Acc"</b> |
| <b>Subscription Charge</b> | Up to 5%             |
| <b>Redemption Charge</b>   | Up to 3%             |

|                            |                       |
|----------------------------|-----------------------|
| <b>Share Class</b>         | <b>"GBP Hdg Dist"</b> |
| <b>Subscription Charge</b> | Up to 5%              |
| <b>Redemption Charge</b>   | Up to 3%              |

The Subscription Charge is deducted from the investment amount received from an investor for subscription for Shares. Such Subscription Charge is payable to the Manager.

The following fees and expenses will be incurred by the Company on behalf of the Fund and will affect the Net Asset Value of the relevant Share Class of the Fund.

|                    |   |
|--------------------|---|
| <b>Share Class</b> | <b>"Acc"</b>  |
| Management Fee     | Up to 0.50% per annum or such lower amount as may be advised to Shareholders from time to time. |

|                    |   |
|--------------------|---|
| <b>Share Class</b> | <b>"Dist"</b>   |
| Management Fee     | Up to 0.50% per annum or such lower amount as may be advised to Shareholders from time to time. |

|                    |   |
|--------------------|---|
| <b>Share Class</b> | <b>"CHF Hdg Acc"</b>  |
| Management Fee     | Up to 0.55% per annum or such lower amount as may be advised to Shareholders from time to time. |

|                    |   |
|--------------------|---|
| <b>Share Class</b> | <b>"CHF Hdg Dist"</b>   |
| Management Fee     | Up to 0.55% per annum or such lower amount as may be advised to Shareholders from time to time. |

|                    |                          |
|--------------------|--------------------------|
| <b>Share Class</b> | <b>"EUR Hdg Acc"</b>     |
| Management Fee     | Up to 0.55% per annum or |

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|--|--|
|  | such lower amount as may be advised to Shareholders from time to time. |
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|                    |   |
|--------------------|---|
| <b>Share Class</b> | <b>"EUR Hdg Dist"</b>   |
| Management Fee     | Up to 0.55% per annum or such lower amount as may be advised to Shareholders from time to time. |

|                    |   |
|--------------------|---|
| <b>Share Class</b> | <b>"GBP Hdg Acc"</b>  |
| Management Fee     | Up to 0.55% per annum or such lower amount as may be advised to Shareholders from time to time. |

|                    |   |
|--------------------|---|
| <b>Share Class</b> | <b>"GBP Hdg Dist"</b>   |
| Management Fee     | Up to 0.55% per annum or such lower amount as may be advised to Shareholders from time to time. |

The Management Fee, a percentage of the Net Asset Value of the relevant Class of Shares (plus VAT, if any), is payable by the Company out of the Fund Assets to the Manager. The Management Fee will accrue on each day and will be calculated on each Dealing Day and paid monthly in arrears. The Manager will pay out of its fees (and not out of the assets of the Fund) the fees and expenses (where appropriate) of the Investment Manager, the Administrator, the Depositary, the Directors and the ordinary fees, expenses and costs incurred by the Fund that include Setting Up Costs and Other Administrative Expenses as described in the Prospectus.

Where a distribution fee, commission or other monetary benefit is received by the Fund, the Manager or any person acting on behalf of the Fund or the Manager of the Fund, the fee, commission or other monetary benefit shall be paid into the assets of the Fund.

Dilution Levy: The Fund will not apply a dilution levy.

This section headed "**Fees and Expenses**" should be read in conjunction with the section headed "**Fees and Expenses**" in the Prospectus.

### **Exchange of Shares**

Shareholders may apply to exchange on any Dealing Day all or part of their holding of Shares of any Class of the Fund (the "Original Class") for Shares of another Class of the Fund which is being offered at that time (the "New Class") provided that all the criteria for applying for Shares in the New Class have been met.

