



Investment Philosophy and Process: Separately Managed Accounts **Invesco Investment Grade Credit SMA**

Objective

The main objective of the strategy is to provide current income with potential capital appreciation for total return, while seeking to outperform the Bloomberg Barclays US Credit Index by 35 basis points over a complete market cycle.

Universe

The investment universe offers very deep and liquid markets. We invest primarily in investment grade fixed income securities represented by the Bloomberg Barclays US Credit Index, which has a market capitalization of over \$4.4 trillion and over 5,600 issues. Additionally, the strategy can invest globally, which expands the opportunity set significantly.

Team

- 23-member team
- Average of 16 years
- Experience spread throughout global financial centers

Philosophy

We believe fixed income opportunities are best captured by independent, specialist decision makers interconnected as a global team. Timely investment decisions combine with a rigorous portfolio construction process designed to maximize each opportunity. Using this philosophy, we seek to generate total return, composed of current income and capital appreciation.

Process

US Investment Grade Credit is a fixed income, total return strategy that integrates the macro and credit research of Invesco's global fixed income platform. The investment team studies the global landscape seeking investment ideas that will generate value. The portfolio managers are then responsible for allocating the appropriate investment ideas into the mandate according to specific guidelines and risk tolerance.

Investment process overview



Step 1

Macro research

Macroeconomic and market analysis is conducted to formulate independent investment decisions on relevant macro investment factors:

- Duration and yield curve
- Sector/subsector selection

Step 2

Credit research

Intensive fundamental credit and technical research is performed to arrive at independent investment decisions regarding individual securities. The team analyzes:

- Security structure and underlying collateral
- Credit dynamics and quality
- Relative value opportunities
- Price volatility and liquidity considerations

Step 3

Construction

The portfolio is constructed in alignment with the top-down market assessment, macro outlook and credit strategy. Portfolio manager discretion, principally in the form of thematic positioning and tactical opportunities ensure the team's most favored eligible investment ideas at a macro, sector, and security level align with portfolio guidelines in conformity with risk budget and position sizing considerations. In addition to formal meetings to ensure best ideas within macro and credit research are communicated well across the platform for the benefit of each portfolio, the close connectivity of the investment team with research is enhanced by a dedicated investment platform.

At a glance

- Portfolio construction:
- 50 to 75 holdings
 - Maximum position size less than 5%
 - Maximum cash is 10% and typically 3%

Clear buy-sell disciplines

Decisions to purchase or sell securities are determined by relative value considerations, which factor in economic and credit-related fundamentals, market supply and demand, market dislocations and situation-specific opportunities. The purchase or sale of securities may be related to a decision to alter the strategy's macro risk exposure (such as duration, yield curve positioning and sector exposure), a need to limit or reduce the strategy's exposure to a particular security or issuer, degradation of an issuer's credit quality or lastly, general liquidity needs of the strategy.

Risk management:

Several layers of ongoing oversight:

- Design
- Portfolio construction
- Invesco Fixed Income oversight

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