Monthly Update
May 2024

Invesco Global Investment Grade Corporate Bond Strategy

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30 Second Read

- It was a positive month for corporate bond markets as government bond yields fell and spreads tightened slightly.
- The Fund was slightly ahead of benchmark on an end of day basis thanks to our credit positioning.
- We moderated our banking overweight into non-financials and bought duration as rates retraced in the second half.
- Despite the rally, yields on corporate credit are still at 15-year highs

Performance

Global government bond markets got off to a strong start, drawing support from a slowdown in US jobs growth and a push back from US Federal Reserve Chair Powell on the prospect of US interest rate hikes. Mid-month the rally started to fade on more upbeat economic data and sticky inflation figures, particularly in Europe. US treasuries led the gains for May; UK gilts also delivered positive returns. By contrast, returns from German bunds were negative.

It was a positive month for corporate bond markets. Investment Grade spreads tightened slightly, with Europe outperforming the US in spread terms, however the opposite was true in total return terms given underlying government yield moves noted above.

In this context, the Fund was up strongly, as was the benchmark. A strong market rally on the last afternoon of the month due to lower-than-expected US inflation figures impacted relative performance on an official NAV basis, however when measured on end-of-day returns, the Fund was slightly ahead of the index.

The modest outperformance was driven by credit positioning; the contribution from rates was neutral as we were overweight duration overall but underweight in longer maturity USD which outperformed.

Fund Positioning

The Fund follows a Theme-based approach which drives relative value positioning versus the benchmark across the Thematic Risk Factors (region, sector, capital structure, credit curve term structure and currency basis). Despite a compression in credit spreads as investors reach for high quality income in a more buoyant growth scenario, the interest rate environment of "higher for longer" means the all-in yield of the asset class remains attractive by historical standards. Regionally, Europe and the UK look more attractive than the US. This, combined with our view that US companies will be more willing to re-leverage through capital investment and M&A whilst growth remains at or above trend, drives an ongoing underweight to the US in credit terms.

During the month we took advantage of the financial outperformance by moderating our bank overweight and rotating into non financials via the primary issuance market. We also extended the Fund's duration overweight on episodes of rates selling off.

Outlook

We are overweight duration in Europe and UK on expected weakness of economic activity and inflation falling into target ranges much earlier than the US, given sensitivity to goods rather than services and natural gas. The ECB saw fit to cut at its June meeting; further cuts are less certain however and will be data contingent.

Even with the recent rally in government yields and tightening of spreads, yields on corporate credit remain at levels not seen for 15 years. For those concerned about interest rates remaining higher for longer, we note that the prevailing levels of yield offer a good starting position for returns whilst shielding against a retracement in interest rates.

We are overweight Euro credit as we find it attractive to US but have been reducing spread risk given the outperformance year to date. That said, we still see relative value opportunities; on an industry basis we are overweight banks, TMT and energy over REITs and consumer cyclical names (i.e.: avoiding growth- and interest rate-sensitive sectors).

Our approach in this environment involves prudently adding high quality income to the fund through the new issue market, whilst having scope to add risk as opportunities present themselves.

Performance Appendix

Strategy Performance %	YTD	1 Month	3 Months	1 Year	3 Year	5 Year
Invesco Global Investment Grade Corporate Bond Composite (Gross)	-0.03	0.94	0.92	7.53	-1.65	1.65
Bloomberg Barc Global Agg Corp Index Hdg USD	-0.39	1.42	0.76	5.50	-1.87	1.17
Excess Return	0.37	-0.48	0.16	2.03	0.22	0.48

Please note: Returns are preliminary, in USD, as at end May 2024. EOD pricing methodology hence the figures may differ from official returns. Periods >1y are annualised.

Past performance does not predict future returns.

Source: Invesco as at end May 2024. Please note that performance figures reflect the echo effect caused by differences in timing between the pricing of the strategy and pricing of its benchmark. Returns less than one year are cumulative; all others are annualised. Gross performance figures are shown in US$, inclusive of reinvested income, gross of ongoing charges and net of portfolio transaction costs. The figures do not reflect the entry charge paid by individual investors.

