

INVESCO CHINA EQUITY - GBP

INVESTMENT RESEARCH NOTE
FEBRUARY 2024

Risk warning: The past is not necessarily a guide to future performance. The value of your investment and the income from it can fall as well as rise and is not guaranteed. You may not get back the full amount invested. Our views are based upon our understanding of current legislation in England. Levels and bases of, and reliefs from, taxation are subject to change and their value to you will depend upon your personal circumstances. You should not act on any of the information without seeking professional advice. clarity Ltd is authorised and regulated by the Financial Conduct Authority (FCA).

SUMMARY

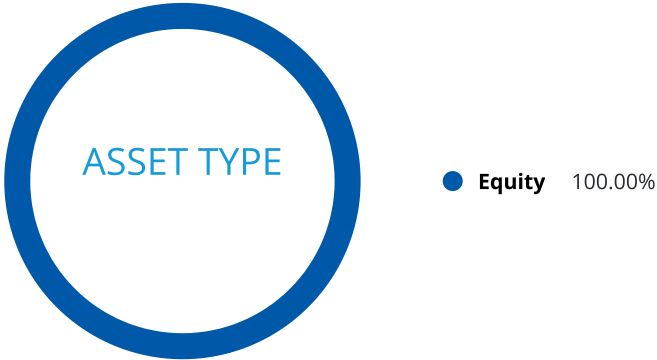
Invesco is a leading global investment firm, solely focused on investment management. The Company runs more than £90bn in assets worldwide. Invesco offers diversified investment strategies spanning all major equity, fixed income and alternative asset classes. These strategies are managed across various worldwide investment centres.

The Hong Kong & China Fund has assets of £393m, and is co-managed by Mike Shiao, CIO, and Lorraine Kuo, investment manager and associate director, both of whom are based in Hong Kong, and have 27 and 20 years' investment experience respectively. The two managers are supported by the equity investment team in Asia, which comprises 19 equity investment specialists with an average 16 years' industry experience. The team in Asia manages more than \$9bn, of which two thirds is in the greater China area.

The Fund aims to achieve capital growth through a portfolio of investments with an exposure to the economies of Hong Kong & China. Exposure to China is largely obtained through indirect investments in securities traded on other markets.

The managers may include investments that they consider appropriate which include transferable securities, money market instruments, warrants, collective investment schemes and deposits. Use may also be made of derivatives for the purpose of Efficient Portfolio Management.

The Fund is benchmarked against the MSCI China 10/40 Index, and the managers aim to outperform this index by at least 3% per annum, and deliver first quartile performance within the peer group.



INVESTMENT PROCESS

The team describes its investment style as 'sustainable value'. The team adopts a selective approach to invest in companies with sustainable industry leadership and competitive advantages at a discount to their fair value. The team believes there are pockets of inefficiencies in China markets resulting in frequent mispricing of stocks due to over/under-reaction to new information. The team seeks systematically to take advantage of market inefficiencies through identifying changes in fundamentals and strictly adhering to a disciplined investment process.

The managers distill their investable universe down to a selective list of around 150 companies that they consider to be the most competitive, based on a number of criteria, including transparency, corporate access, culture, strategy, capital structure, risk management, governance, ownership and environmental and social issues.

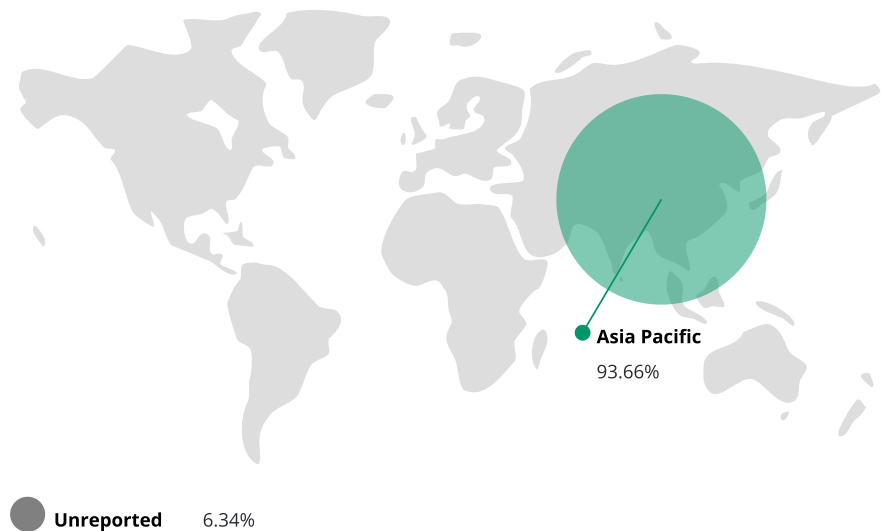
Stock selection is driven by a thorough fundamental analysis, which arrives at an estimate of fair value to compare against the current market price. Both dividend income and the potential for capital growth are considered, and the managers are willing to look past short-term earnings cycles. Historical data shows that stock selection has contributed strongly to returns, with positive contributions from a broad range of holdings, not just relying on a few names. In addition, some of the best contributions have come from core holdings that have been in the portfolio for many years.

