Invesco Emerging Markets Local Debt Fund

Monthly Report July 2024 (covering June)

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Fund manager(s)

Hemant Baijal
Fund Manager

Wim Vandenhoeck
Fund Manager

Summary of fund objective

The Fund is actively managed.The Fund aims to generate income, together with long term capital growth.The Fund seeks to achieve its objective byinvesting a minimum of 80% of the NAVof the Fund in debt securities of issuers that are economically tied to emerging market countries and which are denominated in local currencies. The investment concerns the acquisition of units in a fund and not in a given underlying asset.

Fund Performance

The Invesco Emerging Market Local Debt Fund Z-Acc (USD) Fund returned -1.72% in June 2024, underperforming its reference benchmark by 66bps (-1.72% vs -1.08%). The Fund is currently underperforming its reference benchmark for the year-to-date time period by 57bps (-4.61% vs -3.71%). The reference benchmark performance for the month was influenced by lower EM rates and weaker EM FX. Within the reference benchmark FX in LATAM performed the worst, with the Mexican Peso (MXN), Colombian Peso (COP), and Brazilian Real (BRL) depreciating 6.3%, 6.1%, and 5.6%, respectively from a total return perspective. From an alpha perspective, the strategy's overweight positioning in the Mexican Peso (MXN), Colombian Peso (COP) and Brazilian Real (BRL) detracted the most on the FX side. Being overweight in Brazil front end rates negatively impacted the fund by 30bps as the yield curve flattened. We believe the reversal of the bullish Brazil trade has been driven not by a deterioration in Brazil's fundamental backdrop, but by a significant deterioration in Brazil's market sentiment. This sentiment shift is hard to predict in advance and caused us to lower country risk exposure, although we recognize the current more attractive valuation and cleaner positioning in the sovereign.

Fund Positioning

During the month, we lowered our FX exposure from 105% to 100%, decreasing our positions to be underweight the Chilean Peso (CLP), Malaysian Ringgit (MYR) and Czech Koruna (CZK). We reduced our position in the Mexican Peso (MXN) by 2% to now be overweight only 1% and reduced our position in the Chinese Yuan (CNH) by another 1%, to be underweight 8%. Additionally, we eliminated our exposure to the South Korean Won (KRW). This month we added to our overweight position in the Indian Rupee (INR) to be overweight 2.5%. In June, India was added to the J.P. Morgan GBI-EM Global Diversified index, boosting the weight of EMs in Asia in the index. On the rate side, we reduced our portfolio duration exposure by 0.25 years to an underweight position by reducing duration in Brazil, Czech Republic and Romania. Barring an increase in US yields or a negative shock in commodity prices, we believe that the LATAM carry trade could continue. However, considering the level of volatility, position sizing is expected to be reduced in the future.

Outlook

From a monetary perspective, EM central banks continued to lower interest rates, but took more of a cautious approach, often influenced by both internal and external factors. In LATAM, Colombia continued its pace of 50bps cuts while Chile reduced its easing pace to 25bps. In CEE, the Czech Republic continued its pace of 50bps cuts but suggested a slower pace in the future, while Hungary reduced its pace of cuts by 25bps. With US inflation slowly stabilizing and the labor market showing signs of weakening, the market is starting to price in the Fed to begin cutting rates in September. We continue to believe the Fed will proceed with two rate cuts this year, which should offer support to EM central banks as most of their economies are experiencing robust growth and disinflation. Nonetheless, market participants appear more preoccupied with political and fiscal developments rather than economic fundamentals, which is impacting the process of normalizing monetary policy rates. The prospects for emerging market bonds remain promising with the continued easing of monetary policy unlocking more idiosyncratic opportunities. Attractive income generation opportunities, stronger growth dynamics relative to developed markets provide multiple tailwinds for the emerging market asset class. With further monetary easing ahead, we believe emerging market local interest rates could continue to provide a diverse and lucrative opportunity set.

Investment Risks

For complete information on risks, refer to the legal documents.
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. Debt instruments are exposed to credit risk which is the ability of the borrower to repay the interest and capital on the redemption date. Changes in interest rates will result in fluctuations in the value of the fund. The fund uses derivatives (complex instruments) for investment purposes, which may result in the fund being significantly leveraged and may result in large fluctuations in the value of the fund. As a large portion of the fund is invested in less developed countries, you should be prepared to accept significantly large fluctuations in the value of the fund. The fund may invest in certain securities listed in China which can involve significant regulatory constraints that may affect the liquidity and/or the investment performance of the fund. Investments in debt instruments which are of lower credit quality may result in large fluctuations in the value of the fund. The fund may invest in distressed securities which carry a significant risk of capital loss.

