

# Invesco Global Targeted Income Pension Fund

As at 31 December 2020



**Fund Managers:** Gwilym Satchell, Georgina Taylor, Richard Batty and Sebastian Mackay

## Key facts

Fund Managers	Sebastian Mackay/ Richard Batty/ Gwilym Satchell/ Georgina Taylor
Fund launch date	14 September 2017
Fund size	£4.98k <sup>1</sup>

## Fund strategy

The fund targets a gross income of 3.5% each calendar year above UK 3-month LIBOR, before corporation tax. We take a conviction-led approach to sourcing good, long-term thematic investment ideas, using both traditional asset types and derivatives before applying robust risk management to blend these ideas into a truly diversified portfolio, with a clearly defined income and volatility target.

## Investment objective

The objective of the Fund is to provide income and capital preservation in all market conditions over a rolling 3 year period.

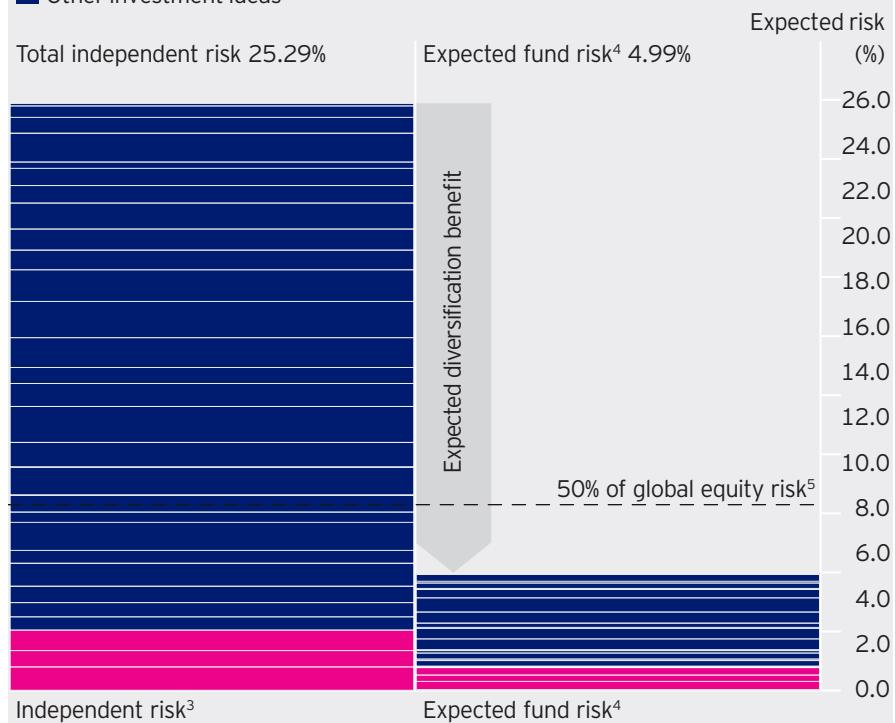
The Fund invests in the Invesco Global Targeted Income Fund (UK), a fund managed by Invesco (the "Underlying Fund"). The Underlying Fund aims to deliver a gross income of 3.5% p.a. above UK 3 month LIBOR before the deduction of corporation tax, whilst aiming to preserve capital in all market conditions over a rolling 3 year period. The Underlying Fund aims to achieve this with less than half the volatility (a measure of the size of short term changes in the value of an investment) of global equities, as measured by the MSCI World Index GBP Hedged Net Total Return, over the same rolling 3 year period. There is no guarantee that the Underlying Fund will achieve these aims and an investor may not get back the full amount invested, as capital is at risk.

The Underlying Fund is actively managed and seeks to combine a wide range of investment ideas in a diversified portfolio. The Underlying Fund uses a range of investment strategies and techniques to invest in a broad selection of asset classes across all economic sectors worldwide.

The strategies make significant use of derivatives (complex instruments) for investment purposes and to manage the Underlying Fund more efficiently, with the aim of reducing risk, reducing costs and/or generating additional capital or income.