The Fund invests in Hong Kong equities and Chinese equities including A, B and H-shares and US listed China ADRs. The exposure is purely driven by bottom-up stock selection and not by a top-down allocation among different shares classes. The team, based in Hong Kong, Shanghai and Taipei, covers both H-shares/offshore Chinese equities/ADRs as well as domestic China A and B shares and continues to increase its research coverage.

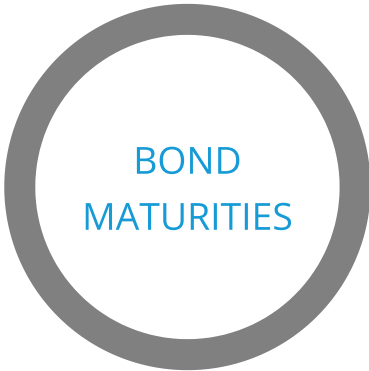
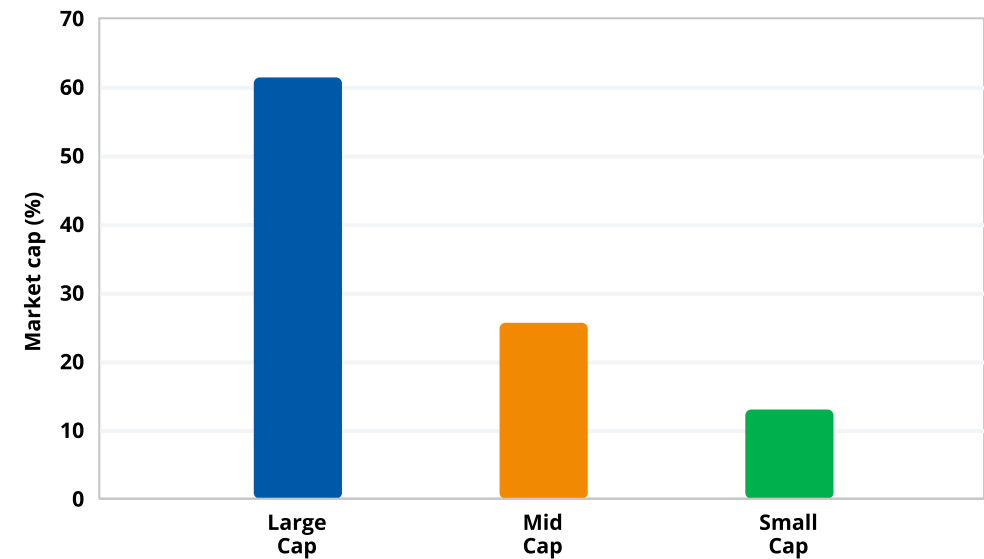
Invesco's Independent Risk Function supports and monitors a sophisticated operational and investment risk management framework in EMEA that maintains objectivity and avoids conflict of interest by being separated from the firm's portfolio management functions. The risk team monitors the portfolio for all types of investment and operational risks, and provides active challenge to the managers.

AGGREGATED NET EXPOSURE

REGIONAL EXPOSURE



EQUITY MARKET CAP (%)



