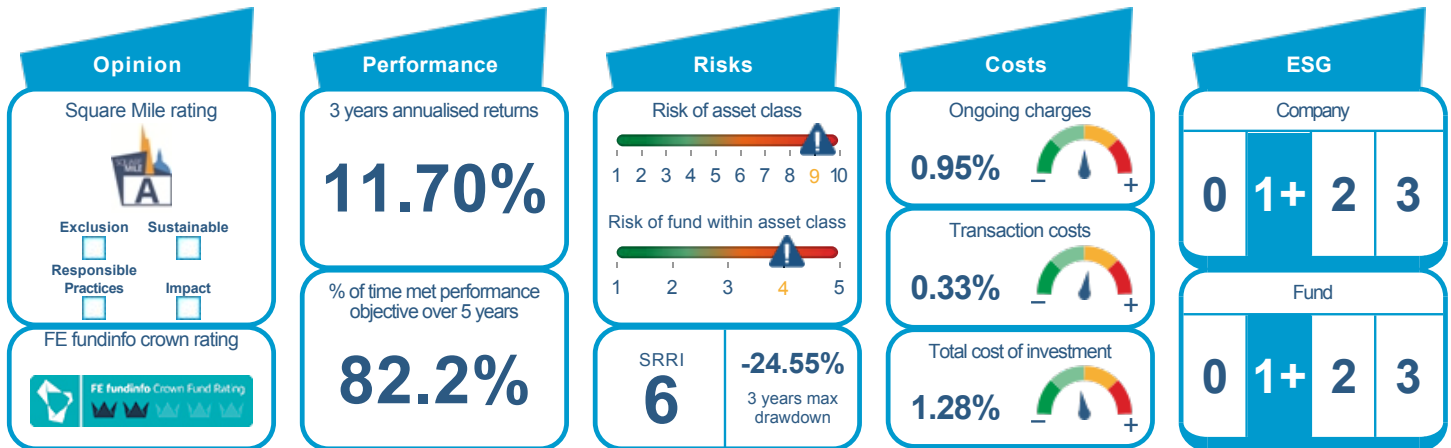


Invesco Asian (UK) Z Acc

November 2021
Investment Research



Overview

The fund invests in Asia Pacific ex Japan equities with the aim of growing capital over time. The nature of this market means that any growth in capital may be inconsistent, and growth is not guaranteed; Asian equity funds are sensitive to rotations in stock markets and may experience significant gains as well as large capital losses.

Capital Accumulation	Capital Preservation	Income	Inflation Protection
●			

Square Mile Expected Outcome

We believe that this fund should be able to deliver returns ahead of the MSCI AC Asia Pacific ex Japan index over rolling five year periods.

Active/Passive: Active	Domicile: United Kingdom
Asset Class: Equity	IA Sector: IA Asia Pacific Excluding Japan
Launch Date: 10/02/1990	Fund Size (as at 30 Sep 2021): £1462.6m
Yield: 1.42%	Distribution Pay Date: Dec 01 (Final)
Fund Manager: William Lam	Ongoing Charge Figure: 0.95%
	Transaction Cost ex Ante: 0.33%



Fund Opinion

Whilst we believe the manager should be able to achieve his objectives, there will be times that he will struggle to deliver these, which is reasonable when one considers his investment style. Mr Lam became the sole manager of this fund in May 2017. He can be considered as a value investor as he believes that in the long run a share price will reflect the true value of the company, but over the short term, the stock can trade meaningfully below its fair value for a diverse number of reasons. Such opportunities are usually in unloved areas of the market and this generally involves the manager taking a contrarian, longer-term approach, as he is seeking to buy these stocks when they are at meaningful discounts to his estimates of fair value and waiting for them to reflect their true worth. The manager co-heads Invesco's newly combined Asian and Emerging Markets Equity team with Ian Hargreaves, who similar to Mr Lam, is an experienced investor and a senior manager within the Asian Equities team. This recent appointment for the pair came about as the former head of the Asian Equities team, Stuart Parks, retired in July 2019. Whilst the departure of Mr Parks is a loss to the team, given his lengthy experience of the region and company knowledge, the current incumbents also possess a significant level of experience. The team's focus will continue to be on the Asian region, which represents the largest part of their investible universe. Mr Lam has some additional management responsibilities, but we hold him in high regard and believe him to be a very capable investor. There will be no change to the running of this fund and Mr Lam will continue to be directly responsible for it.