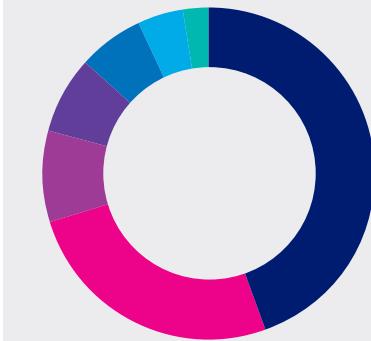
## Expected diversification from combining investment ideas<sup>2</sup>

- Ideas expressed through Invesco investment strategies
- Other investment ideas



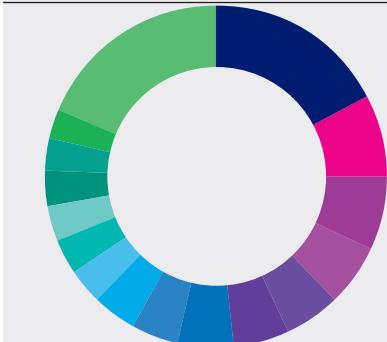
**Invesco Global Targeted Income Pension Fund**  
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**Independent risk breakdown  
by asset type %<sup>2,3</sup>**



Equity	44.50
Currency	25.95
Interest Rates	8.96
Inflation	7.38
Credit	6.29
Volatility	4.68
Commodity	2.24
<b>Total</b>	<b>100.00</b>

**Independent risk breakdown  
by region %<sup>2,3</sup>**



United States	17.49
Europe	7.66
Hong Kong	6.84
Taiwan	5.88
United Kingdom	5.33
Japan	5.32
China Offshore	5.20
Chile	4.42
Russia	4.13
Hungary	3.41
Norway	3.33
Asia	3.31
Australia	3.28
Singapore	3.11
Poland	2.95
Other Countries	18.36
<b>Total</b>	<b>100.00</b>

**Independent risk<sup>3</sup> breakdown by idea**

	%
Commodity - Commodity Carry	0.57
Credit - Selective Credit	0.70
Credit - US High Yield	0.89
Currency - Japanese Yen vs Europe	0.61
Currency - Japanese Yen vs US Dollar	0.71
Currency - New Zealand	0.01
Currency - Norwegian Krone vs UK Pound	0.99
Currency - Poland vs Europe	0.55
Currency - Russian Ruble vs Canadian Dollar	1.21
Currency - Swedish Krona vs Euro	0.45
Currency - US Dollar vs Asia	0.73
Currency - US Dollar vs Chilean Peso	1.20
Equity - Australia	1.05
Equity - China	1.55
Equity - Diversified Alpha	0.99
Equity - Equity Optionality	0.69
Equity - Japan	1.29
Equity - Long European Mid Caps	1.56
Equity - Short European Industrials	1.37
Equity - Short India	0.85
Equity - Taiwan Carry	0.91
Equity - UK	1.02
Inflation - Short UK	1.12
Inflation - US Steepener	0.75
Interest Rates - Selective EM Debt	0.74
Interest Rates - UK vs Germany	0.28
Interest Rates - Yield Compression	1.24
Volatility - Global FX Volatility	0.68
Volatility - US Variance	0.50
Cash & Residual FX	0.11
<b>Total independent risk</b>	<b>25.29</b>

**Invesco Global Targeted Income Pension Fund**  
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	Performance						% growth
	3 months	YTD	1 year	3 years	Since 14.9.17	5 years	
Fund	-0.75	-1.90	-1.90	-0.13	-0.29	n/a	

	Standardised rolling 12-month performance						% growth
	31.12.15	31.12.16	31.12.17	31.12.18	31.12.19	31.12.20	
Fund (Accumulation share class)	31.12.16	31.12.17	31.12.18	31.12.19	31.12.19	31.12.20	

**Past performance is not a guide to future returns.**

The standardised past performance information is updated on a quarterly basis. Performance for periods greater than 12 months are annualised. Fund performance source: Invesco. Should you require up-to-date past performance information this is available by contacting our Pension Support Team on 0800 169 6282.

