

# Invesco Bond Income Plus Limited

Debt - Loans & Bonds

## Introduction

Invesco is one of the world's leading independent investment firms, solely focused on investment management. It is listed on the New York Stock Exchange and is a constituent of the S&P 500 Index.

Invesco offers a diversified range of investment strategies, spanning all major equity, fixed income, asset allocation and alternative asset classes. These strategies are managed across various worldwide investment centres, each of which focus on distinct asset classes, investment styles or regions and adhere to clearly defined investment philosophies aligned with client expectations. Each team is able to operate independently, allowing them to follow their specific investment style and expertise.

[Click here to read the Invesco approach to ESG investing.](#)



## Manager - Rhys Davies & Ed Craven

Manager Since - August 2014 & July 2020

Rhys began his investment career in 2002 before moving to the Fixed Interest team in November 2003. In 2014 he was appointed deputy fund manager for the City Merchants High Yield Trust Limited and the Invesco Perpetual Enhanced Income Limited. He holds a BSc (Honours) in Management Science from the University of Manchester Management School and is a CFA charterholder.

Edward began his career with KPMG in 2003. In 2008 he moved to The Royal Bank of Scotland, where he worked in structured finance executing leveraged transactions for mid-market corporate and private equity backed businesses before joining Invesco in 2011. He is an FCA qualified Chartered Accountant and holds a master's degree in physics, from the University of Bath.

## Trust Objective

The trust's investment objective is to seek to obtain both high income and capital growth from investment predominantly in high-yielding fixed interest securities. The company seeks to provide a high level of dividend income relative to prevailing interest rates through investment in fixed-interest securities, various equity-like securities within fixed-income markets and equity-linked securities such as convertible bonds and in direct equities that have a high-income yield.

## Investment Process

The investment process comprises four key elements:

- top down, macroeconomic analysis – examining the factors that shape the economy.
- credit analysis using internal and external research with a view to maximising returns from acceptable and understood credit risk exposure.
- value assessment, considering the risk/return profile of any bond in relation to cash, core government bonds and the rest of the fixed interest universe.
- risk considerations, analysing all holdings to allow for a comprehensive understanding of risks involved to ensure diversification of the portfolio.

At the core of the Fixed Interest team's investment philosophy is a belief in active management. Fundamental principles drive a genuinely unconstrained investment approach which aims to deliver attractive total returns over the long term. The team's investment philosophy is built on a belief that fixed interest markets are mostly efficient but continually present opportunities.

Individual bond weightings are decided on a case-by-case basis using qualitative judgment and analysis. The Henley based Fixed Interest team believe this creates a portfolio sufficiently diverse to reduce risk and improve liquidity whilst maintaining its active nature. The number of securities held will vary according to the underlying investment strategy and preponderance of investment ideas. Generally, when the fund managers find more attractive opportunities in sectors of the market with a higher credit rating, the fund will tend to be less diversified. Conversely, if more attractive opportunities are found in the higher yielding areas of the market, they will tend to be more diversified. These are however general considerations rather than tightly defined rules.

Scaling into and out of positions is sometimes viewed as appropriate but is looked at on a case-by-case basis and not applied as a general rule. Buy and sell decisions are also made on a case-by-case basis, driven by qualitative judgement and analysis. Credits will be purchased if they offer good absolute and relative value, and the team believe they will be adequately rewarded for the associated risk. In-depth, continual analysis of the fundamentals of all holdings gives fund managers a full understanding of all the financial risks associated with any particular stock.

The bulk of the trust will be held in high yield securities, with additional exposure to corporate grade bonds. A small portion of the portfolio may be placed into equities securities to enhance income.

## Gearing

The level of gearing may be varied from time to time depending on prevailing circumstances subject to a maximum of 30% of the company's total assets. The company achieves this through a multi-currency revolving credit facility.

## Performance Fees

There is no performance fee payable.

## Discount Mechanism

The Board has been authorised to make market purchases up to 14.99% of issued share capital but has not been pro-active regarding buybacks in recent years.

## Our View

The fixed interest team at Invesco has a strong and defined process which they use across the whole fixed interest range. This combines both the macro and micro parts of selection. This trust will hold sub-investment grade assets (including B and below B) assets to achieve the yields required, but risk is tightly controlled by a separate portfolio monitoring and risk team. Fund managers effectively control stock-specific risk by ensuring that portfolios are always appropriately diversified. By buying into this trust you are embracing the general process defined by the Invesco team as well as the specific skills of the high yield team.

The Fixed Income team benefits from the resources provided by Invesco. The two fund managers are experienced and utilise in-house credit analysis provided by a large credit team, along with a dedicated dealing team. The process has an emphasis on bottom-up credit selection with Invesco receiving good access to company management, due to their large asset base. The long-term performance of the trust has been strong, and fees are reasonable, with no performance fee chargeable.

**How to Use This Trust:** This trust provides exposure to high yield securities, which is rare in the Investment Trust universe. The asset class itself could be viewed as high risk, but should provide some diversification to a portfolio of equity securities. Therefore the trust would be useful to add diversification in the portfolio of a medium to high risk investor.

## Key Strengths

### Business

As one of the largest investment managers in the UK, Invesco has the scale of resources to recruit and retain high quality investment professionals and provide them with strong supporting resources.

### Team

The two fund managers, Rhys Davies and Ed Craven are experienced and have a sound track-record. The Fixed Income team at Invesco includes a sizeable credit-research and trading team.

### Process

A mix of top-down and bottom-up analysis is undertaken. The team is able to secure good access to company management, given their scale.

### Product

There is no performance fee. Gearing is avoided, as the underlying securities provide enough portfolio risk. The long-term track record of the trust has been strong.



### Important Notice

This document is aimed at Investment Professionals only and should not be relied upon by Private Investors. Our comments and opinion are intended as general information only and do not constitute advice or recommendation. Information is sourced directly from fund managers and websites. Therefore, this information is as current as is available at the time of production.

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