



Invesco UK Equities Pension Fund

As at 30 September 2020



Fund Manager: James Goldstone

Key facts

| | |
|-----------------|----------------------|
| Fund Manager | James Goldstone |
| Launch date | 31 October 2000 |
| Fund size | £80.58m |
| Benchmark/Index | FTSE All-Share Index |

Market commentary

The UK Equity market ended the September in negative territory reflecting news flow around the pandemic. Investors experienced something of a change in sentiment earlier in the third quarter, however, when optimism grew in August on the belief that the worst of pandemic's economic damage was behind us. By September, though, a steep rise in confirmed cases of the virus raised the prospect of a second lockdown.

Concerns about a stalling economic recovery ahead of the next round of Brexit negotiations also impacted sentiment. Volatility remained at elevated levels, though it has reduced from the extremes of March and April. It is likely to remain high until the outcome of the Brexit negotiations become clearer, the impact of a second (or third) wave of the virus is better understood, and pending further action by Governments and Central Banks - both in the UK and around the world.

The government unveiled the successor to the furlough scheme, under which it will cover up to 22% of the wages of workers in 'viable' jobs working reduced hours. The new subsidy is expected to cost £500m a month, compared with the £4bn monthly cost of the furlough scheme. The measures announced by the Chancellor should provide further effective support to the labour market and contribute to higher levels of employment, and lower levels of unemployment, than previously envisaged.

Decisive actions by Governments and central banks around the world have prevented the crisis from getting worse. It does, however, come at a cost. The new measures announced by the Chancellor will add to government debt but they are significantly less generous than the previous package, meaning that monthly borrowing is likely to fall. Meanwhile, the Office for National Statistics reported the UK economy shrank by 19.8% in the second quarter as the lockdown to contain the spread of the pandemic took its toll.

The portfolio manager favours companies with strong balance sheets, high barriers to entry and the ability to expand market share, believing that these traits help underpin long-term capital and income growth. The manager deploys an investment approach anchored around valuation, aiming to achieve total return via both capital and sustainable dividend growth.

Investment objective

The objective of the Fund is to achieve long-term (5 years plus) capital growth.

The Fund invests at least 80% of its assets in shares of companies incorporated, domiciled or carrying out the main part of their economic activity in the UK.

The Fund may use derivatives (complex instruments) to manage the portfolio more efficiently, with the aim of reducing risk, reducing costs and/or generating additional capital or income.

Annualised performance

| | % growth | |
|-----------------|----------|---------|
| | 3 years | 5 years |
| Fund | -3.95 | 4.02 |
| Benchmark/Index | -3.21 | 3.47 |

Standardised rolling 12-month performance

| | % growth | | | | |
|-----------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 30.09.15 30.09.16 | 30.09.16 30.09.17 | 30.09.17 30.09.18 | 30.09.18 30.09.19 | 30.09.19 30.09.20 |
| Fund | 15.77 | 18.72 | 1.01 | 4.58 | -16.12 |
| Benchmark/Index | 16.82 | 11.94 | 5.87 | 2.68 | -16.59 |

Past performance is not a guide to future returns.

The standardised past performance information is updated on a quarterly basis. Source: Invesco. Should you require up-to-date past performance information this is available by contacting our Pension Support Team on 0800 169 6282.

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| Top 10 holdings | % |
|----------------------------------|--------------|
| Barrick Gold | 5.98 |
| British American Tobacco | 4.24 |
| Tesco | 4.04 |
| Sse | 3.76 |
| Newmont Mining | 3.68 |
| BP | 3.60 |
| Barclays | 3.55 |
| JD Sports Fashion | 3.51 |
| Agnico Eagle Mines | 3.05 |
| Next | 2.93 |
| Total Top 10 Holdings (%) | 38.34 |
| No of holdings | 55 |

| Sector breakdown | % |
|--------------------|------------|
| Consumer Services | 23.26 |
| Financials | 19.10 |
| Basic Materials | 17.11 |
| Consumer Goods | 12.59 |
| Industrials | 12.32 |
| Utilities | 7.32 |
| Oil & Gas | 4.19 |
| Health Care | 2.12 |
| Telecommunications | 1.96 |
| Cash | 0.03 |
| Total | 100 |

General Risk Factors

You should consider the following general risk factors before investing in the Plan.

Depository Risk

The assets owned by each fund are held on trust for the fund by a custodian that is also regulated by the Financial Conduct Authority. The Financial Conduct Authority requires that the depository ensures that there is legal separation of non-cash assets held under custody and that records are maintained that clearly identify the nature and amount of all assets under custody, the ownership of each asset and where the documents of title to that asset are located. In case of a potential bankruptcy of the depository, cash positions in the fund are not protected and there may be a delay in regaining full control of the non-cash assets.

Market Risk

An investment in one or more of the funds will involve exposure to those risks normally associated with investment in stocks and shares such as general economic conditions, market events and the performance of the underlying investments. As such, the price of shares and the income from them can go down as well as up and an investor may not get back the full amount invested. There is no assurance that the investment objectives of any fund will actually be achieved.

