

Invesco Asia Trust

Asia Pacific Equity Income

Introduction

Invesco is one of the largest independent investment managers in the UK, currently managing assets on behalf of consumers, institutional clients and investment professionals through a broad product range.



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

Manager - Ian Hargreaves & Fiona Yang

Manager Since - 01/02/2011 & 24/01/2022

Ian joined Invesco in 1994 as an investment analyst responsible for coverage of Indonesia, Korea and the Indian sub-continent, as well as managing several regional institutional client accounts. In January 2005, after more than 10 years with Invesco in Hong Kong, Ian returned to the UK to join the Henley-based Asian Equities team. He was appointed co manager of the trust in 2011 and sole manager in 2015.

Fiona joined Invesco in 2017 having started her career with Goldman Sachs in July 2012, initially within their graduate programme, before becoming a member of the Asian Equity sales team, where she was a China product specialist. Fiona is fund manager of the Asian Equity Income Fund and co-manager of the Invesco Asia Trust. Fiona holds a BSc (Honours) in Mathematics and Economics from the London School of Economics and Political Science.

Trust Objective

The objective is to provide long-term capital growth by investing in a diversified portfolio of Asian and Australasian companies. The trust aims to achieve growth in excess of its benchmark index, the MSCI AC Asia Ex Japan Index (net of withholding tax in sterling terms).

Investment Process

At the core of Invesco's investment philosophy is a belief in active investment management. The fund management teams employ a pragmatic, valuation-oriented approach that allows investment freedom. The teams can make their own stock selections free from the constraints of an index. Bottom-up analysis forms the basis of the investment process and stock selection is expected to be the main contributor to alpha generation.

The investment approach is value orientated, seeking companies which trade at a discount to fair value. Research provides a detailed understanding of a company's key historical and future business drivers, such as demand for its products, pricing power, market share trends, cash flow and management strategy. This allows the managers to form an opinion on a company's competitive position, its strategic advantages and disadvantages, and the quality of its management. This is incorporated into the analysis where they aim to form an overall view which may be different to that of the market for potential investee businesses. Out of favour stocks are expected to generate 10% a year or more in total shareholder return whilst the manager awaits a rerating in the stocks.

Each member of the portfolio management team travels to the region three or four times per year and therefore the team has contact with several hundred companies during each year. The manager will also use valuation models selectively in order to understand the assumptions that brokers/analysts have incorporated into their valuation conclusions and as a structure into which the managers can input their own scenarios.

Gearing

The manager has authority to use gearing up to the lower of 25% of net assets or £20 million.

Performance Fees

There is no performance fee.

Discount Mechanism

The Board considers it desirable that the Company's shares do not trade at a significant discount (10%) to NAV. To enable the Board to take action to deal with any material overhang of shares in the market, it seeks authority from shareholders annually to buy back shares.

Our View

Invesco's in-house value style plays out in the trust with management being vigilant on valuations and seeking out of favour or underperforming stocks and not necessarily deep value companies. These are balanced with 'new economy' holdings where the market may be underestimating the growth potential found through the fundamental analysis undertaken by the team. The trust is a different proposition to its peers which can be more growth orientated, however this has not held back returns versus the benchmark. A dividend yield based on Net Asset Value twice yearly was introduced to attract

further interest in the trust and seeks to reduce the discount at which the trust trades as compared to its net asset value. This has been a tactic used by other trusts and differentiates them from the open-ended equivalent. This is a stock picking trust where the managers seek returns from this element of the process as opposed to making macro calls.

How to Use This Trust: This trust uses modest amounts of gearing and will take large sector or regional positions where the bottom-up view demands it. The trust can be combined with a growth strategy, with the income policy providing a further return to holders.

Key Strengths
<div><div>Business</div><div>As one of the largest independent 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.</div></div> <div><div>Team</div><div>A small but highly experienced team run Asian mandates for institutional and retail clients. Ian Hargreaves has experience running money both locally and in the UK.</div></div> <div><div>Process</div><div>Invesco follow a conviction bottom up approach to stock picking. There is a focus on cash flow generation and strong company management.</div></div> <div><div>Product</div><div>This is a high active share trust with strong historical performance. Gearing is used modestly to enhance returns and no performance fee is payable.</div></div>



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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