Not Applicable



Not Applicable

OVERALL PERFORMANCE

● Invesco China Equity ● MSCI China Index

GROWTH (%) - OVER 1 YEAR

14 Feb 2023 - 13 Feb 2024



GROWTH (%) - FROM INCEPTION

1 Apr 2014 - 13 Feb 2024



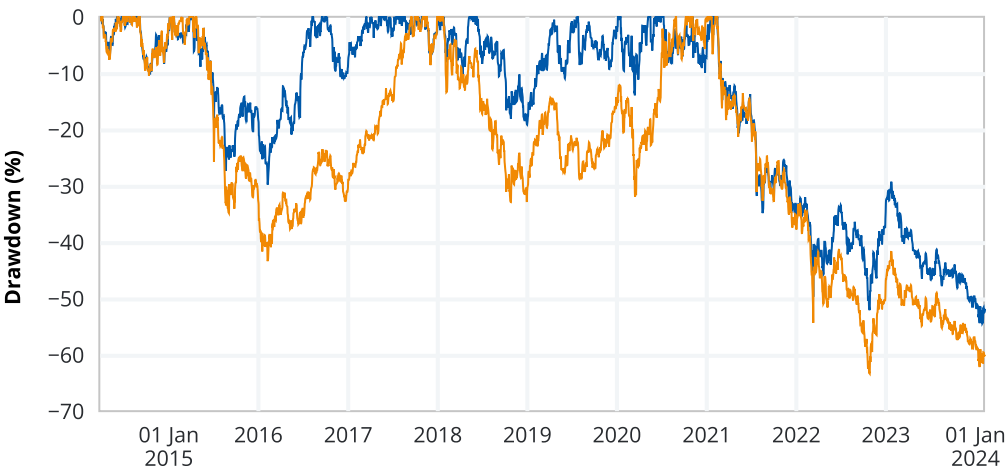
DRAWDOWN (%) - OVER 1 YEAR

14 Feb 2023 - 13 Feb 2024



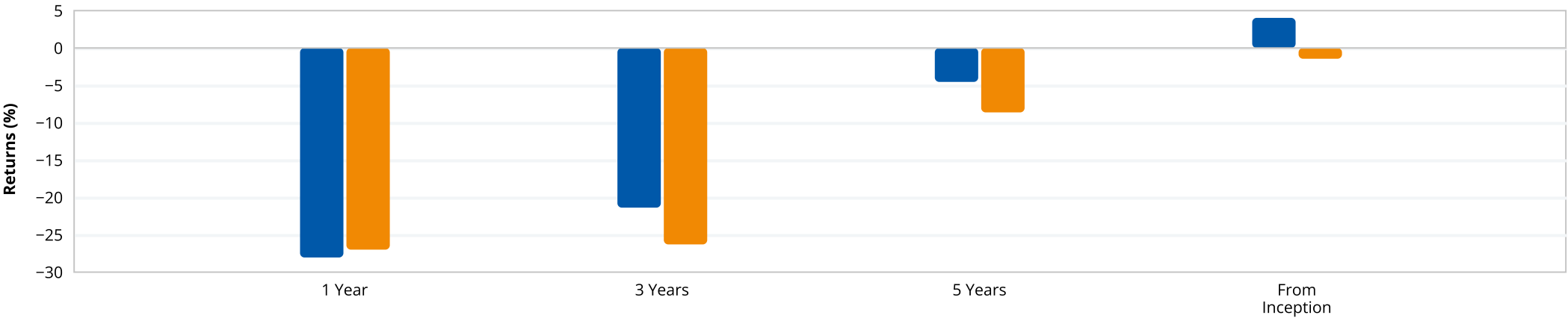
DRAWDOWN (%) - FROM INCEPTION

1 Apr 2014 - 13 Feb 2024



RETURNS

● Invesco China Equity ● MSCI China Index



MONTHLY BREAKDOWN AND YEARLY TOTALS (%)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2024	-9.43	5.56											-4.40
2023	8.10	-7.79	-0.06	-6.26	-7.99	0.98	7.94	-6.91	-0.05	-2.66	-1.79	-3.52	-19.63
2022	-1.86	-3.43	-7.57	2.63	1.35	7.80	-8.85	6.35	-8.76	-17.41	21.35	7.76	-6.17
2021	9.28	-0.87	-4.63	1.04	-5.53	4.84	-17.08	0.27	0.04	-0.80	-0.97	-4.60	-19.41
2020	-2.48	0.43	-0.24	7.45	4.11	13.08	-0.86	4.67	-2.74	2.23	-0.33	-1.37	25.37
2019	3.86	5.65	2.59	4.94	-7.07	5.85	5.45	-3.39	-1.24	-1.51	-0.11	3.37	18.90

Capped to 6 years.

ANNUALISED ROLLING RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
Invesco China Equity	-28.04	-21.37	-4.54	4.03
MSCI China Index	-26.99	-26.29	-8.62	-1.44

CUMULATIVE RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
Invesco China Equity	-27.95	-51.20	-20.67	47.43
MSCI China Index	-26.91	-59.76	-36.14	-13.32

● Invesco China Equity ● MSCI China Index

PERFORMANCE - OVER 1 YEAR

14 Feb 2023 - 13 Feb 2024

RETURNS (%)	-28.04	-26.99
VOLATILITY (%)	21.18	23.45
ALPHA	-0.01 *	
BETA	0.81 *	1.00
CORRELATION	0.92 *	1.00
SHARPE RATIO	-1.51	-1.29
SORTINO RATIO	-2.05	-1.83
MAX DRAWDOWN (%)	-31.73	-30.00

*Calculated over a 3 year period where history permits.

PERFORMANCE - FROM INCEPTION

1 Apr 2014 - 13 Feb 2024

RETURNS (%)	4.03	-1.44
VOLATILITY (%)	20.66	23.31
ALPHA	0.38	
BETA	0.72	1.00
CORRELATION	0.85	1.00
SHARPE RATIO	0.14	-0.11
SORTINO RATIO	0.20	-0.15
MAX DRAWDOWN (%)	-54.42	-63.34

SIMPLE STRESS TEST DRAWDOWN (%)

14 Feb 2023 - 13 Feb 2024



Stress test notes

The chart shows the calculated drawdown over the last year. The Review Point is the fund intervention point. Any drawdown above this line indicates a typical drawdown in a normal market cycle. Should the drawdown hit the review point, then this indicates that market conditions may be abnormal. This is the point that we would consider taking immediate action for an extreme market event.

Risk warning: The past is not necessarily a guide to future performance. The value of your investment and the income from it can fall as well as rise and is not guaranteed. You may not get back the full amount invested. Our views are based upon our understanding of current legislation in England. Levels and bases of, and reliefs from, taxation are subject to change and their value to you will depend upon your personal circumstances. You should not act on any of the information without seeking professional advice. clarity Ltd is authorised and regulated by the Financial Conduct Authority (FCA).