

## Invesco Distribution

Mixed Investment 20-60% Shares

### Introduction

The Invesco Distribution fund is managed by the Invesco Fixed Income and UK Equity teams and sits within the IA Mixed Investment 20%-60% Shares sector. It aims to deliver long-term returns whilst paying an income. The team focuses on managing volatility in the fund; hence it will usually have a lower equity weighting (40% limit) and shorter duration than the sector. The fund will invest across all bond sectors and UK and overseas equity using hedging and derivatives where appropriate.



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

### Why RSMR Rate this Fund

- Provides a lower volatility way to access fixed interest and equity markets.
- High quality team in both fixed interest and equities.
- Proven track record in managing this type of strategy.

### Fund Process

The fund management team employs a pragmatic, valuation-oriented approach that allows investment freedom. The team can make their own security 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. They describe the investment process as pragmatic, by which they mean that there are no inherent style biases and that they have the flexibility to invest however they want to, within any investment parameters. The research function is not separated from the fund manager function which is an important distinction and one they believe is central to the success of the Henley-based investment teams. The majority of the research is qualitative and divides naturally between top-down macro analysis and bottom-up bond research. They have dedicated significant time and effort to top-down analysis, seeking to understand the current macroeconomic environment and to make informed forecasts of future conditions. The macroeconomic views play an integral role in all the main portfolio decisions.

The focus of the team's macro work is on the development of a view about the general direction and structure of interest rates, and the trend in the pricing of credit risk. The focus of the bottom-up research is determined by a combination of the output of the top-down macro analysis and internally or externally generated bond ideas in addition to original research. The fixed interest fund managers devote considerable resource to the assessment of research produced by external organisations, including that of brokerage houses, independent research firms and technical analysts. The equity portion of the fund will be a maximum of 40% of the portfolio and they can allocate to overseas equity and can give the mandate to any global manager at Invesco. The weightings between bonds and equities are decided by the Fixed Interest team and they will consider the relative attractiveness of both asset classes. The aim of the portfolio construction process is to gain exposure to the most attractive ideas within the investment parameters of each portfolio and to express their views on fixed interest markets. The process brings together the output of the team's top-down and bottom-up analysis.

### Evaluation

The team run the fund in a conservative manner, capping equity at 40% which is below the sector limit of 60%. The fund also tends to keep duration low to keep volatility low. As a result, the fund tends to underperform the sector in rising markets, but the team are comfortable with this as they generally take much less risk than the sector.

### Application

The fund can be used as a low risk option to gain exposure to fixed interest markets with a small proportion of equity. This could be used as a one stop shop for smaller portfolios or as a core position in a larger portfolio.

### Our Opinion

The process brings together two of Invesco's strongest teams in what is a relatively conservative fund, its balance dictated by the fixed interest element. The philosophy of fund managers remains the same for this combined portfolio as it does for the manager's individual funds. The aim is to provide a strong and rising income from the combined assets of equities and bonds. This may on occasion serve as a compromise to using one or the other strategy but given the portfolios are run independently at a stock selection level this shouldn't create too many long-term issues. We would consider this fund as a good first step into the equity market for income seekers without increasing the risk of a portfolio by a significant amount.

**Important Notice**

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