

SHINING A LIGHT ON THE.....
Invesco Perpetual Global Targeted Returns Fund

AT A GLANCE

Investment Objective	
The Fund aims to achieve a positive total return in all market conditions over a rolling 3-year period. The Fund targets a gross return of 5% per annum above UK 3 month LIBOR (or an equivalent reference rate) and aims to achieve this with less than half the volatility of global equities, over the same rolling 3-year period. There is no guarantee that the Fund will achieve a positive return or its target and an investor may not get back the full amount invested. The Fund seeks to achieve its objective by using a range of investment strategies and techniques to invest actively in a broad selection of asset classes across all economic sectors worldwide.	

Inception Date	9 September 2013
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000QBVB

Management	
Manager Name	Start Date
Richard Batty, David Jubb and David Millar	9 September 2013

Volatility Measurements	
3-Yr Std Dev (volatility)	4.24%
3-Yr Mean Return (average)	4.11%

FUND PERFORMANCE

Performance from 9 September 2013 to 31 January 2017.

	2013	2014	2015	2016	2017	2018
Invesco Perpetual Global Targeted Returns Fund	4.08%	8.60%	1.66%	3.61%	1.23%	1.02%

Performance over 1 year, 3 years, 5 years and since launch:

	1 year	3 years (p.a.)	Since launch (p.a.)
Invesco Perpetual Global Targeted Returns Fund	2.83%	1.13%	4.58%

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

LWM Consultants Ltd

UPDATE....

Similar to the Standard Life Global Absolute Return Strategies Fund this fund targets a return of 5% over a rolling three-year period. The latest figures show that the fund has struggled to do this over 3-years and since launch. The big question is can this deliver on its target return?

The team started by explaining that there have been no changes to the team and although performance is slightly behind target the volatility target has been met. They added that 2017 was a difficult year for the fund where 12 ideas made money out of 27. Normally a hit rate below 50% would deliver a negative return but the fund was slightly positive for the year.

Some of the hits in the last quarter included a currency position between Japanese Yen and Korean Won. Abe called an early election which he won and saw a 7.5% fall in Yen. Another area was inflation where the long-term view hasn't changed but a short change hurt performance. They also lost out on a long currency / short equity play across Brazil and Mexico.

In terms of what they did right the Asia ideas were the strongest contributors to the fund. Australian vs US Interest Rates, Japanese Equities and US Large Cap vs Small Cap all did well. In terms of what went wrong they explained that they went into 2017 too cautious and this hurt the fund. In terms of their thesis they still believe that long term global growth will be subdued with challenges including QE tightening, debt, rates, valuations etc. However, over the short term the position is better and they have adjusted the ideas to reflect this.

They believe risk assets will be a stronger driver of returns in 2018; in terms of volatility this has been a poor trade for the fund, but they believe this will return. They have added a new strategy which is Long Yen, Short Swiss Franc. They have made some changes to strategies including US Dollar vs Canadian Dollar, Swap Spreads (UK & US) and Interest Rates.

Touching on performance again they explained that at the start of 2017 they were ahead of target but the cautious approach they had went against them in the latter part of the year. They feel that the changes they have made will ensure they capture the upside during this year and bring the performance back onto track.

In summary, it is perhaps worth remembering that in portfolio construction, having a means to protect on the downside is an important part. The level of protection depends on the level of risk that someone is prepared to take. If we take the target return element out of this and focus on the volatility aspect, then the fund has delivered on this target. If volatility spikes, then this will act as a natural protection on the downside. It doesn't stop people losing money but when there are big falls investors should lose less. We can't ignore the performance aspect and clearly being cautious damaged performance in 2017. Moving to a more "risk on" portfolio should capture the upside this year, and certainly this has come through in the first month, and this will need to be monitored moving forward.

The source of information in this note has been provided by Invesco and is correct as at February 2018. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.