Fund Description

With the head office in Henley-upon-Thames, Invesco is one of the largest investment managers in the UK. They offer a range of product from fixed income, equities, multi-asset to ETFs.

The manager of this fund, William Lam, joined the group in May 2006 and is responsible for a number of Asian equity mandates. We think he and his fellow colleagues work well together and share a similar way of looking at and analysing companies. They divide research responsibilities by country although some members are also generalists, but they each will put forward stock ideas for the portfolio.

The team believes that investors' behavioural biases often give rise to market inefficiencies, for instance, when market participants overreact to short-term news or when they respond to momentum indicators. Sector and stock fundamentals will vary over the course of the economic cycle and there are a number of reasons for stocks and sectors to be trading at discounts to their fair value. The team seeks to take advantage of these opportunities by applying a flexible approach, which focuses on careful fundamental analysis with a strong emphasis on valuation levels. They spend most of their time on research analysis combining extensive company visits with input from selected external sources. Onsite visits help the team to understand the nature of a business, the risks it is exposed to, the presence of any tangible edge over its competitors and the achievability of the management goals. They will analyse the financial statements of companies and build their own models to create a broad picture which they use to help formulate expectations for earnings growth for each company over the next few years and its fair value, the price they would anticipate selling the shares at in time.

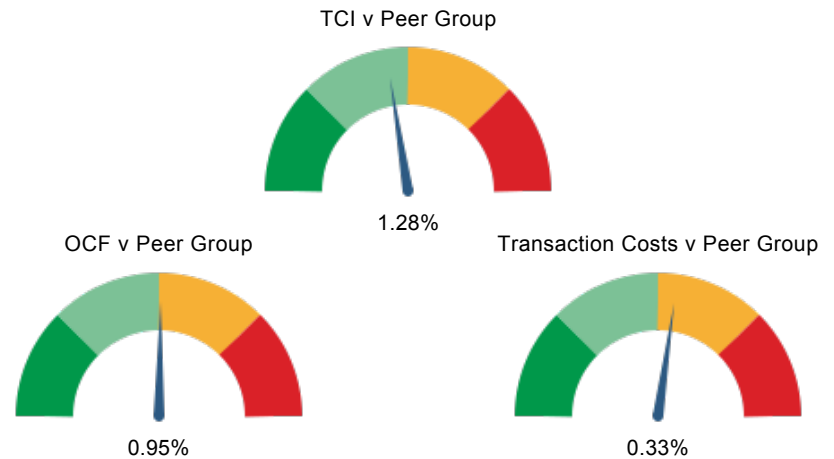
In essence, the manager is seeking to buy companies that are trading at significant discounts to his estimates of fair value and is willing to wait for them to reach their intrinsic worth before selling. The portfolio which Mr Lam is ultimately responsible for, will typically have 50-70 holdings that are at different stages in their price fulfilment lifecycle; from contrarian names which are significantly undervalued to ones becoming more popular with investors and which are at or close to full value. There will be a range of large to smaller size companies in the portfolio, which is built without reference to the MSCI AC Asia Pacific ex Japan index. There are some guidelines, for example, the main markets of Korea, Hong Kong, Taiwan, China and India will usually have a weighting in the fund that is no less than half the index weighting, but no more than double. This rule also applies at the sector level, specifically to financials and information technology. The manager will generally be fully invested, which means that cash levels are usually kept at a low level.

Risk Summary

The fund has a high asset class risk score as it invests in developing equity markets and the main risk is that these can be very volatile investments as in general returns do not only rest on the performance of the underlying companies, but also the geopolitical and macroeconomic situations within the region. The fund's risk score is higher than its peer group and the portfolio can look very different to a standard index. The manager assesses companies on their own merits and not in comparison with other stocks listed on the Asian stock markets. Essentially, this fund's manager takes a contrarian and much longer-term investment approach, as he is buying stocks when they are trading at significant discounts to his estimates of their fair value, and he will wait patiently for the shares to move or revert back to their intrinsic value. We think that this is a sensible approach to have when investing in the region, but it can lead to significant positioning and performance deviations versus a regional market index at times, for good or for ill.

