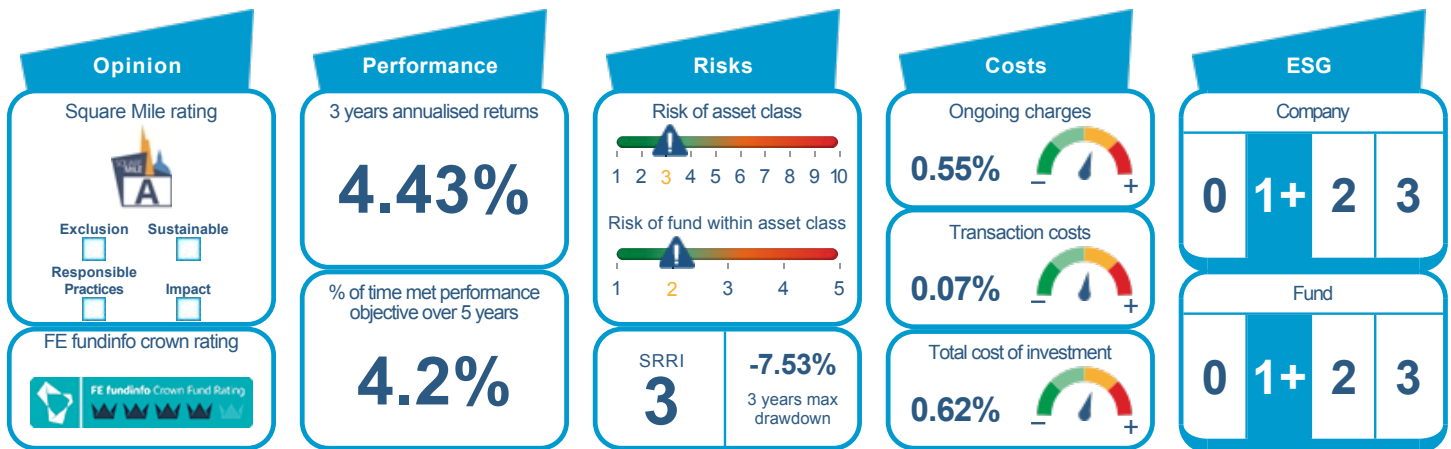


Invesco Corporate Bond (UK) Z Inc

November 2021
Investment Research



Overview

This fund generates income through investment into corporate bonds. The level of income is not explicitly targeted and will vary depending on the market environment. The current level of yield is relatively low compared to the fund's history, reflecting the interest rate environment. There is potential for some capital appreciation, though this is a secondary consideration.

Capital Accumulation	Capital Preservation	Income	Inflation Protection
●		●	

Square Mile Expected Outcome

We believe that outperforming the ICE BofA Merrill Lynch Sterling Corporate Bond index over a rolling five year period, is a reasonable expectation for this fund.

Active/Passive: Active	Domicile: United Kingdom
Asset Class: Fixed Income	IA Sector: IA Sterling Corporate Bond
Launch Date: 24/07/1995	Fund Size (as at 30 Sep 2021): £2576.8m
Yield: 2.67%	Distribution Pay Date: May 01, Nov 01 (Final)
Fund Manager: Michael Matthews, Paul Causer, Tom Hemmant	Ongoing Charge Figure: 0.55%
	Transaction Cost ex Ante: 0.07%



Fund Opinion

The team members have proved themselves capable of producing solid risk adjusted returns over medium to long time periods thanks to their emphasis on risk, identifying long term value opportunities. However, investors should note that this can take some time to play out and in the short to medium term the fund's performance may differ substantially from that of the benchmark. The managers run this as a relatively high conviction strategy, and are not afraid to express their opinions through the fund's positioning when they see value in the market.

The conservative stance towards interest rate and credit risk over the recent years has led to a more defensive risk return profile relative to its sector. As such the fund has tended to lag when the corporate bond market rises but has outperformed at periods of market distress. The fund is likely to be suitable for investors who wish to access an income stream secured by high quality issuers, with the potential for some capital upside, and who are prepared to hold the fund for medium to long periods (at least 3 years).

