Invesco Distribution

Fund Research Centre
Recommended

Why we recommend the fund

- This Recommended fund benefits from the experience of well-established investment teams based in Henley-on-Thames.
- The fund was established in 2004 and has been managed steadily and thoughtfully through many different market cycles. Bond strategies are underpinned by the team's unerring search for value across the different components of the fixed income universe. The equity component is designed to complement the bond allocation, providing diversification of income sources and the potential for capital appreciation.
- We believe that the teams are well-placed to offer a fund that is income-focused and suited to more cautious investors.

Key characteristics and expected outcome

- This is a mixed fund of equities, bonds and cash, with a permanent bias to bonds, where the team seeks to combine a consideration for income with a concern for long-term capital growth.
- The fund pays out its "natural" income each month and this means that distributions can fluctuate, according to the prevailing yield backdrop.
- The team is disciplined in investing according to their assessment of long-term value across markets. In the bond portion, the managers are known for reflecting their views with conviction, taking risk that is in keeping with their absolute value assessments. The equity portion is composed of UK equity income and global equity income components, which are managed with the aim of providing dividend growth and capital appreciation.
- The fund is suited to investors who are seeking a monthly income but are uncomfortable with the volatility associated with pure equity exposure.

Risk commentary

The fund's KIID Synthetic Risk and Reward Indicator (SRRI) is 4. This is a regulatory measurement that is, where possible, calculated from the volatility of its weekly performance over a five-year period. A score of 4 means the fund's historic volatility is between 5% and 10%.

The fund's realised volatility is lower than many peers, which typically have a higher weighting to equities. As the bond portion is managed flexibly, its volatility can vary according to the managers' chosen positioning and prevailing market conditions. Different share classes could have differing SRRI scores.



Key Fund Facts

Inception Date:	26 January 2004
Manager(s) Since:	Edward Craven (Sep 20) Stephen Anness (Apr 25) Ciaran Mallon (Oct 13)
Fund Domicile:	United Kingdom
Base Currency:	£ Sterling
Fund Benchmark:	IA Mixed Investment 20-60% Shares
IA Sector:	IA Mixed Investment 20-60% Shares

Formal documentation, including the fund prospectus and the KIID, should be sought directly from the asset manager. A link to the asset manager's website can be found on the relevant fund page at fundresearchcentre.co.uk.

Fund Snapshot

A mixed asset fund of bonds, equities and cash, with a permanent bias to bonds. The approach seeks to combine a consideration for income, which is paid monthly, with a concern for long-term capital growth. Within its sector, the fund features in our 'Bond Biased, Primarily Pan-European Bonds and Global Equities' category.

Investment Team

The fund is co-managed by Edward Craven, Stephen Anness and Ciaran Mallon. Mr Craven, working alongside his colleagues in Invesco's Henley-based Fixed Income Europe team, is responsible for the fund's bond allocation, as well as for the overall portfolio shape. The equity portion incorporates a global equity sub-portfolio, managed by Stephen Anness, and a UK equity sub-portfolio, managed by Ciaran Mallon. Both equity managers run well-established equity income strategies and are also based in Henley.

Investment Philosophy

The team aims to deliver a balance of income and long-term capital growth by investing in a diversified portfolio of equities, bonds and cash. In pursuing this objective, they believe that a flexible mandate is important as it enables them to adjust positions according to their assessments of market conditions and valuations. In addition, this flexibility enables them to capitalise upon opportunities that arise because of the investment constraints under which other market participants operate. Above all, their decisions are always underpinned by their assessments of value.

Investment Process

Mr Craven is responsible for the broad shape of the fund, and he employs a flexible asset allocation approach that is supported by the team's macro-economic views and the assessment of value across markets. At least 60% of the fund is invested in fixed income instruments, while exposure to equities typically ranges between 20% and 40%. The bond element is managed to deliver income with due regard to capital preservation, while the equity element is positioned to deliver growth of income and capital. The managers' appreciation and control of risk is embedded within their decision-making processes and expressed through the allocation decisions between bonds, equities and cash, as well as through the security selection choices within the bond and equity components.

The structure of the fixed income component is driven by the team's macro-economic views and the value that they identify across the broad bond sectors, including government bonds, investment grade bonds and high yield credit. Account is taken of duration, credit risk and areas of preference on the yield curve. Given the income objective of the fund, lower quality investment grade bonds and high yield bonds are typically well represented, although allocations are always pro-actively managed according to valuations and market circumstances.

Mr Anness manages the global equity portion of the equity allocation, using an approach that is bottom-up driven and focused upon stocks that are growing their dividends more quickly than the market. Mr Mallon manages the UK portion of the equity allocation, and he seeks to provide some income alongside the steady delivery of capital growth. Mr Craven can also use equity index derivatives to reinforce a particular equity market view, as well as to facilitate tactical allocation changes.

Portfolio Construction and Risk Controls

The mandate allows for flexibility and there are few formal constraints. A minimum of 60% of the fund is invested in debt securities. The bond portion of the fund is well diversified, holding a wide range of securities with a bias towards higher yielding issues. The equity allocation can range between 20% and 40% and is diversified across UK and global equity sub-components. The portfolio's "natural" income stream is distributed monthly and may fluctuate.

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