Fund Facts

Z-share ISIN	LU2040203619
Bloomberg	INMLDZU LX
Domicile	Luxembourg
AuM	977.22m USD
Launch Date	26 Aug 2019 *
Reference Index**	JP Morgan GBI-EM Global Diversified Composite Index EUR (Total Return)
Fund Managers***	Hemant Baijal and Wim Vandenhoeck

** The benchmark index is shown for performance comparison purposes only. The fund does not track the index.

*** Hemant Baijal and Wim Vandenhoeck, since August 2019

Fund Characteristics

(Annualised Data)

	3Y	5Y
Alpha (statistical)	N/A	N/A
Batting Average	N/A	N/A
Gain/Loss Ratio	0.94	1.02
Information Ratio	N/A	N/A
Sharpe Ratio	-0.45	-0.22
Tracking Error	N/A	N/A

Awards & Gradings

★★★★

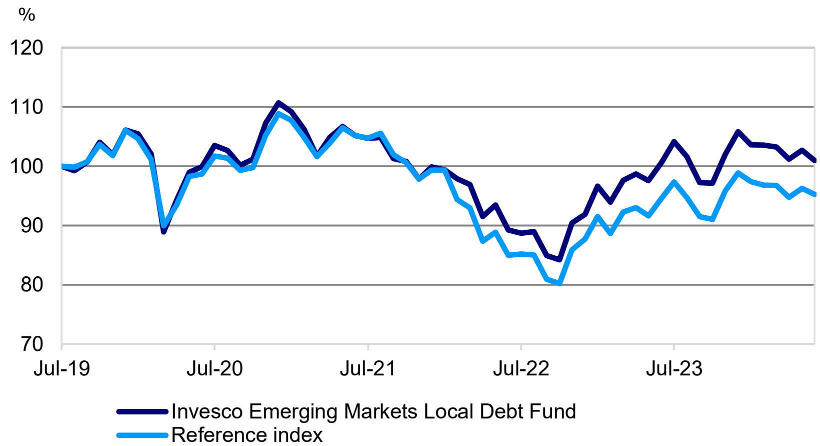
Morningstar Rating 30.06.24

Any reference to a ranking, a rating or an award provides no guarantee for future performance results and is not constant over time.

Past performance does not predict future returns.

Performance (USD) [1, 2]

Since Inception Active Return



Cumulative	YTD	YTQ	1M	1Y	3Y	Since Inception*
Fund (Z-shares)	-4.61	-4.61	-1.72	0.27	-4.02	0.93
Reference Index	-3.71	-3.71	-1.08	0.67	-9.49	-4.79
Active return	-0.90	-0.90	-0.64	-0.40	5.47	5.72

Calendar Year	2019	2020	2021	2022	2023
Fund (Z-shares)	-	4.33	-9.78	-7.95	15.12
Reference Index	-	2.69	-8.75	-11.68	12.70

Rolling 12 Months	30.06.14 30.06.15	30.06.15 30.06.16	30.06.16 30.06.17	30.06.17 30.06.18	30.06.18 30.06.19
Fund (Z-shares)	-	-	-	-	-
Reference Index	-	-	-	-	-
Peer Group	-	-	-	-	-

	30.06.19 30.06.20	30.06.20 30.06.21	30.06.21 30.06.22	30.06.22 30.06.23	30.06.23 30.06.24
Fund (Z-shares)	-	5.18	-15.17	12.84	0.27
Reference Index	-	6.57	-19.28	11.38	0.67
Peer Group	-	6.89	-17.22	11.74	0.51

Source fund/sector: Morningstar as of 30 June 2024

Source index: RIMES as at 30 June 2024, on a total return basis in USD

Peer Group: Morningstar Category EAA Fund Global Emerging Markets Bond - Local Currency

[1]Fund returns are inclusive of gross income re-invested and net of the ongoing charge and portfolio transaction costs, cumulative, in fund currency. The figures do not reflect the entry charge payable by individual investors. Returns may increase or decrease as a result of currency fluctuations.

[2]A discretionary cap on multiple components of the total costs is maintained. This discretionary cap may positively impact the performance of the Share Class.

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