Over recent years, while reducing the volatility of returns, the fund's structural underweight to interest rate duration has been a headwind to the fund's performance. The fund has benefitted however, when interest rates have moved higher.

Fund Description

In June 2021, Invesco's Co-Heads of Fixed Interest Paul Read and Paul Causer, who have managed the fund since its launch, announced that they will be retiring from Invesco at the end of 2021. As of January 2022, the fund will continue to be managed by Michael Matthews who will also be co-Head of Fixed Interest at Invesco. Mr Matthews became co-manager of this fund in 2013, having started his career in 1995 when he joined the fixed income team at its inception in 1995. From 31 August 2020 Tom Hemmant joined as co-manager on the fund. Mr Hemmant has been part of the Invesco fixed interest team since 2011, where he has been a senior investment analyst with responsibilities for utilities, energy, materials and construction. In addition, the managers can draw upon a team of credit analysts, risk analysts and the wider resources of Invesco. Based in Henley-upon-Thames, Invesco is one of the largest investment management groups in the UK and is part of the Invesco Ltd Group, a leading global investment manager listed on the New York Stock Exchange.

The team's investment philosophy is built upon the premise that markets are mostly efficient but continually present opportunities. This may be because they overshoot, moving prices away from fundamental value, because of the different objectives of investors, or constraints of individual investors. The managers aim to exploit such inefficiencies through fundamental analysis with an emphasis on valuation, assessing potential risk versus potential return. The process is designed to be flexible and will change according to market conditions, recognising that different factors drive markets at different points in time. We believe this is a sensible approach, and it can prove particularly valuable at times of market stress.

The investment process looks to combine three elements: macroeconomic analysis, company evaluation and value assessment. The process begins with top-down analysis, seeking to understand the current macroeconomic environment and to make informed forecasts of future conditions. This work focuses on the path of interest rates and trends in the pricing of credit risk. These views then form the foundations for the positioning of the fund, including interest rate risk, yield curve positioning and credit risk. Having determined their positioning of broad risk factors, the managers then turn their attention to bottom-up stock selection. This analysis assesses whether or not a company can meet its obligations in terms of interest on and repayment of debt. Various measures are examined, including the extent of a company's gearing, its earnings and its financing costs. The emphasis is always on how these measures are changing rather than a static analysis. The result of this analysis should be a thorough understanding of the risks of a given investment, enabling the managers to maximise returns from acceptable and well understood credit risk exposures. The final step in the process is to assess value, on both a relative and absolute basis, taking into account the risks identified in the previous step. A judgement is then made as to whether the potential returns of a bond sufficiently justify the risks, both on an absolute basis and relative to cash, government bonds and other corporate bonds. This should enable the managers to identify and invest in the bonds with the best returns on a risk-adjusted basis, within the parameters of the fund's mandate.

The fund will hold at least 80% of its assets in investment grade corporate bonds, but can hold up to 20% in sub-investment grade or government bonds. Cash is actively managed, both for liquidity purposes and as an asset allocation tool. Currency exposure is usually hedged back to sterling. Derivatives may be used, both for hedging and investment purposes.