The general provisions and procedures relating to redemptions will apply equally to exchanges. All exchanges will be treated as a redemption of the Shares of the Original Class and application to the purchase of Shares of the New Class, save that no Subscription Charge or Redemption Charge will be payable. Exchanges of Shares may be subject to an Exchange Charge of up to 3% of the Repurchase Price for the total number of Shares in the Original Class to be repurchased.

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## GENERAL DESCRIPTION OF THE REFERENCE INDEX

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The Reference Index is the BofA Merrill Lynch Diversified Core Plus Fixed Rate Preferred Securities Net Total Return Index (the “**Reference Index**”).

The index includes preference shares (perpetual preferred securities) stock and senior and subordinated debt issued in \$25, \$50 or \$100 par/liquidation increments. Securities comprising the Reference Index must be rated at least B3 (based on an average of Moody’s, S&P and Fitch) and must have an investment grade rated country of risk (based on an average of Moody’s, S&P and Fitch foreign currency long term sovereign debt ratings). In addition, securities comprising the Reference Index must be issued as public securities or through a 144a filing, must have a fixed coupon or dividend schedule and must have a minimum amount outstanding of \$100 million. The securities comprising the Reference Index with a fixed maturity must have at least 18 months to final maturity at time of issuance and a minimum remaining term to final maturity of at least one year. Fixed-to-floating rate securities are included provided they are callable within the fixed rate period and are at least one year from the last call prior to the date the bond transitions from a fixed to a floating rate security.

For the avoidance of doubt, auction market securities, convertibles, floaters, purchase units, purchase contracts, corporate pay-in-kind securities, securities issued by closed-end funds and derivative instruments such as repackaged securities, credit default swaps and \$1,000 par securities are excluded from the Index. Unlisted preferred stock is excluded from the index, but unlisted senior or subordinated debt-like securities are included.

### *Ranking Review*

Index constituents are capitalisation-weighted based on their current amount outstanding times the market price plus accrued interest. Accrued interest is calculated assuming next-day settlement. Cash flows from bond payments that are received during the month are retained in the index until the end of the month and then are removed as part of the rebalancing. Cash does not earn any reinvestment income while it is held in the index.

### *Index Rebalancing*

The Reference Index is rebalanced monthly on the last calendar day of each month based on information available up to and including the third business day before the last business day of the month. No changes are made to index constituent holdings other than on month end rebalancing dates.

The Fund may choose to rebalance in line with the Reference Index and will bear the costs of any rebalancing trades (i.e. the costs of buying and selling securities of the Reference Index and associated taxes and transaction costs).

### **Index Provider and Website**

The Reference Index is sponsored by Bank of America Merrill Lynch and more details on the Reference Index can be found at <http://www.mlindex.ml.com/gispublic/bin/getdoc.asp?fn=PCDP&source=indexrules>.

### **Publication**

The level of the Reference Index will be published on [www.mlindex.ml.com](http://www.mlindex.ml.com).

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## **OTHER INFORMATION**

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### **Taxation**

The tax treatment of the Company is set out in the Prospectus of the Company and the tax information provided therein is based on tax law and practice as at the date of the Prospectus.

Shareholders and potential investors are advised to consult their professional advisers concerning possible taxation or other consequences of purchasing, holding, selling or otherwise disposing of the Shares under the laws of their country of incorporation, establishment, citizenship, residence or domicile.

### **Consequences of Disruption Events**

Upon the occurrence of a Disruption Event (and without limitation to the Directors personal powers as further described in the Prospectus) an Approved Counterparty may make adjustments to determine the valuation of FDIs. Further information on the consequences of Disruption Events is contained in the main body of the Prospectus under the heading "**Disruption Events**".

### **Limited Recourse**

A Shareholder will solely be entitled to look to the assets of the Fund in respect of all payments in respect of its Shares. If the realised net assets of the Fund are insufficient to pay any amounts payable in respect of the Shares, the Shareholder will have no further right of payment in respect of such Shares nor any claim against or recourse to any of the assets of any other Fund or any other asset of the Company.

