

## Invesco Asian

Asia Ex Japan

### Introduction

The fund is unconstrained by a benchmark and includes Australia in its investment universe. The fund manager argues there is no inherent style bias but given they are seeking undervalued or out of favour opportunities there does tend to be a value bias. The process takes a fundamental approach with around 100 stocks monitored and 50-70 making it in the fund.

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



### Why RSMR Rate this Fund

- The contrarian thinking and stock picking skills of the team come to the fore in momentum driven markets which create investment opportunities.
- Total return mindset when assessing opportunities and peer assessment in the shortlisted investment universe.
- Valuation driven model with process driven sell discipline.

### Fund Process

At the core of Invesco's investment philosophy is a belief in active investment management. The fund management team employs a pragmatic, valuation-oriented approach and are able to make their own stock selections free from the constraints of the holdings within an index. Their focus is on absolute rather than relative returns, as they prefer to adopt an unweighted view of the market and to invest where they see value and opportunity.

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 team 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 team's overall analysis where they may form a view 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 re-rating in the stocks.

Seeking out contrarian ideas involves screening for companies which have underperformed the market, appear cheap quantitatively, where are expectations changing, and that are out of favour. This is where relative returns play their part in the idea generation process. The team is looking for contrarian ideas, whether these are laggards in a momentum market or where short-term issues may arise. The team want to take advantage of these inefficiencies as they arise, and also to take advantage of momentum driven markets where there is a narrow leadership which leaves behind companies which offer sustainable growth. The team are provided with a macro view of the region by colleagues which suggests which parts of the market will benefit from changes in the macro environment.

The largest constituents of the benchmark are financials and IT and these sectors will have a meaningful representation in the fund.

### Evaluation

This fund managers are actively looking for unloved companies which may have suffered share price falls or companies left behind in momentum driven markets. The team consider earnings growth and the re-rating potential of stocks and dividends to gauge the potential total return of holdings and potential investments. They do this over a three to five-year period giving the fund, and wider market, time to look through short term momentum moves. These are inefficiencies that the team seek to take advantage of through a market cycle.

### Application

This fund can be used as a core holding, it is expected that the valuation orientated process will see the fund lag any momentum based moves in the benchmark.

### Our Opinion

The fund's valuation focus should not be confused with a value orientated fund. The fund will have exposure to the largest areas of the benchmark – financials and IT. Strong momentum in a small number of names would see the fund lag but this would present opportunities to invest in names which meet the investment criteria of the fund. The managers are disciplined in adhering to the process and actively seek out contrarian positions.

#### Important Notice

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