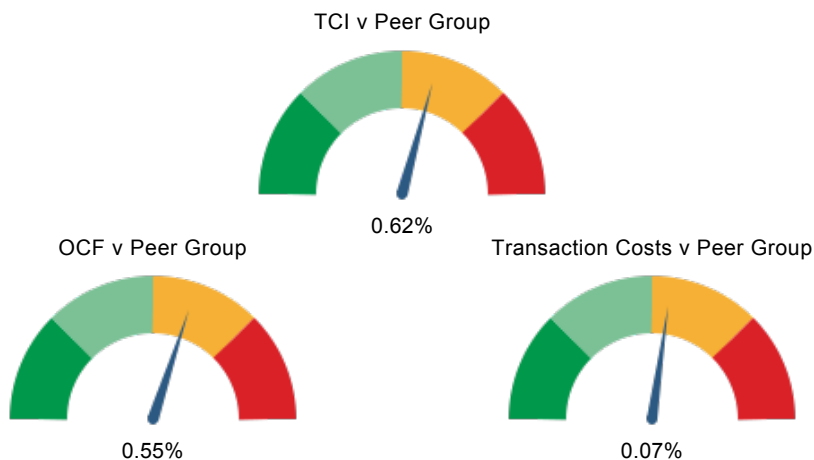
Risk Summary

The fund invests in fixed interest instruments and the major risks are likely to be interest rate risk and credit risk. The managers attempt to mitigate these risks through active asset allocation, interest rate management and credit analysis. However, investors should be aware that they are always likely to be significant. Despite the managers' careful analysis of the bonds in the fund, all corporate bonds carry a risk of default and investors should be aware that it is possible that a bond in the fund could default on its obligations. This fund is well diversified and the impact of any one bond defaulting should thus be small. The managers invest with a high conviction style and the fund can take relatively large positions at times. Whilst this has proved to be beneficial to investors of the fund over time, it can result in significant deviations from the index, and returns that are markedly different from both the index and other funds investing in similar instruments, particularly over the short term. Ultimately we believe that the risks in this fund are well managed, but there will always be risks present.

Value for Money

The total cost of investment (TCI) of the fund is just in the median for the peer group. We believe this represents good value for money given the experienced management team and the investment process which is both well thought-out and closely adhered to. In addition, the attractive risk return profile of the fund, thanks to the emphasis in protecting investors' capital in falling markets, justifies the fee in our view.

Following the introduction of MiFID II regulations, asset management firms are now required to disclose all costs and charges related to the running and administration of funds. This can include items outside of the OCF, such as research costs. Invesco absorbs the costs associated with its research, which should slightly reduce the overall fee paid by investors.



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	4.43%
Annualised Volatility	4.21%
Max Drawdown	-7.53%
Max Gain	5.87%
Max Loss	-7.53%
Sharpe Ratio	0.94
Sortino Ratio	0.65

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

Currency of Share Class

GBP

Fund Price (as at 12 Nov 2021)