Market Suspension Risk

A fund may invest in securities dealt on a market or exchange. Trading on a market or exchange may be halted or suspended due to market conditions, technical problems or other events and, during such circumstances, the fund will not be able to sell the securities traded on that market until trading resumes.

Further, trading of the securities of a specific issuer may be suspended by a market due to circumstances relating to the issuer. If trading of a particular security is halted or suspended, the relevant fund will not be able to sell that security until trading resumes.

Fund Suspension Risk

Investors should be aware that dealing in the shares can be suspended in fund(s) in exceptional circumstances. More information on this can be found in the Terms and Conditions.

Market Liquidity Risk

A fund may be affected by a decrease in market liquidity for the securities in which it invests which may mean that shares in those securities may not be sold at their true value.

Termination Risk

A fund may be terminated under certain conditions and in the manner specified in the Terms and Conditions. It is possible that at the time of such termination, certain investments may be worth less than their acquisition cost, resulting in investors having to realise an investment loss and/or being unable to recover an amount equal to their original capital invested.

Currency Exchange Risk

A fund's assets may be invested in securities denominated in currencies other than Pound Sterling. Changes in exchange rates may adversely affect the value of any investment, which will have a related effect on the price of shares.

Investing in Assets Traded on Non-Eligible Markets

The funds are permitted to invest up to 10% of assets traded on markets which may not meet the criteria in the FCA Rules to be considered eligible and therefore may not be regulated. Investors should be aware that these markets may not be regulated and there may be problems with liquidity, repatriation of assets or custody of assets. Where appropriate, the funds may also hold assets which are not traded on any market and the same risks apply, with additional risks linked to concentrated ownership and greater fluctuations in the value of the fund.

Counterparty Risk

The funds may enter into derivatives transactions or place cash in bank deposit accounts, which would expose the funds to the credit of its counterparties and their ability to satisfy the terms of such contracts. In the event of a bankruptcy or insolvency of a counterparty, the funds could experience delays in liquidating positions and significant losses, including declines in the value of investments during the period in which a fund seeks to enforce its rights, inability to realise any gains on its investments during such period and fees and expenses incurred in enforcing its rights.

Use of Warrants

The funds may invest in warrants. Warrants are instruments where the price, performance and liquidity are linked to that of an underlying security. However, the warrants market is generally more volatile and there may be more fluctuations in the price of the warrant than in the underlying security.

Use of Financial Derivative Instruments for Efficient Portfolio Management

All funds may make use of derivatives for efficient portfolio management ("EPM"). These techniques aim to reduce risk and/or costs in the funds, or produce additional capital or income in the funds. It is not intended that using derivatives for EPM will increase the volatility of the funds. In adverse situations, however, a fund's use of derivatives for EPM may become ineffective and a fund may suffer significant loss as a result. A fund's ability to use EPM strategies may be limited by market conditions, regulatory limits and tax considerations. It is not intended that the use of derivatives for EPM within a fund will materially alter the overall risk profile of the fund.

Any income or capital generated by EPM techniques will be paid to the relevant fund.

In addition to using derivatives for EPM, a fund may also use derivatives for investment purposes where stated in its investment objective.

Performance and portfolio data as at 30 September 2020. Performance figures are total returns, denominated in sterling, net of fees. The returns are calculated using the quoted dealing prices. A single swinging price is determined according to net cash flows. Returns are net of the annual management charge payable in respect of the institutional share class of 0.75% (source: Invesco)

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Investment risks

The value of investments and any income will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the full amount invested.

Where FTSE sector breakdown categories are provided, the Industry Classification Benchmark is a joint product of FTSE International Limited and Dow Jones & Company, Inc. and has been licensed for use.

Investing in Equity Securities

Investing in equity securities involves risks associated with the unpredictable drops in a stock's value or periods of below-average performance in a given stock or in the stock market as a whole. Share prices on equity markets may fluctuate. Such fluctuations, or volatility, have historically been much greater for equity markets than the volatility of fixed income markets.

Investing in Smaller Companies

The fund invests in smaller companies which may result in a higher level of risk than a fund that invests in larger companies. Securities of smaller companies may be subject to abrupt price movements and may be less liquid, which may mean they are not easy to buy or sell.

COVID-19

As a result of COVID-19, markets have seen a noticeable increase in volatility as well as, in some cases, lower liquidity levels; this may continue and may increase these risks in the future. In addition, some companies are suspending, lowering or postponing their dividend payments, which may affect the income received by the fund during this period and in the future.

Important information

Where individuals or the business have expressed opinions, they are based on current market conditions, they may differ from those of other investment professionals and are subject to change without notice.

For more information on this fund, please refer to the most up-to-date Invesco Trustee Investment Plan Brochure and Key Features Document, and to the fund's Key Information Document. These documents are available on the Invesco Pensions Website: www.invesco.co.uk/pensions

Administration services provided by JLT Benefit Solutions Limited for and on behalf of Invesco Pensions Limited. JLT is part of Mercer, a Marsh & McLennan company.

Telephone calls may be recorded.

Contact information

Pensions team

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Invesco is a business name of Invesco Pensions Limited
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