

Invesco Distribution (UK) Z Inc

September 2024



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

Overview

The manager invests with a total return mind-set aiming to deliver income with the potential for future growth in income and capital. While the manager is conscious that investors hold the fund for income, he will not chase yield to the detriment of capital stability and growth. The level of income may fluctuate over time, and will depend on the yields available in the wider market, and on the manager's perception of value in markets.

Square Mile's Expected Outcome

We believe delivering a sustainable yield of 3% - 5% p.a. along with some capital growth over rolling five year periods, net of fees, is a reasonable expectation for this fund.

Square Mile's Opinion

The longer term track record of the fund belongs to Paul Read and Paul Causer who were responsible for building the wider Fixed Income team in Henley. When they retired in December 2021, responsibility for asset allocation and fixed income selection fell solely to Edward Craven. While we acknowledge that Mr Craven is relatively inexperienced as a portfolio manager, he has been involved in the decision making since becoming a named manager on the fund in August 2020.

We are further comforted by the fact that the fund continues to be managed in the same way that it has always been with a focus on income but taking a flexible approach and an awareness of the total return over the long term. Mr Craven has been part of the fixed income team for 10 years and so is an experienced credit analyst. He has recently reduced his sector coverage, which will allow him more time to concentrate on the portfolio management side of his role.

In addition, over recent years, the process which the fixed income team follow has become more defined and structured and the manager will continue to follow an investment approach that makes the best use of the collective strength of the team. Mr Craven's role as chair of the monthly credit meeting, where discussions take place around companies and relative value amongst sectors, and also a member of the Global Asset Allocation Group, where macro analysts and portfolio managers come together to discuss macroeconomic views, make him well placed to manage the fund. Overall, we believe the combination of the manager and the strong resources that support him can continue to provide good returns for investors and we have been reassured by the start he has made in the lead manager role.

Fund Manager's Formal Objective

The objective of the Fund is to achieve a combination of income and capital growth over the medium to long term.

Outcome: Capital Accumulation, Income	Domicile: UK
Active/Passive: Active	Benchmark: IA Mixed Investment 20%-60% Shares
Asset Class: Multi Asset	IA Sector: IA Mixed Investment 20-60% Shares
Yield: 4.79%	Fund size: £1,618 M
Fund Manager: Ciaran Mallon, Edward Craven	Distribution Pay Date: January, February, March, April, May, June, July, August, September, October, November, December
Fund Price: 2.2 Pounds	Dividend Frequency: Monthly
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

Based in Henley-upon-Thames, Invesco is one of the largest investment management groups in the UK. It forms part of the Invesco Ltd Group, a leading global investment manager listed on the New York Stock Exchange.

Fund Manager/Team Overview

The lead portfolio manager on the fund is Edward Craven, having been appointed co-manager in August 2020. Mr Craven joined Invesco in 2011 and was previously a senior credit analyst. Mr Craven is responsible for the fund's asset allocation as well as selecting the fixed income securities, for which he is supported by the wider fixed income team in Henley. Asset allocation is determined by the manager's assessment of the current macroeconomic and technical environment combined with his views on market valuations.

Investment Philosophy & Process Overview

This is a traditional multi-asset distribution fund investing into fixed income, equities and cash. It has a bias to fixed income with a neutral weighting of 60% in fixed income and 40% in equities. This structural allocation and its sterling bias can at times dominate its performance profile within its peer group.

The fund will hold a range of global fixed income securities, although there is likely to be a bias to sterling and euro issues. Most non-sterling issues will be hedged to sterling. Fixed income holdings include a significant allocation to corporate bonds including high yield corporate bonds. The fixed income approach comprises three elements; macroeconomic analysis, credit analysis and value assessment. It begins with top-down economic analysis, seeking to understand the 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 risk. The team then turn their attention to bottom-up stock selection, assessing 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, with an emphasis on how these measures are changing. This should result in a thorough understanding of risk, enabling the managers to create a portfolio where they look to maximise returns from acceptable and well understood risk exposures. The final step in the process is to assess value, and to judge whether the potential returns of a security sufficiently justify the risks, both on an absolute basis and relative to cash, government bonds, corporate bonds and equities.

The UK equity component of the fund is primarily managed by Ciaran Mallon. He has managed this portion of the portfolio since 2013. This portfolio will comprise 30-35 of the manager's best ideas, but with a consideration of income and the conservative nature of the investor base. Mr Mallon's approach looks to ensure that every holding in the portfolio will pay a dividend, however the portfolio will consist of both high and lower yielding stocks. Mr Mallon's approach is long-term in nature and his preference is for high-quality businesses, which have strong balance sheets and sound business models. More recently the equity portfolio has broadened out and now has a small allocation to international equities, with this component managed by Stephen Anness. Index Futures may also be used to enable the manager to gain efficient exposure to the equity market.

ESG Integration

Fund ESG Integration

The managers do not currently use responsible investing factors as explicit inputs to the fund. That said, both the managers and analysts, in the course of meeting companies and conducting research into the underlying securities in the fund, will assess any environmental, social and governance (ESG) factors which they believe could have an impact on a security's valuation or where they believe it is in the best interests of clients to explore such factors. ESG is only used as one of many inputs into the decision of whether to buy or sell a bond or equity investment and is unlikely, except in extreme circumstances, to be overriding.