GIPS Composite Presentation

	Net rate of return (%)	Gross rate of return (%)	Benchmark return (%)	Composite 3-Yr Ann St Dev (%)	Benchmark 3-Yr Ann St Dev (%)	No of port-folios	Composite assets (USD mn)	Percentage of Firm assets (%)	Total firm assets[1] (USD bn)	Composite dispersion (%)
2023	10.16	10.57	9.10	8.54	7.75	1.00	1,105.63	N/A	N/A	N/A
2022	-16.03	-15.71	-14.11	9.32	8.26	1.00	1,025.20	N/A	N/A	N/A
2021	-0.21	0.17	-0.79	6.84	6.12	1.00	2,067.89	0.21	975.05	N/A
2020	8.09	8.50	8.26	6.78	6.02	1.00	2,808.90	0.32	875.96	N/A
2019	15.24	15.68	12.51	3.16	2.86	1.00	2,102.91	0.25	825.87	N/A
2018	-2.71	-2.34	-1.00	3.61	2.96	1.00	1,247.13	0.22	578.95	N/A
2017	7.35	7.76	5.70	4.16	3.33	1.00	1,446.27	0.22	660.32	N/A
2016	6.83	7.24	6.22	4.37	3.47	1.00	287.39	0.05	599.00	N/A
2015	2.01	2.39	-0.24	4.49	3.52	1.00	149.11	0.03	575.06	N/A
2014	11.27	11.70	7.60	4.06	3.38	1.00	98.83	0.02	584.91	N/A
2013	2.10	2.49	0.07	4.63	3.95	1.00	45.20	0.01	572.83	N/A
2012	13.52	13.96	10.92	3.96	3.56	1.00	52.68	0.01	497.08	N/A

Annualised compound rates of return ending 31 December 2023.

1 Year	10.16	10.57	9.10
2 Year	-3.82	-3.46	-3.20
3 Year	-2.64	-2.27	-2.40
4 Year	-0.06	0.32	0.16
5 Year	2.83	3.22	2.52
Since inception 30/09/2009	4.59	4.99	3.84

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1. Invesco Worldwide ("The Firm") is defined as follows: For purposes of compliance with Global Investment Performance Standards (GIPS®), "Invesco Worldwide" refers collectively to all direct or indirect subsidiaries of Invesco Ltd. that provide discretionary investment advice with the exception of the following entities: Invesco Investment Management Ltd., Invesco Investment Advisers LLC, Invesco Asset Management Australia (Holdings) Ltd., Invesco Global Real Estate Asia Pacific, Inc., IRE (Cayman) Ltd., Invesco Senior Secured Management, Inc., Invesco Private Capital, Inc., and Invesco Capital Management LLC. Invesco Canada Ltd. and Invesco Great Wall Fund Management Company Limited are compliant with GIPS but are not part of Invesco Worldwide. Invesco (India) Private Limited was added to The Firm effective December 31, 2020. On May 24, 2019 Invesco acquired Massachusetts Mutual Life Insurance Company's asset management affiliate OppenheimerFunds. As a result of this transaction, assets previously part of the OFI Global Asset Management (OFI Global) GIPS® firm are now be part of the Invesco Worldwide GIPS® firm. Invesco Worldwide and OFI Global firm assets combined beginning December 31, 2019.
2. The Global Investment Grade Corporate Bond Composite contains all discretionary, separately managed global investment grade corporate bond funds managed against a recognized index. The strategy intends to achieve, in the medium to long term, a competitive overall investment return with relative security of capital in comparison to equities. The strategy will invest at least 70% of its assets in investment grade corporate bonds. At purchase all corporate bonds bought will be investment grade corporate bonds. Accounts in the composite are managed by the Invesco Fixed Income team, utilizing the investment process the team adopts. Currency risk is hedged into base currency (US$).
3. The Global Investment Grade Corporate Bond Composite consist of fixed income, total return mandates that are primarily invested in investment grade bonds issued by corporates globally. Portfolios in the composite are managed by the Invesco Global Investment Grade team, applying a consistent philosophy whilst leveraging Invesco Fixed Income's global platform. Each portfolio within the strategy primarily targets credit spreads as a source of alpha, whilst duration and currency are typically used for hedging purposes rather than as source of alpha. The mandates seek to outperform their respective benchmarks. The composite primary benchmark is the Bloomberg Global Aggregate Corporate USD-Hedged Index.
4. The benchmark, Bloomberg Global Aggregate Corporate USD Hedged Index-TR, is used for comparative purposes only and generally reflects the risk or investment style of the product. Investments made by the Firm for the portfolios it manages according to respective strategies may differ significantly in terms of security holdings, industry weightings, and asset allocation from those of the benchmark. Accordingly, investment results and volatility will differ from those of the benchmark.