### **Risk Factors**

Certain risks relating to the Shares are set out under the heading "**Risk Factors**" in the Prospectus, including 'Concentration Risk'. In addition, Shareholders must also note that:

- (a) The value of investments and the income from them, and therefore the value of and income from the Shares relating to each Fund can go down as well as up and an investor may not get back the amount invested. The Fund's exposure is linked to the performance of the components of the Reference Index which is in turn, exposed to general market movements (negative as well as positive).
- (b) The sub-funds of the Company are segregated as a matter of Irish law and as such, in Ireland, the assets of one sub-fund will not be available to satisfy the liabilities of another sub-fund. However, it should be noted that the Company is a single legal entity which may operate or have assets held on its behalf or be subject to claims in other jurisdictions which may not necessarily recognise such segregation. There can be no guarantee that the courts of any jurisdiction outside Ireland will respect the limitations on liability as set out above.
- (c) There are Classes of Shares issued in respect of the Fund. Additional Classes of Shares may be created at any time without the consent of the then existing Shareholders in accordance with the Central Bank's requirements. Each Class of Shares issued in respect of the Fund will perform differently as a result of differences in currency and fees (as applicable). There is no legal segregation of assets and liabilities between Classes and there is no separate portfolio of assets held for each Class. Accordingly, if more than one Class of Shares has been issued and there is a shortfall attributable to one Class, this will adversely affect the other Classes of Shares issued in respect of the Fund.
- (d) Whilst the Company has the right to use and reference the Reference Index in connection with the Fund in accordance with the terms of the Reference Index licence, in the event that

the licence is terminated the Fund will be terminated or if any other Index Disruption and Adjustment Event occurs, adjustments may be made to account for any such event including adjustment to the Reference Index or the calculation of the Reference Index level which may have a significant impact on the Net Asset Value of the Fund.

- (e) There can be no assurance that the Reference Index will be successful at producing positive returns consistently or at all. The Index Provider makes no representation or warranty, express or implied, that the Reference Index will produce positive returns at any time. Furthermore, it should be noted that the results that may be obtained from investing directly in components of the Reference Index or otherwise participating in any transaction linked to the Reference Index may be different from the results that could theoretically be obtained from investing in a financial product linked to the Reference Index.
- (f) Subject to certain pre-defined parameters, it is possible that the methodology used to calculate the Reference Index or the formulae underlying the Reference Index could change and such change may result in a decrease in the performance of the Reference Index. As such, aspects of the Reference Index could change in the future, including, without limitation, the methodology and third party data sources. Any changes may be made without regard to the interests of a holder of any component of the Reference Index. Additionally, the Reference Index was created by the Index Provider, who has the right to permanently cancel the Reference Index at any time, such cancellation may have a material adverse effect on any linked investments or transactions.
- (g) General Derivatives and Securities Financing Transactions Risk: The use of derivatives and Securities Financing Transactions may result in greater returns but may entail greater risk for your investment. Derivatives may be used as a means of gaining indirect exposure to a specific asset, rate or index and/or as part of a strategy designed to reduce exposure to other risks, such as interest rate or currency risk. Use of derivatives involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other investments. They also involve the risk of mispricing or improper valuation and the risk that changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index.

Investing in a derivative instrument could cause the Fund to lose more than the principal amount invested. Also, suitable derivative transactions may not be available in all circumstances and there can be no assurance that such Fund will engage in these transactions to reduce exposure to other risks when that would be beneficial.

The prices of derivative instruments are highly volatile. Price movements of derivative contracts are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programmes and policies of governments, national and international political and economic events, changes in local laws and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly markets in currencies and interest rate related futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The use of derivatives also involves certain special risks, including (1) dependence on the ability to predict movements in the prices of securities being hedged and movements in interest rates; (2) imperfect correlation between the hedging instruments and the securities or market sectors being hedged; (3) the fact that skills needed to use these instruments are different from those needed to select the Fund's securities; and (4) the possible absence of a liquid market for any particular instrument at any particular time.