Value for Money

The fund has an attractive total cost of investment (TCI). This is a space that does include many funds with varied objectives and mandates, but we believe that this particular fund represents good value for money as it is managed by a capable manager with a very good level of support and resources at his disposal.



ESG Integration

Company Assessment	0	1+	2	3
The company has made ESG factors available to the investment teams as an input to their analysis, but they are not compelled to consider that as a factor when making investment decisions.				
UN PRI Strategy & Governance Rating	A+			
Fund Assessment	0	1+	2	3
ESG factors are available to the fund managers as an input to their analysis, but they are not compelled to consider them as a factor when making investment decisions				

Responsible Investing Approach

Exclusion	Responsible Practices	Sustainability	Impact
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Information

Annualised Return	11.70%
Annualised Volatility	17.41%
Max Drawdown	-24.55%
Max Gain	15.42%
Max Loss	-14.07%
Sharpe Ratio	0.59
Sortino Ratio	0.55

(3 years data to last month end unless otherwise stated)

Currency of Share Class

GBP

Fund Price (as at 12 Nov 2021)

563.9 pence

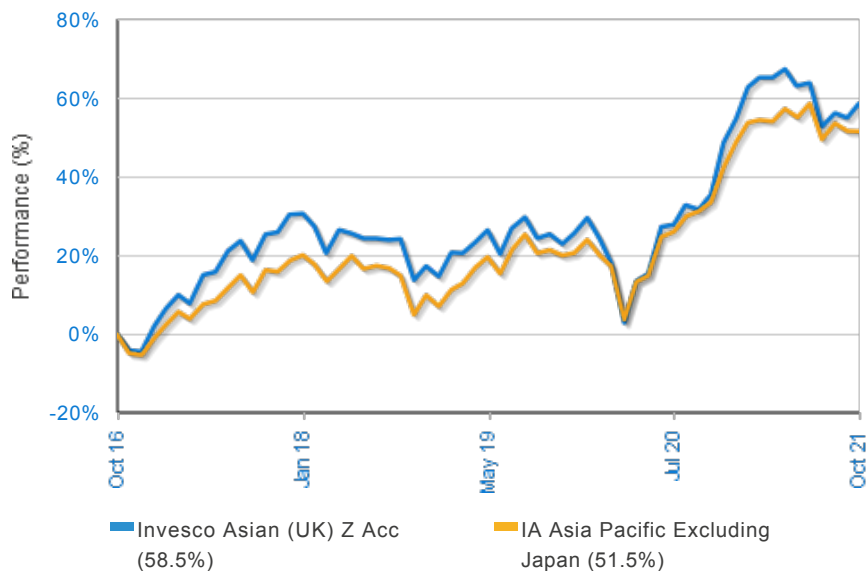
Benchmark

MSCI AC Asia Pacific Ex Japan

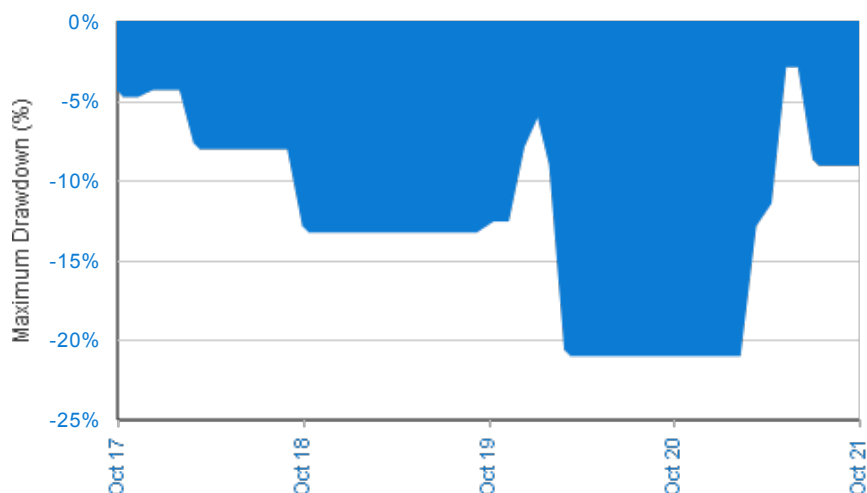
Discrete Annual Performance to Last Quarter End