- <sup>1</sup> This pension fund is invested in the Invesco Global Targeted Income Fund (UK) ICVC (fund size £56.34m).
- <sup>2</sup> All fund portfolio figures within this leaflet are as at 31 December 2020 (Source: Invesco).
- <sup>3</sup> Independent risk - the expected volatility of an individual idea as measured by its standard deviation over the last three and a half years.
- <sup>4</sup> Expected fund risk - the expected volatility of the fund as measured by the standard deviation of the current portfolio of ideas over the last three and a half years.
- <sup>5</sup> Global equity risk is the expected volatility of the MSCI World index as measured by its standard deviation over the last three and a half years, 16.06%, on 31 December 2020.
- <sup>6</sup> Residual FX refers to risk arising from unhedged currency exposure rather than an individual investment idea.

Performance and portfolio data as at 31 December 2020. Performance figures are total returns, denominated in sterling, net of fees. They are calculated on a single swinging price (no bid-offer spread) basis, net of the annual management charge payable in respect of the institutional share class of 0.70% (source: Invesco).

# Invesco Global Targeted Income Pension Fund

## As at 31 December 2020

### General Risk Factors

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

#### Management Risk

The investment performance of a fund is substantially dependent on the services of the manager. In the event of the death, disability, departure, insolvency or withdrawal of the manager's key personnel, including portfolio managers, the performance of the fund may be adversely affected.

#### Depositary Risk

The assets owned by each fund are held on trust for the fund by a depositary that is also regulated by the Financial Conduct Authority. The Financial Conduct Authority requires that the depositary 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 depositary, 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 units 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 the dealing 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 units.

#### Investing in Repurchase/Reverse Repurchase agreements

To the extent that a fund may invest in Repurchase/Reverse Repurchase agreements, investors must notably be aware that; (A) in the event of the failure of the counterparty with which cash of a fund has been placed there is the risk that collateral received may yield less than the cash placed out, whether because of inaccurate pricing of the collateral, adverse market movements, a deterioration in the credit rating of issuers of the collateral, or the illiquidity of the market in which the collateral is traded; (B) (i) locking cash in transactions of excessive size, (ii) delays in recovering cash placed out, or (iii) difficulty in realising collateral may restrict the ability of the fund to meet redemption requests, security purchases or, more generally, reinvestment; and (C) repurchase/ reverse repurchase transactions will, as the case may be, further expose a fund to risks similar to those associated with optional or forward financial derivative instruments.

#### 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 fund 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.

# Invesco Global Targeted Income Pension Fund

## As at 31 December 2020

### 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.

#### Investing in Financial Derivatives Instruments

There are certain investment risks that apply in relation to the use of financial derivative instruments. Derivatives may be used to provide protection for an investment or as a cheaper and more liquid alternative for an investment. However should expectations in employing such techniques and instruments be incorrect or ineffective, a fund may suffer a substantial loss, having an adverse effect on its value.

All funds may make use of financial derivative instruments for efficient portfolio management ("EPM"). These techniques aim to reduce risk, costs in a fund and/or produce additional capital or income in a fund. Financial derivative instruments may also be used as part of the principal investment policies and strategies, where stated in its investment objectives. Such strategies might be unsuccessful and incur losses for the fund, due to market conditions. A fund's ability to use these strategies may be limited by market conditions, regulatory limits and tax considerations.

Investments in financial derivative instruments are subject to normal market fluctuations and other risks inherent in investment in securities. In addition, the use of financial derivative instruments involves certain risks, including:

- dependence on the manager's ability to accurately predict movements in the price of the underlying security;
- imperfect correlation between the movements in securities or currency on which a financial derivative instrument's contract is based and movements in the securities or currencies in the fund;
- the absence of a liquid market for any particular instrument at any particular time which may inhibit the ability of a fund to liquidate a financial derivative instrument at an advantageous price;
- possible impediments to efficient portfolio management or the ability to meet repurchase requests or other short term obligations because a percentage of a fund's assets may be segregated to cover its obligations.