Securities Financing Transactions create several risks for the Company and its investors, including counterparty risk if the counterparty to a Securities Financing Transaction defaults on its obligation to return assets equivalent to the ones provided to it by the Fund and liquidity risk if such Fund is unable to liquidate collateral provided to it to cover a counterparty default.

- (h) **Securities Lending Risk:** As with any extensions of credit, there are risks of delay and recovery. Should the borrower of securities fail financially or default in any of its obligations under any securities lending transaction, the collateral provided in connection with such transaction will be called upon. A securities lending transaction will involve the receipt of collateral. However there is a risk that the value of the collateral may fall and the Fund suffer loss as a result.
- (i) **Collateral Risk:** Collateral or margin may be passed by the Fund to a counterparty or broker in respect of OTC FDI transactions or Securities Financing Transactions. Assets deposited as collateral or margin with brokers may not be held in segregated accounts by the brokers and may therefore become available to the creditors of such brokers in the event of their insolvency or bankruptcy. Where collateral is posted to a counterparty or broker by way of title transfer, the collateral may be re-used by such counterparty or broker for their own purpose, thus exposing the Fund to additional risk.

Risks related to a counterparty's right of re-use of any collateral include that, upon the exercise of such right of re-use, such assets will no longer belong to the Fund and such Fund will only have a contractual claim for the return of equivalent assets. In the event of the insolvency of a counterparty, the Fund shall rank as an unsecured creditor and may not recover its assets from the counterparty. More broadly, assets subject to a right of re-use by a counterparty may form part of a complex chain of transactions over which the Fund or its delegates will not have any visibility or control.

- (j) Investment in fixed income securities is subject to interest rate, sector, security and credit risks. Lower-rated securities will usually offer higher yields than higher-rated securities to compensate for the reduced creditworthiness and increased risk of default that these securities carry. Lower-rated securities generally tend to reflect short-term corporate and market developments to a greater extent than higher-rated securities which respond primarily to fluctuations in the general level of interest rates. There are fewer investors in lower-rated securities and it may be harder to buy and sell such securities at an optimum time.
- (k) **Changing Fixed-Income Market Conditions.** The current historically low interest rate environment was created in part by the Federal Reserve Board ("**FRB**") and certain foreign central banks keeping the federal funds and equivalent foreign rates near, at or below zero. The "tapering" in 2015 of the FRB's quantitative easing program, combined with the FRB's recent raising of the target range for the Federal Funds Rate (and possible continued fluctuations in equivalent foreign rates) may expose fixed-income markets to heightened volatility and reduced liquidity for certain fixed-income investments, particularly those with longer maturities, although it is difficult to predict the impact of this rate increase and any future rate increases on various markets. 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 Fund'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 rate and the Fund's transaction costs.
- (l) **Preferred Securities Risk:** There are special risks associated with investing in preferred securities. 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 Fund owns a security that is deferring or omitting its distributions, the Fund 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 deferral of dividend payments.
- (m) **Call Risk:** If interest rates fall, it is possible that issuers of callable securities with high interest coupons will "call" (or prepay) their bonds before their maturity date. If an issuer exercised such a call during a period of declining interest rates, the Fund may have to replace such called security with a lower yielding security. If that were to happen, the Fund's net investment income could fall.



