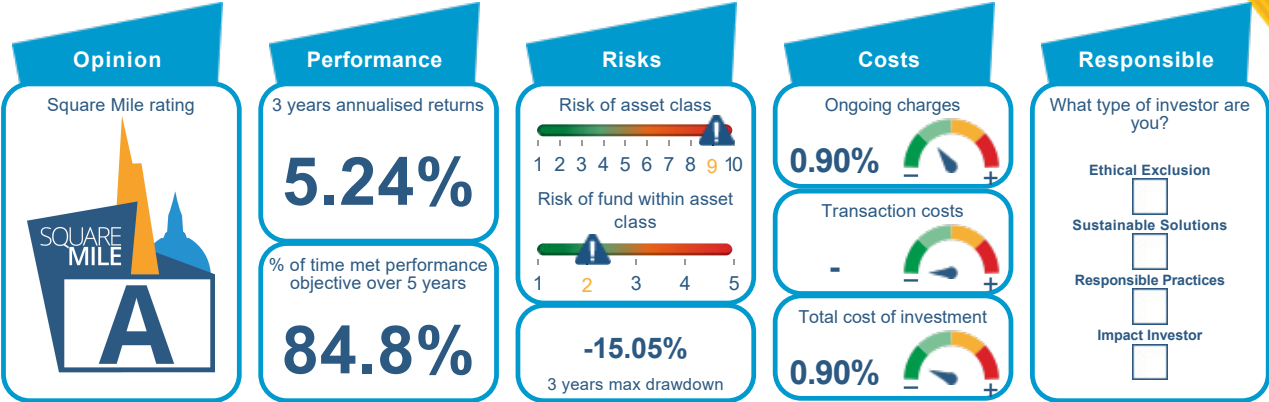


Invesco Asian (UK) Z Acc

September 2024



Source: Square Mile and Refinitiv, Data as at: 31st July 2024.

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.

Square Mile’s Expected Outcome

We believe that this fund should be able to deliver returns ahead of the MSCI AC Asia Pacific ex Japan index +2% p.a. over rolling five-year periods.

Square Mile’s Opinion

William 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 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 team. The team’s combined structure was established a number of years ago, but the focus continues to be on the Asian region, which represents the largest part of their investible universe. Overall, we see this strategy as a very appealing value oriented proposition for long-term investors seeking access to a skilled portfolio manager, a strong team-based and well established process. The result, we believe, should be one that is able to produce attractive returns over the long term. Note that there will be periods where the fund will struggle against the market, such as when investors are chasing certain themes away from company fundamentals, or in narrowly led markets when a particular style is dominating performance.

Fund Manager’s Formal Objective

The objective of the Fund is to achieve capital growth.

Outcome: Capital Accumulation	Domicile: UK
Active/Passive: Active	Benchmark: MSCI AC Asia Pacific Ex Japan
Asset Class: Equity	IA Sector: IA Asia Pacific Excluding Japan
Yield: 1.93%	Fund size: £2,220 M
Fund Manager: William Lam	Distribution Pay Date: January
Fund Price: 6.0 Pounds	Dividend Frequency: Annual
Currency of Share Class: GBP	Share Class Launch Date: 12/11/2012

Source: Square Mile and Refinitiv, Data as at: 31st July 2024

Asset Manager Overview

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.

Fund Manager/Team Overview

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.

Investment Philosophy & Process Overview

The Invesco Asian & Emerging Markets Equities team share the same investment philosophy and process. They believe that investor 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. Industry and company fundamentals will vary over the course of the economic cycle and there are a number of reasons for companies 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.

Quantitative screens help the team to reduce a universe of more than 10,000 listed stocks (they will remove companies with a market cap of less than US\$ 500 million and with less than US\$ 5 million of daily trading liquidity as well as those with poor ESG characteristics). They will also screen for stocks that have underperformed, look cheap or out of favour, or where expectations are changing. This helps narrow the universe to circa 1000 companies. They spend most of their time on research analysis combining extensive company visits with input from selected external sources. Global liquidity trends and country fundamentals present both opportunities and risks. For instance, the macro outlook might help the team to focus their attention on emerging themes, particular countries and sectors. 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 company financials and build models which they use to help formulate earnings growth expectations for each stock, its fair value, and the price they would anticipate selling the shares at in time.