#### Leverage

Leverage exists when a fund purchases or sells an instrument or enters into a transaction without investing cash in an amount equal to the full economic exposure of the instrument or transaction and a fund could lose more than it invested. Leveraged transactions multiply the risk of potential losses when position results are contrary to expected market directions, compared to direct holdings, and may add significant risk because of added payment obligations.

#### Fund of funds

The fund will be subject to the risks associated with the underlying funds in which it invests.

#### 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. Shares' 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

Funds investing in smaller companies invest in transferable securities which may be less liquid than the securities of larger companies, as a result of inadequate trading volume or restrictions on trading. Securities in smaller companies may possess greater potential for capital appreciation, but also involve risks, such as limited product lines, markets and financial or managerial resources and trading in such securities may be subject to more abrupt price movements than trading in the securities of larger companies.

#### Investing in Fixed Interest Securities

The following is a brief summary of some of the more common risks associated with funds that invest in fixed interest securities:

- **Interest Rate Risk** - Funds that invest in bonds or other fixed income securities may be impacted by interest rate changes. The level of income received from fixed income securities may be reduced in periods of low interest rates. Generally, the prices of debt securities rise when interest rates fall, while the prices fall when interest rates rise. Longer term debt securities are usually more sensitive to interest rate changes.
- **Market Liquidity Risk** - A fund may be adversely affected by market conditions such as a decrease in market liquidity which may mean that it is not easy to buy or sell securities. A fund's ability to acquire or to dispose of securities at their intrinsic value may also be affected.
- **Issuer Risk** - A fund that invests in bonds and other fixed income securities are subject to the risk that issuers do not make payments on such securities. A lowering of the credit rating of the issuer of a bond or of the bond itself may cause volatility in the price or reduce the security's liquidity, making it more difficult to sell. Funds investing in lower quality debt securities are more susceptible to these problems and their value may be more volatile.

#### Investing in High Yield Bonds

Where a fund invests in higher risk fixed interest securities, many of the investments will be in "below investment grade" securities (generally defined as below BBB by leading rating agencies). Investment in such securities brings an increased risk of default on repayment and therefore increases the risk that the income and capital of the fund will be affected.

As a general rule, fixed interest securities with an above average yield tend to be less liquid than securities issued by issuers with a higher investment grade. Furthermore, the solvency of issuers of such fixed interest securities may not be guaranteed in respect of either the principal claim or regarding the interest payments and it may not be excluded that such issuers may become insolvent.

#### Investing indirectly in Commodities

Investments which provide an exposure to commodities markets and/or a particular sector of the commodities markets, may subject funds to greater volatility than investments in traditional securities, such as stocks and bonds. The commodities markets may fluctuate widely based on a variety of factors, including changes in overall market movements, domestic and foreign political and economic events and policies, war, acts of terrorism, changes in domestic or foreign interest rates and /or investor expectations concerning interest rates, domestic and foreign inflation rates and investment and trading activities of commingled investment funds, hedge funds and commodities funds.

Political, military and natural events may influence the production and trading of commodities and, as a consequence, influence financial instruments which grant exposure to commodities. Terrorism and other criminal activities may have influence on the availability of commodities and therefore also negatively impact financial instruments which grant exposure to commodities.

The price of various commodities may also be affected by factors such as drought, floods, weather, livestock disease, embargoes, tariffs and regulatory developments. The prices of commodities can also fluctuate widely due to supply and demand disruptions in major producing or consuming regions. Because the performance of the funds is linked to the performance of volatile commodities, investors should be willing to assume the risks of potentially significant fluctuations in the value of the funds.

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## Investment risks

### Use of Credit Default Swaps

Credit default swaps ("CDS") are designed to transfer credit exposure of fixed income products between the buyer and seller. A fund would typically buy a CDS to protect against the risk of default of an underlying investment, known as the reference entity and would typically sell a CDS for which it receives payment for effectively guaranteeing the creditworthiness of the reference entity to the buyer. In the latter case, a fund would incur exposure to the creditworthiness of the reference entity but without any legal recourse to such reference entity.