217.2 pence

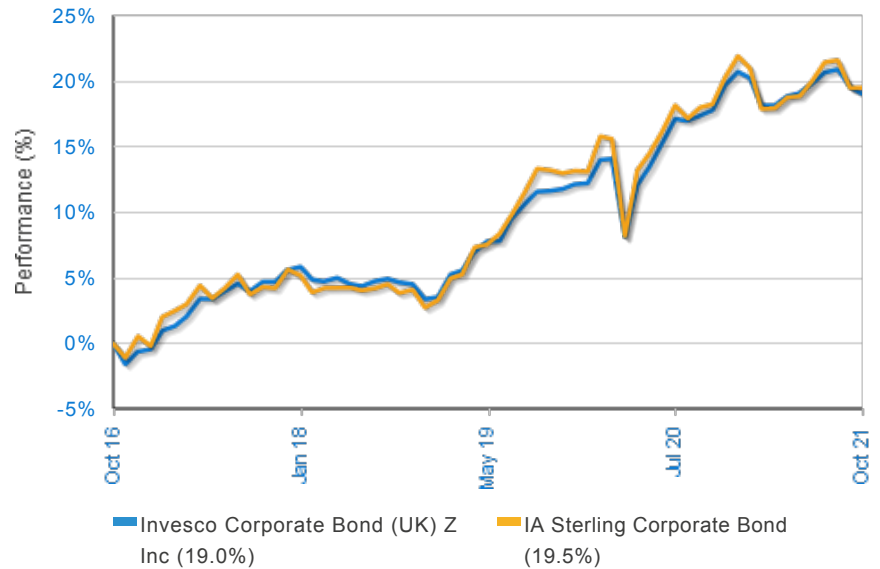
Benchmark

IA Sterling Corporate Bond

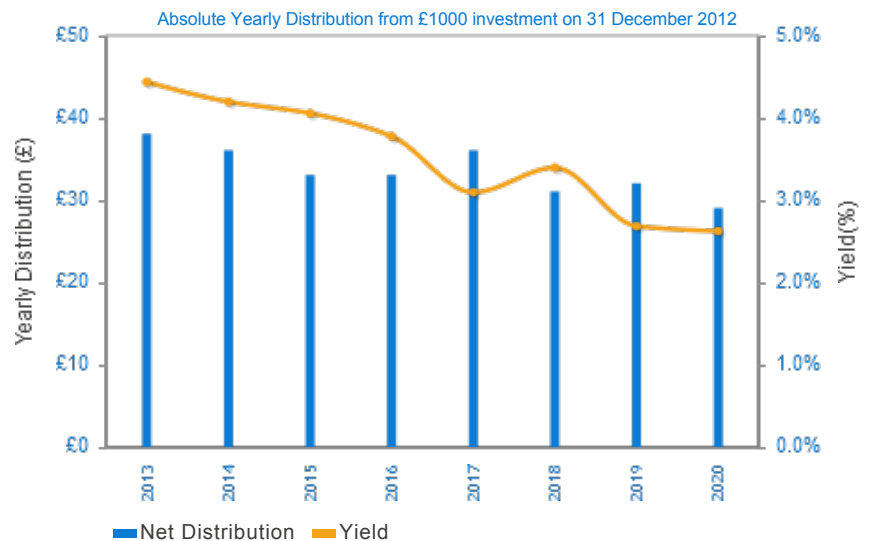
Discrete Annual Performance to Last Quarter End

Period	Fund (%)	Sector (%)	Quartile Ranking
0-12m	1.9	1.3	2
12-24m	5.1	4.2	1
24-36m	6.7	9.0	4
36-48m	0.7	0.1	1
48-60m	2.1	0.6	1

Capital Growth

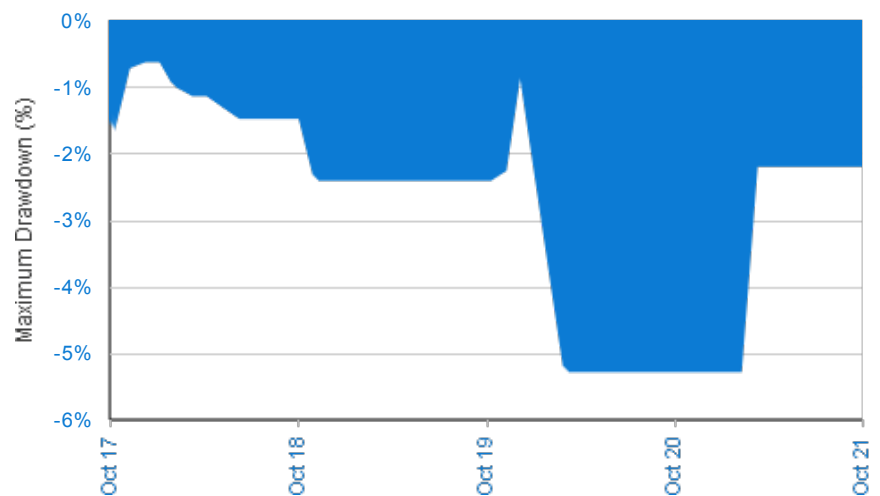


Income



This graph assumes that income is distributed to shareholders and not reinvested. Yield represents share price fluctuations.

Maximum Drawdown (Rolling 12 Months)



Credit Rating (Data as at 31 Oct 2021)

Name	%
AA	3.0
A	21.9
BBB	62.7
BB	6.2
Cash	2.7
Non-Rated / Others	3.4

Bond Maturity

(Data as at 31 Oct 2021)

Name	%
Cash & Floating Rate Notes	2.7
1-3 Years	-
3-5 Years	32.4
5-15 Years	49.8
15+ Years	15.1

Asset Allocation Positioning

Name	%
Global Investment Grade Fixed Interest	86.5
Global High Yield Fixed Interest	6.2
Global Fixed Interest	3.3
Money Market	3.2
Global Investment Grade Fixed Interest	0.7
Alternative Investment Strategies	0.1

(Data as at 30 Sep 2021)

Top Ten Holdings

(Data as at 30 Sep 2021)

