

Invesco Funds

Notification of material NAV error of Invesco Balanced-Risk Allocation 12% Fund

Description and cause of the NAV error

There was a NAV error identified on Invesco Balanced Risk Allocation 12% fund as a result of 13 incorrect commodity swap upsize trade instructions as a result of Counterparty (CP) Macquarie inadvertently providing incorrect trade prices in their order fill report provided to Invesco and uploaded into CRD (Charles River - Invesco Order Management System). Due to a feed issue at the CP, Macquarie reverted to manually creating a trade file which was the root cause of the issue. The incorrect prices were automatically imported into the CRD system, causing the error to propagate from Globe Op (Back Office Function) to Bank of New York (Third Party Administrator). This impacted 6 valuations from 04th to 11th September 2024 (trade date 3rd September 2024).

Invesco Balanced Risk Allocation 12% Fund was materially impacted where the max impact is a 121bps over valuation of the NAV.

Full analysis of TA dealing has been completed of the net redemptions over the period and compensation of €3,069 to the Fund has been confirmed. No Client compensation is required. Redemptions were overvalued, therefore no action / Subscriptions below deminimus Eur (less than 10 currency units).

The NAV error was identified when the cancellation and rebook trade instructions were received on 11th September 2024 and BNY raised a query with Invesco Derivatives Team. Invesco confirmed these were amendments for incorrect trade instructions sent on 04th September. The trade discrepancies were initially identified by Globe Op on 04th September 2024 and queried with Macquarie Operations Team. Discussions between Globe Op and Macquarie Ops continued between September 4th and 9th, during which it became apparent that Macquarie had misinterpreted GlobeOp's initial query. On September 10th, Macquarie confirmed to GlobeOp that the prices in the spreadsheet sent to traders were incorrect. Upon receiving confirmation from Macquarie regarding the erroneous prices, GlobeOp alerted Invesco Derivative Operations on September 10th. After review, GlobeOp sent rebook trade instructions to BNY on 11th September 2024.

Corrective actions

1. Fund and investors impacts were analysed as part of the review and shared with Invesco and BNY Depo on 13th September 2024.
2. A full runbook of agreed actions was initiated by BNY. Calls to commence with Invesco, BNY and Depo on 18th September 2024 until action closure.
3. A fund adjustment of €3,069.83 (increase) was included in the Invesco Balanced Risk Allocation 12% Fund valuation on 18th September 2024 per Invesco's instruction.
4. Investor Compensation was reviewed, and analysis concluded that no TA compensation is required. Redemptions were overvalued, therefore no action / Subscriptions below deminimus.



Actions to Prevent Reoccurrence

Macquarie (Counterparty):

1. Macquarie operations will revert to the standard process (more automated) with an additional control measure implemented.
2. Macquarie will independently validate trade prices against secondary source prior to onward delivery to Order Management System.

Invesco:

3. Invesco to complete analysis for the creation of a systematic alert on CRD to detect potential pricing anomalies.

BNY:

4. BNY Fund Accounting will escalate all OTC post price exceptions superior to 10 bps to the BNY OTC support team.
5. BNY will look to introduce an automated control for OTC commodity swaps to check the underlying traded price (cost price) versus market price.