- (n) **Non-Investment Grade Securities Risk:** Non-investment grade securities and unrated securities of comparable credit quality are subject to the increased risk of an issuer's inability to meet principal and interest payment obligations. These securities may be subject to greater price volatility due to such factors as specific corporate developments, interest rate sensitivity, negative perceptions of the non-investment grade securities markets generally, real or perceived adverse economic and competitive industry conditions and less secondary market liquidity. If the issuer of non-investment grade securities defaults, the Fund may incur additional expenses to seek recovery.
- (o) **Financial Institutions Risk:** Investments in financial institutions may be subject to certain risks, including, but not limited to, the risk of regulatory actions, changes in interest rates and concentration of loan portfolios in an industry or sector. Financial institutions are highly regulated and may suffer setbacks should regulatory rules and interpretations under which they operate change. Likewise, there is a high level of competition among financial institutions, which could adversely affect the viability of an institution.
- (p) **Sampling Risk:** The Fund's use of a representative sampling approach will result in it holding a smaller number of securities than are in the underlying index. As a result, an adverse development to an issuer of securities that the Fund holds could result in a greater decline in NAV than would be the case if the Fund held all of the securities in the underlying index. To the extent the assets in the Fund are smaller, these risks will be greater.
- (q) For the hedged Share Classes denominated in a different currency to the Base Currency, investors should note that there is no guarantee that the exposure of the currency in which the Shares are denominated can be fully hedged against the Base Currency of the Fund. Investors should also note that the successful implementation of the strategy may substantially reduce the benefit to Shareholders in the relevant Share Class as a result of decreases in the value of the Share Class currency against the Base Currency of the Fund.

**Investors should also refer to the Prospectus for additional disclosure of risks and conflicts of interest.**

#### **Disclaimers**

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**THE DIRECTORS OF THE COMPANY, THE MANAGER, THE INVESTMENT MANAGER AND THE INDEX PROVIDER TOGETHER THE "RESPONSIBLE PARTIES" DO NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF ANY DESCRIPTION RELATING TO THE REFERENCE INDEX OR ANY DATA INCLUDED THEREIN AND THE RESPONSIBLE PARTIES SHALL HAVE NO LIABILITY FOR ANY ERRORS, OMISSIONS, OR INTERRUPTIONS THEREIN.**

**THE RESPONSIBLE PARTIES MAKE NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE FUND, TO ANY SHAREHOLDER IN THE FUND, OR TO ANY OTHER PERSON OR ENTITY IN RESPECT OF THE REFERENCE INDEX DESCRIBED HEREIN.**

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## Funds of the Company

As at the date of this Supplement, there are 27 other Funds of the Company which are listed below:

1. Source FTSE RAFI Europe Equity Income Physical UCITS ETF\*;
2. Source FTSE RAFI UK Equity Income Physical UCITS ETF\*;
3. Source FTSE RAFI US Equity Income Physical UCITS ETF\*;
4. Invesco Emerging Markets USD Bond UCITS ETF;
5. Invesco Euro Corporate Bond UCITS ETF;
6. Invesco USD Corporate Bond UCITS ETF;
7. Invesco Italian PIR Multi-Asset Portfolio UCITS ETF;
8. Invesco Euro Floating Rate Note UCITS ETF;
9. Invesco AT1 Capital Bond UCITS ETF;
10. Invesco USD Floating Rate Note UCITS ETF;
11. Invesco US Treasury Bond UCITS ETF;
12. Invesco US Treasury Bond 1-3 Year UCITS ETF;
13. Invesco US Treasury Bond 3-7 Year UCITS ETF;
14. Invesco US Treasury Bond 7-10 Year UCITS ETF;
15. Invesco MDAX® UCITS ETF;
16. Invesco MSCI Europe ESG Catholic Principles UCITS ETF;
17. Invesco Variable Rate Preferred Shares UCITS ETF;
18. Invesco Euro Inflation-Linked Government Bond UCITS ETF;
19. Invesco Elwood Global Blockchain UCITS ETF;
20. Invesco Euro Government Bond UCITS ETF;
21. Invesco Euro Government Bond 1 – 3 Year UCITS ETF;
22. Invesco Euro Government Bond 3 - 5 Year UCITS ETF;
23. Invesco Euro Government Bond 5 – 7 Year UCITS ETF;
24. Invesco Euro Government Bond 7 – 10 Year UCITS ETF;
25. Invesco UK Gilt 1 – 5 Year UCITS ETF;
26. Invesco UK Gilts UCITS ETF; and
27. Invesco US TIPS UCITS ETF.

\* These Funds are closed to new investment and are in the process of being terminated.