Company Name	%
INVESCO LIQUIDITY FUNDS PLC STERLING LIQUIDITY PORTFOLIO AGENCY GBP	2.7
LLOYDS BANKING GROUP PLC 2.707% DTD SUB RST NT 03/12/35 GBP100000	2.0
SP DISTRIBUTION PLC 5.875% NTS 17/07/26 GBP100000	1.6
VODAFONE GROUP CAPITAL SECS 03/10/78 GBP1000REG S	1.3
SIEMENS FINANCIERINGSMAAT NV 1% BDS 20/02/25 GBP1000	1.2
TELEFONICA EMISIONES SAU 5.375% INST 02/02/26 GBP50000	1.1
VERIZON COMMUNICATIONS INC 1.125% BDS 03/11/28 GBP1000	1.1
CREDIT SUISSE GROUP AG FRN 12/09/25 GBP100000	1.0
TESCO PROPERTY FINANCE 2 PLC 6.0517% MTG BDS 13/10/39 GBP1000	1.0
THAMES WATER UTILITIES CAYMAN FIN FRN 25/02/28 GBP1000	1.0

Sector Breakdown

(Data as at 30 Sep 2021)



- Banks (26%)
- Utilities (17%)
- Telecommunications (10%)
- Insurance (8%)
- Automobiles (5%)
- Foods (5%)
- Property (4%)
- Money Market (3%)
- Transport (3%)
- Other (17.2%)

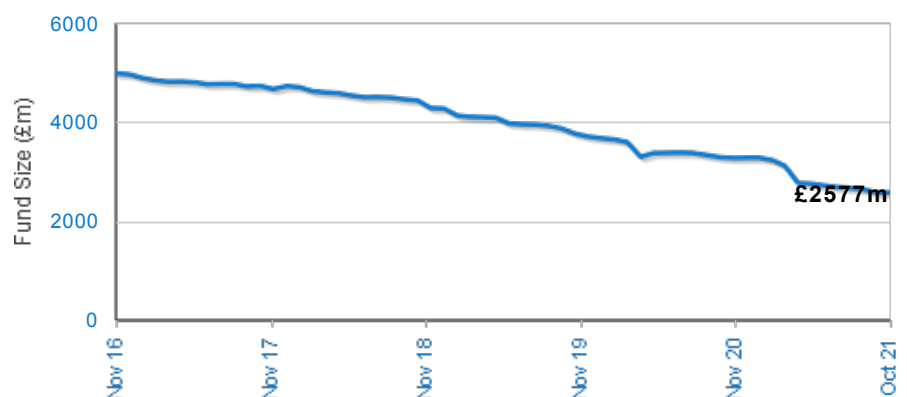
Geographic Breakdown

(Data as at 30 Sep 2021)



- UK (57%)
- USA (12%)
- France (9%)
- Germany (7%)
- Netherlands (3%)
- Money Market (3%)
- Switzerland (3%)
- Spain (3%)
- Others (2%)
- Other (0.1%)

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 has no material direct exposure to shares.

Interest Rate Risk

The fund is predominately invested in high quality fixed interest markets. The fund price may fall if interest rates climb more rapidly than expected.

Credit Risk

The fund has significant exposure to high grade corporate debt. Widespread credit downgrades may adversely impact the fund price, typically this occurs at times of economic weakness.

Exchange Rate Risk

The fund has exposure to assets denominated in foreign currencies but the manager intends to largely hedge the foreign exchange risks away.

Liquidity Risk

The fund invests in assets which could be difficult to sell at certain times. In extreme circumstances the fund may have to resort to selling assets at below fair value. The risks of this happening are most acute at times of financial distress.

Emerging Markets Risk

The fund predominantly invests in securities issued by governments or companies in developed markets.

Derivative Risk

The fund employs derivative strategies as part of its risk management. These derivative instruments have been employed by the manager to mitigate and more accurately manage the risks within the fund. These are complex instruments and investors should be aware that there is a chance that they may not behave in the manner that the manager intends. The use of derivatives may increase the counterparty risks in the fund.

Manager Risk

The managers are seen as an important element in Square Mile's rating of the fund. Square Mile is likely to consider the fund's rating if either manager were to leave.

FE Risk Rating: 21.00

SRRI: 3

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