Invesco UK Corporate Bond Pension Fund
As at 31 December 2018

Fund Managers: Paul Causer, Paul Read and Michael Matthews

Key facts	
Fund Managers	Paul Causer/Paul Read/ Michael Matthews
Launch date	31 October 2000
Fund size	£6.42m[1]
Benchmark/Index ICE BofAML Sterling Non-Gilt Index[2]	

Market commentary

The final quarter of 2018 saw an increase in market volatility capping what has been a testing period for risk markets. Among the catalysts leading to a deterioration in sentiment were rising tensions over trade between the US and China, disagreement between the European Union and Italy over the Italian budget deficit, Brexit and US interest rate policy. There was also weakness within non-financial high yield bonds with retail consumer services sectors in particular coming under pressure and being punished for signs of weakness in a way that we have not seen for some time. Against this backdrop, government bonds outperformed corporate bonds and investment grade outperformed high yield.

The subordinated bonds of companies within the financial sector remain the fund's largest sectoral allocation. The two largest non-financial exposures are to the utility and telecom sectors. Interest rate sensitivity (duration) remains low relative to the broader sterling corporate bond market. The fund also has an allocation to US dollar denominated bonds. The majority of the currency exposure from these positions is hedged back to sterling.

Investment objective

The pension fund invests in the Invesco Corporate Bond Fund (UK), a collective investment scheme managed by Invesco Fund Managers Limited. The fund aims to achieve a combination of income and capital growth over the medium to long term by investing primarily in investment grade corporate debt securities.

Annualised performance		% growth
	3 years	5 years
Fund	2.96	3.35
Benchmark/Index	4.34	5.15

Standardised rolling 12-month performance					% growth
	31.12.13 31.12.14	31.12.14 31.12.15	31.12.15 31.12.16	31.12.16 31.12.17	31.12.17 31.12.18
Fund	6.42	1.52	5.49	5.85	-2.26
Benchmark/Index	12.35	0.71	10.60	4.34	-1.57

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 bond issuers	%
Barclays	5.04
Lloyds	4.15
Vodafone	2.73
Nationwide	2.56
Tesco	2.51
EDF	2.32
HSBC	2.27
AXA	2.14
AT&T	2.12
Std Life	2.09
Total Top 10 Bond Issuers (%)	**27.94**
No of Holdings:	240

Credit rating breakdown	%
AAA	4.71
AA	4.56
A	14.26
BBB	59.94
BB	10.78
B	0.19
Not Rated	3.27
Derivatives	-0.13
Cash	2.42
Total	**100**

[1] This pension fund is invested in the Invesco Corporate Bond Fund (UK) ICVC (fund size £4,272.98m).

[2] From 1 July 2017 this changed from Merrill Lynch Sterling Non Gilts All Stock Index.

Performance and portfolio data as at 31 December 2018. 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 retail share class of 1.0% (source: Invesco).

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

Depositary 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 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 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.

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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.

Portfolio information for this pension fund is taken from the underlying fund.

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 invest 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's investment policy is to invest 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.

Use of Financial Derivatives Instruments for investment purposes
Financial derivative instruments may be used as part of the principal investment policies and strategies. 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;
- a leverage risk which 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 risks because of added payment obligations; and
- 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.

Investing in collective investment schemes and/or unit-linked funds
Where a fund invests across a range of funds with a view to diversifying risk and potential returns, each of these underlying funds may have specific risks. Examples include: emerging market funds, smaller company funds and concentrated funds.

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.

Telephone calls may be recorded.

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