







i-Watch Rating System:

-  No concern(s)
-  Moderate concern(s) requiring frequent and close monitoring
-  Serious concern(s) that require a full review and may lead to removal from the fund platform

Date 10/2/2023
Fund Manager Invesco
i-Watch Status  **Increased Scrutiny**

Product(s) Impacted:

Manulife Invesco Global Companies Fund

Summary

- On September 7th, 2023, Invesco announced that portfolio management responsibilities for the Manulife Invesco Global Companies Fund (the “Fund”) were assigned to a new team. The Canadian-based Global Equity team, led by longstanding Senior Portfolio Manager (PM) Michael Hatcher, was removed in favour of Invesco’s Global Core Equity team located in the United Kingdom. Andrew Hall, who spent the last decade as a PM within this UK team, immediately assumed leadership duties over the Fund.
- The Global Manager Research team (GMR) is downgrading the rating of the Fund as a result of this wholesale change in the team and investment process. At this time, GMR is placing the Fund on the Closely Monitored List under Increased Scrutiny.

Impact

The Fund underwent a transition throughout September 2023. Specifically, the Fund’s legacy positions were sold and replaced by the current holdings of the Invesco Global Equity (UK) Fund, which is managed by Hall. As part of conducting an initial due diligence call with Hall, GMR reviewed the legacy positions of the Fund relative to the UK-based Global Equity strategy. Fortunately, there are similarities in the investment style and allocations between the “old” and “new” portfolios. Specifically, both the legacy Canadian-based team and the succeeding UK team apply a quality approach to investing. As opposed to traditional value investment styles, this method is characterized by companies that trade at premiums, but offer high profitability, sound balance sheets, and exemplary management teams. Due to this quality orientation, both the old and the new portfolios favour stocks in the Information Technology, Industrials and Consumer Defensive sectors.

Despite these commonalities, however, there are differences between the old and new portfolios. Hall noted that ninety percent of the Fund’s legacy positions were sold and replaced by new investments. One difference between the portfolios is geographic exposures. Historically, the legacy team had higher positions in European equities relative to the benchmark and competing funds. The succeeding team is more neutral with respect to

geographic allocations, with greater weight in US stocks. The succeeding team also runs a less concentrated portfolio, with between 50 and 60 positions versus less than 40 holdings for the legacy team.

GMR sees the potential for this change in PM teams to be beneficial for Fund investors. While Hatcher and the legacy team experienced successful stretches, Fund performance deteriorated over the past several years. The incoming team follows a similar investment style but is expected to make less geographic and position-specific calls. Since taking over the reins of the Invesco Global Equity (UK) Fund in January 2020, Hall and his team have generated returns above the benchmark and average competitor in the Morningstar Global Equity fund category. The caveat, however, is that this track record is relatively short. This is in stark contrast to previous PM team's decades-long tenure managing the Fund.

Closing Remarks

This announcement is consistent with Invesco's effort over the last few years to reduce the overlap in their fund lineup. In particular, this has involved shifting portfolio management duties for Global and International Equity mandates to investment boutiques outside of Canada. For example, in the fourth quarter of 2022, strategies managed by Invesco's Canadian-based Select Equity boutique were transitioned over to the firm's EQV team (based out of Texas) and Oppenheimer team (based out of New York).

GMR believes it is prudent to closely monitor this Fund. Given the differences in the investment approach, along with the fact that the new PM Andrew Hall has a shorter track record at the helm of Invesco's Global Equity mandates, GMR's conviction level and performance blueprint for this Fund will be revisited in the quarters ahead.



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