5. The minimum portfolio size for the Composite is $5,000,000.
6. Interest rate futures, options, swaps, and forwards may be used to replicate cash investments, manage yield curve or other risk positions and to pursue investment strategies generally allowed by the Composite. Derivatives must be included in the duration calculations of portfolios in the Composite and must abide by the duration, credit quality, and all other constraints of Composite accounts. The level of leverage under normal market circumstances is expected to amount to 230% of the net asset value and may be subject to change in the future. This ratio merely reflects the usage of all financial derivative instruments and is calculated using the sum of notionals of all financial derivative instruments, taking basic netting effects into account Some of the instruments may actually reduce the risk within the portfolio and therefore this ratio does not necessarily indicate any increased level of risk.
7. Gross-of-fee performance results are presented before management and custodial fees but after all trading commissions and withholding taxes on dividends, interest and capital gains, when applicable. Net-of-fee performance results are calculated by subtracting the highest fee of an active portfolio within the composite from the monthly gross-of-fee returns. The highest management fee of a portfolio included in the composite is 38bps. The institutional management fee schedule is 25bps (flat fee) for a minimum account of $100 million.
8. Composite dispersion is measured by the standard deviation across asset-weighted portfolio returns represented within the composite for the full year. The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. The standard deviation is not presented where there is less than 36 months or fewer than three portfolios in the composite. All risk measures are calculated using gross of fee returns. The Firm consistently values all portfolios each month on a trade date basis. Accrual accounting is used for all interest and dividend income. Past performance is not an indication of future results. Additional information regarding policies for valuing portfolios, calculating performance, and preparing compliant presentations is available upon request.
9. Valuations and portfolio total returns are computed and stated in U.S. Dollars. The Firm consistently values all portfolios each day on a trade date basis. Portfolio level returns are calculated as time-weighted total returns on daily basis. Accrual accounting is used for all interest and dividend income. Past performance is not an indication of future results.
10. The composite creation date is September 2009.
11. A complete list of composite descriptions is available upon request. Policies for valuing portfolios, calculating performance, and preparing compliant presentations is available upon request. Lists of composite descriptions, limited distribution pooled fund descriptions and broad distribution pooled funds are also available.
12. Net-of-fee performance was calculated using a flat fee of 75bps and was changed effective 31 December 2020 to a flat fee of 38bps. Net-of-fee performance was restated retroactively in September 2021.
13. Although the composite strategy did not change, the description was reworded in September 2021 to reflect marketing trends.

Risk Warnings

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.

The strategy will invest in derivatives (complex instruments) which will result in leverage and may result in large fluctuations in value.

Debt instruments are exposed to credit risk which is the ability of the borrower to repay the interest and capital on the redemption date. Investments in debt instruments which are of lower credit quality may result in large fluctuations in value. Changes in interest rates will result in fluctuations in value.

The strategy may invest in contingent convertible bonds which may result in significant risk of capital loss based on certain trigger events.

As this strategy is invested in a particular sector, you should be prepared to accept greater fluctuations of the value than for a strategy with a broader investment mandate.

Investment in certain securities listed in China can involve significant regulatory constraints that may affect liquidity and/or investment performance.

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