The manager has considerable freedom to invest where he sees opportunities and there will be a range of large to smaller size companies in the portfolio, which is built without reference to the benchmark 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.

In essence, the manager seeks 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 will typically have around 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.

ESG Integration

Fund ESG Integration

Whilst the fund does not have an explicit ethical mandate, the manager does take into account certain factors in his management of the fund, notably looking at the governance of companies. ESG factors are part of the team's research process and company meetings are an integral part of the firm's investment research analysis with discussions at these meetings comprising all matters that might affect a company's share price, including environmental, social and governance issues. The team essentially believe that ESG factors can have a significant impact on a company's fair value, and that engaging with company management on ESG issues (which help enhance and unlock the value of an investment) is a better approach long term than divesting.

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.

Additional Information

Annualised Return:	5.24%
Annualised Volatility:	14.39%
Max Drawdown:	-15.05%
Max Gain:	11.75%
Max Loss:	-9.85%
Sharpe Ratio:	0.27
Sortino Ratio:	0.27

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

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			

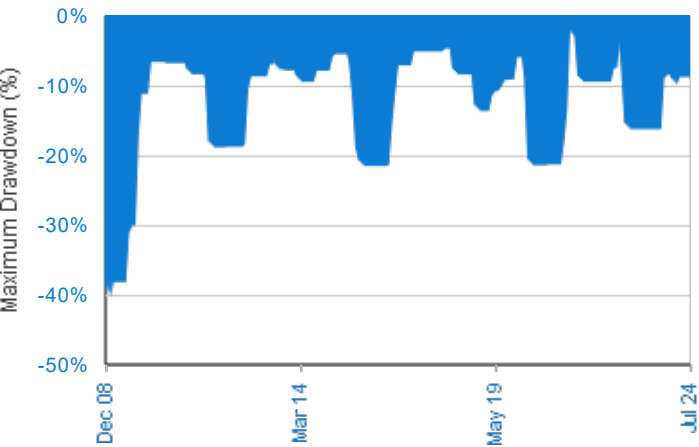
For the full summary of the risks, [click here](#)

3 Year Rolling Sector Outperformance



Source: Square Mile and Refinitiv, Data as at: 6th September 2024.
Share price total return.

Maximum Drawdown (Rolling 12 Months)



Source: Square Mile and Refinitiv, Data as at: 6th September 2024

Calendar Year Performance To Quarter End

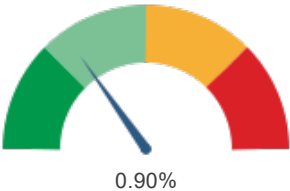
Period	Fund (%)	Sector (%)
2023	0.9	-0.1
2022	3.3	-6.4
2021	2.0	1.9
2020	19.4	19.4
2019	13.0	15.7

Source: Square Mile and Refinitiv, Data as at: 14th September 2024

Value for Money

The fund has a total cost of investment (TCI) that is below the median peer group, but this is a space that does include many funds with varied objectives and mandates, and we believe that this particular fund represents good value for money as it is managed by a talented manager with a very good level of support and resources at his disposal. Such characteristics are not easily to be found.

OCF v Peer Group

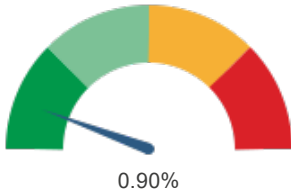


Source: Square Mile and Refinitiv, Data as at: 31st July 2024.

Transaction Costs v Peer Group



TCI v Peer Group



The Square Mile ratings are reviewed every 6 months. For full details on the methodologies, [click here](#).

For a full list of all Square Mile rated funds, [click here](#).

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