Period	Fund (%)	Sector (%)	Quartile Ranking
0-12m	17.7	15.5	2
12-24m	5.0	8.1	3
24-36m	1.0	5.6	4
36-48m	4.6	3.8	3
48-60m	27.1	15.7	1

Capital Growth



Maximum Drawdown (Rolling 12 Months)



Top Ten Holdings

(Data as at 30 Sep 2021)

Company Name	%
TAIWAN SEMICONDUCTOR CO	6.1
SAMSUNG ELECTRONICS CO	5.4
TENCENT HLDGS LTD	4.6
ALIBABA GROUP HLDG LTD	3.7
SAMSUNG FIRE & MARINE	3.2
UNITED OVERSEAS BANK LTD	3.0
KASIKORNBANK	2.9
MING YANG SMART ENERGY GRP LTD	2.7
HOUSING DEVELOPMENT FINANCE CORP	2.6
LARSEN & TOUBRO	2.5

Sector Breakdown

(Data as at 30 Sep 2021)



- Financials (23%)
- Consumer Discretionary (18%)
- Information Technology (18%)
- Communications (11%)
- Industrials (11%)
- Materials (6%)
- Consumer Staples (4%)
- Real Estate (4%)
- Energy (2%)
- Other (2.1%)

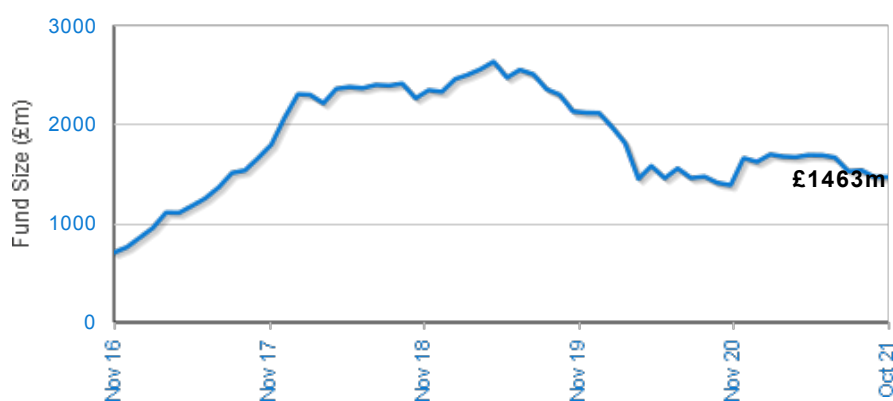
Geographic Breakdown

(Data as at 30 Sep 2021)



- China (28%)
- Taiwan (14%)
- Korea (14%)
- Australia (11%)
- India (11%)
- Hong Kong (9%)
- Singapore (4%)
- Indonesia (3%)
- Thailand (3%)
- Other (3.3%)

Assets Under Management



Qualitative Risk Assessment

	Significant	Potentially Significant	Not Significant
Equity Risk	●		
Interest Rate Risk		●	
Credit Risk			●
Exchange Rate Risk	●		
Liquidity Risk			●
Emerging Markets Risk	●		
Derivative Risk			●
Manager Risk	●		

Equity Risk

The fund is predominately invested in shares listed on Asian stock markets. Shares are volatile investments and this volatility is typically heightened at times of economic stress.

Interest Rate Risk

The fund is an equity fund. Higher interest rates may adversely affect valuations of shares.

Credit Risk

This fund does not have significant exposure to corporate debt.

Exchange Rate Risk

The fund predominately invests abroad and it is exposed to foreign currencies. Currency markets may move sharply.

Liquidity Risk

The fund invests in liquid assets and any sale should be possible at close to the prevailing market price.

Emerging Markets Risk

The fund predominately invests in emerging regions. Economic, political, legal and market events in the region may have a material adverse effect on the fund price. Valuations in emerging market assets can be volatile.

Derivative Risk

The portfolio is predominantly invested in underlying cash securities. The fund is permitted to use derivatives though historically these have not been used by the manager.

Manager Risk

The manager is seen as an important element in Square Mile's rating of the fund although potential alternatives may exist elsewhere in the organisation. Square Mile will reappraise the rating if the manager were to leave.

FE Risk Rating: 98.00

SRRI: 6

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