

Invesco Global Bond

Global Mixed Bond

Introduction

The fund is managed by Stuart Edwards and Jack Parker and invests in global bonds focusing mainly on government bonds but will also allocate to credit, high yield and EM where appropriate. The fund takes active currency positions and will move currency exposure by investing in non-sterling bonds and by using derivatives to hedge. The team are benchmark agnostic and will move the duration of the fund around which means returns can deviate from the benchmark. The portfolio is constructed using a macro framework based on the team's view of the world combined with bottom up analysis to determine which bonds would benefit most from this macro view.



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

Why RSMR Rate this Fund

- Invesco have a high quality and long-established fixed interest team.
- Benchmark agnostic and dynamic fund approach which enables greater risk adjusted returns.
- Gives investors a diversification option within fixed interest away from UK government and corporate bonds.

Fund Process

The team run a 4-stage investment process with all members of the team including analysts and dealers feeding into the process.

Stage one looks at the macro backdrop, which then forms a framework which is used to guide duration and sector calls as well as individual bond selection. The team will look outside of their macro view if they see opportunities in individual bonds which fall outside this view. Being a global fund, the team also focus on country risk with enhanced scrutiny on local politics, default risk of local government debt and inflation risk.

Stage two is credit analysis across geographies and industry sectors. There are seven dedicated credit analysts who are split into sectors. They undertake research into the credit worthiness of sectors and companies by hosting company meetings as well as looking through companies financial statements. They also speak to the equity managers and Multi-Asset managers to find their view on a company and its prospects.

Stage three is determining the fair value for a security based on the credit analysis and the macro outlook and not the value relative to an index. In keeping with an absolute risk and return mentality, a judgement is made about whether the potential returns (both from income and capital) sufficiently justify the risks.

Stage four of the process is portfolio construction and risk management. Once a security has been identified to go into the portfolio the weighting is then determined based on risk, correlation to other bonds and liquidity. The team are benchmark agnostic so do not construct the portfolio within a tracking error to a benchmark.

Evaluation

This fund aims to achieve a good overall investment return in the medium to long term with relative security of capital. As a result, we would expect the fund to perform well in risk off environments due to the defensive nature of the fund. With the team having a very dynamic approach positioning can change considerably, so there is a reliance on the team being positioned in the correct way but in general the fund is more defensively positioned. The fund does move its currency positioning around with sterling being between 15%-60% of the fund hence a UK based investor needs to be aware that any big move in sterling will affect returns.

Application

The fund can be used to gain exposure to the global bond market in a defensive way. This could be used as a core fund providing access to global bonds and currency as a large part of a fixed interest exposure or as a satellite position providing global bond and currency exposure.

Our Opinion

The fund has a well established investment history, and it continues to be managed in the same team based manner. The team have been successful at fixed interest investing for a number of years on various products. The process is not dissimilar in its core factors to that of the other funds although it clearly has to rely on a wider global perspective in the themes and information from the wider teams expertise is used more frequently. The flexibility the manager has on the fund is probably expressed here more than on other funds given the investment universe is so much wider although the fund concentrates in the core debt markets of the US and Europe. The fund provides a good option to gain exposure to the global bond market in a dynamic and defensive way.

Important Notice

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