In addition, as with all over the counter derivatives, CDS expose the buyer and seller to counterparty risk. There is also the risk of legal disputes as to whether a credit event has occurred, which could mean a fund cannot realise the full value of the CDS. There may be limited capability to close out a CDS position before its maturity if this is required for any reason.

### Use of Total Return Swaps

A total return swap is a contract in which one party receives interest payments on a reference asset, plus any capital gains and losses accrued on the underlying position over the payment period, while the other receives a specified fixed or floating cash flow unrelated to the credit worthiness of the reference asset. The payments are usually based on the same notional amount. The interest payments are usually based on floating rates (LIBOR) with a spread added according to the agreement between the parties. The reference asset may be any asset, instrument, index, or basket of assets or instruments of indices, including trading strategies. The total return swap allows one party to derive the economic benefit of owning an asset or index without buying directly into that asset or index. Total return swaps can be "funded" or "unfunded". In a funded total return swap the fund will pay the principal to the counterparty whereas in an unfunded swap the principal will not be paid. Unfunded total return swaps are also referred to as excess return swaps.

### Investment in Emerging Markets

Investments in emerging markets may be more volatile than investments in more developed markets. Some of these markets may have relatively unstable governments, economies based on only a few industries and securities markets that trade only a limited number of securities. Many emerging markets do not have well developed regulatory systems and disclosure standards may be less stringent than those of developed markets. The risks of expropriation, nationalisation and social, political and economic instability are greater in emerging markets than in more developed markets. The following is a brief summary of some of the more common risks associated with emerging markets investment:

- **Lack of Liquidity** - The acquisition and disposal of securities may be more expensive, time consuming and generally more difficult than in more developed markets. Many emerging markets are small, have low trading volumes, low liquidity and significant price volatility.
- **Settlement and Custody Risks** - Settlement and custody systems in emerging markets are not as well developed as those in developed markets. Standards may not be as high and supervisory and regulatory authorities not as sophisticated. As a result there may be a risk that settlement could be delayed and that cash or securities could be disadvantaged.
- **Investment and Remittance Restrictions** - In some cases, emerging markets may restrict the access of foreign investors to securities. As a result, certain equity securities may not always be available to a fund because the maximum permitted number of investment by foreign shareholders has been reached. In addition, the outward remittance by foreign investors of their share of net profits, capital and dividends may be restricted or require governmental approval and there can be no guarantee that additional restrictions will not be imposed.
- **Accounting** - Accounting, auditing and financial reporting standards, practices and disclosure requirements applicable to companies in emerging markets differ from those applicable in more developed markets in respect of the nature, quality and timeliness of the information disclosed to investors and, accordingly, investment possibilities may be difficult to properly assess.

### Investing in assets traded on non-Eligible Markets

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. This may lead to 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 funds.

### 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.

## 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.

This document is marketing material and is not intended as a recommendation to invest in any particular asset class, security or strategy. Regulatory requirements that require impartiality of investment/investment strategy recommendations are therefore not applicable nor are any prohibitions to trade before publication. The information provided is for illustrative purposes only, it should not be relied upon as recommendations to buy or sell securities.

For more information on this fund, please refer to the most up-to-date Institutional Trustee Investment Plan Brochure and Institutional Trustee Investment Plan 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](http://www.invesco.co.uk/pensions)

Telephone calls may be recorded.

## Contact information

### Pensions team

Telephone 0800 420 042

Email [pensions@invesco.com](mailto:pensions@invesco.com)  
[www.invesco.co.uk/pensions](http://www.invesco.co.uk/pensions)

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(Firm Reference Number: 188249)  
Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority  
Head Office and Registered Address:  
Perpetual Park, Perpetual Park Drive,  
Henley-on-Thames, Oxfordshire RG9 1HH, UK  
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