Risk Summary

The fund is a diversified portfolio of primarily bonds, equities and cash. It is therefore exposed to a number of risks. As the fund invests in fixed interest instruments, major risks are likely to be interest rate risk and credit risk. The manager attempts 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 team's 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 fund will also carry a meaningful exposure to equities. Equity share prices can move quickly, especially over the short term or in times of severe market dislocations, and therefore this also poses a major risk for the fund. However, this risk may be lessened by diversification across asset classes. Perhaps the biggest risk to an income-focused fund is that of not delivering income. Whilst the fund has done an excellent job of generating a steady, secure and relatively high level of income over time, investors should be aware that the income on this fund is not guaranteed and could fall. Ultimately we believe that the risks in this fund are well-managed, but risks will always be present.

Additional Information

Annualised Return:	3.66%
Annualised Volatility:	6.84%
Max Drawdown:	-14.43%
Max Gain:	9.66%
Max Loss:	-5.82%
Sharpe Ratio:	0.38
Sortino Ratio:	0.37

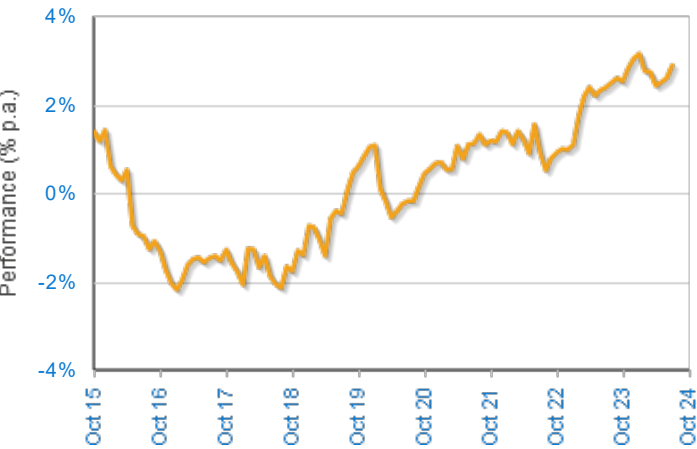
(3 years data to last month end unless otherwise stated)

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			

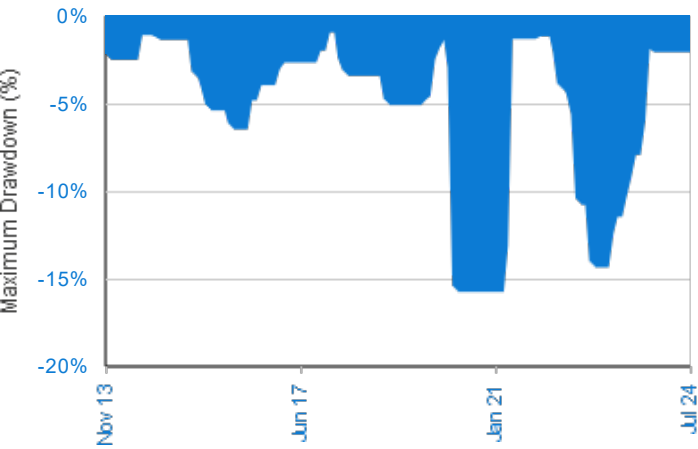
For the full summary of the risks, [click here](#)

3 Year Rolling Sector Outperformance



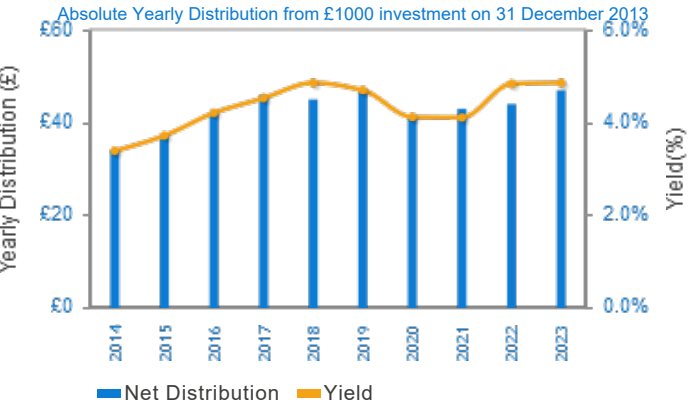
Source: Square Mile and Refinitiv, Data as at: 6th September 2024. Share price total return.

Maximum Drawdown (Rolling 12 Months)



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

Income



This graph assumes that income is distributed to shareholders and not reinvested. Yield represents share price fluctuations.
Source: Square Mile and Refinitiv, Data as at:

Calendar Year Performance To Quarter End

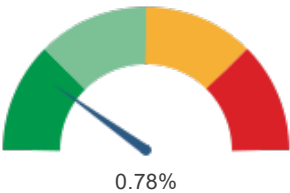
Period	Fund (%)	Sector (%)
2023	12.1	6.9
2022	-8.7	-9.8
2021	10.1	7.6
2020	2.8	3.4
2019	14.1	12.2

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

Value for Money

The ongoing charge figure (OCF) of this fund is below its peer group median. When one considers the total cost of investment (TCI) the fund also appears compelling within its peer group. However the prevalence of multi manager funds within the peer group, which carry a dual layer of charges, means the average cost is likely to be elevated. Nevertheless we believe this fund represents good value for money given the strong resources and the investment process which support it.

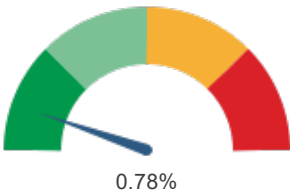
OCF v Peer Group



Transaction Costs v Peer Group



TCI v Peer Group



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

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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