

## Invesco High Yield

## Sterling High Yield

### Introduction

Invesco High Yield (UK) invests in high yield bonds with the aim of producing a high yield and some capital appreciation. The fund invests in global bonds but hedges the majority of the overseas holdings back to sterling and will typically have less than 5% in overseas currencies. The approach is benchmark agnostic and is focused on delivering long term performance which means over the short term performance can vary from the benchmark and sector.



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

### Why RSMR Rate this Fund

- Provides active exposure to high yield bond markets.
- Benchmark agnostic which allows the manager to take advantage of opportunities in the market and produces excess alpha.
- High quality investment team.
- Produces a high yield for income investors.

### Fund Process

The aim of the portfolio construction process is to gain exposure to the most attractive ideas within the investment parameters of the fund and to express views on fixed interest markets. The process brings together the output of the team's top-down and bottom-up analysis and the emphasis between these two sources of added value changes over time. 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 fund that is 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 the underlying 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 general considerations rather than tightly defined rules.

Scaling into and out of positions is sometimes viewed as appropriate, but once again is considered on a case-by-case basis and not applied as a general rule. Buy and sell decisions are made on a case-by-case basis, driven by qualitative judgement and analysis. In-depth, continual analysis of the fundamentals of all holdings gives the fund managers a full understanding of the financial risks associated with any particular stock. They are willing to buy off benchmark holdings and look at niche opportunities if there is value in these areas.

### Evaluation

The fund invests in high yield bonds and so performance is correlated to the high yield bond market. The fund is benchmark agnostic so performance can vary from the benchmark and sector but will generally move in the same direction. The fund will perform better in a risk on environment when credit spreads tighten, and defaults are low.

### Application

The fund can be used to increase risk within the fixed interest part of a portfolio and to add exposure to the high yield market in an active way. The fund can also be used to increase the yield of a portfolio.

### Our Opinion

The fund is run in a pragmatic way and may take big positions away from the benchmark to try and generate long term outperformance. The size of the fund enables it to look at smaller issuances and more niche opportunities than other funds can. As a result, the performance can vary away from the benchmark and look lumpy over the short term. The fund does invest in the riskier end of the fixed interest markets and investors should be aware that in times of market stress the asset class can have equity like volatility. We believe the approach can drive long term outperformance and the resources available at Invesco will help to deliver this.

### Important Notice

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