

## Fund manager(s)



**Hemant Bajjal**  
Fund Manager



**Wim Vandenhoec**  
Fund Manager

## 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.

# Invesco Emerging Markets Local Debt Fund

## Monthly Report September 2024 (covering August)

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## 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 by investing a minimum of 80% of the NAV of 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 3.64% in August 2024 outperforming its reference benchmark (3.07%) by 57bps. For the year-to-date the fund is underperforming by 39bps (+1.11% vs +1.50%). The reference benchmark performance for the month was driven by stronger EM FX (1.97%), along with lower EM rates (+0.62%) and the usual monthly income (+0.47%). From an alpha perspective, the fund's overweight duration exposures in Mexico, South Africa and Peru added to performance but was offset by FX positioning. Our overweight positions in the Thai Baht (THB) and Renminbi (CNY) as well as our short position in the Euro (EUR) detracted the most from relative return. Other currencies were impacted by the August carry unwind as well. The Turkish Lira (TRY) weakened almost 3% in spot and the Mexican Peso (MXN) lost almost 6% of its value. However, the team was able to cut our overweight position in MXN before the move and reallocated risk to Mexican rates.

## Fund Positioning

During the month, we slightly reduced our overall FX exposure from 103% closer to 100%. We significantly reduced our position in the Brazilian Real (BRL) to be underweight and further reduced our underweight position in the Chilean Peso (CLP). We also reduced our underweight position in the Chinese Yuan (CNH) and EUR. On the FX side, we also swapped some of our exposure in the Polish Zloty (PLN) to Hungarian Forint (HUF) and slightly added to our Colombian Peso (COP) and Uruguayan Peso (UYU) positions. On the rate side, after adding 0.5 years of duration in July, we maintained that overweight position throughout the month of August. We slightly increased our exposure in Colombia while decreasing exposure in Poland. In Turkey, we started to transition our FX exposure into rates exposure, as we believe that the Liras outperformance versus forwards is likely to become more of a challenge going forward.

## Outlook

From a monetary policy perspective, EM central banks continued cutting interest rates with the Philippines starting its cycle, Czech and Romania continuing, and Mexico and Peru re-engaging in the cycle. All respective central banks lowered rates by 25bps. We expect the Fed to begin its easing cycle which should take pressure off EM central bank policy makers concerning external constraints. Countries like Peru or Chile with policy rates close -but still above- to the Fed funds rate, will reengage further in their respective cutting cycles on the back of the Fed rate cuts. Furthermore, we believe rate cuts by the Fed will open the door for possible rate cuts across Asian central banks in the fourth quarter of this year. This additional leeway will also allow EM central banks to refocus on domestic growth challenges. Our concern is what will happen to curve shapes once the Fed cuts rates. Given the continued fiscal deficits and continued economic growth, we believe the market will start to focus on US inflation once again as we go from restrictive to a somewhat restrictive monetary policy (between 3-3.35%, somewhat above neutral). This will lead to further and more significant steepening in the US curve led by the long end as market participants price in term premium. In terms of EM curves, they were never as flat or inverted as the US, so we expected EM curves to steepen but at a lesser degree. Overall, the asset class remains in great shape; robust carry, healthy growth and interest rate differentials with developed markets and differentiating local stories make for a rich opportunity set in emerging markets for the rest of the year.

## Fund Facts

Z-share ISIN	LU2040203619
Bloomberg	INMLDZU LX
Domicile	Luxembourg
AuM	1.03bn 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	1.08	1.14
Information Ratio	N/A	N/A
Sharpe Ratio	-0.29	-0.08
Tracking Error	N/A	N/A

## Awards & Gradings



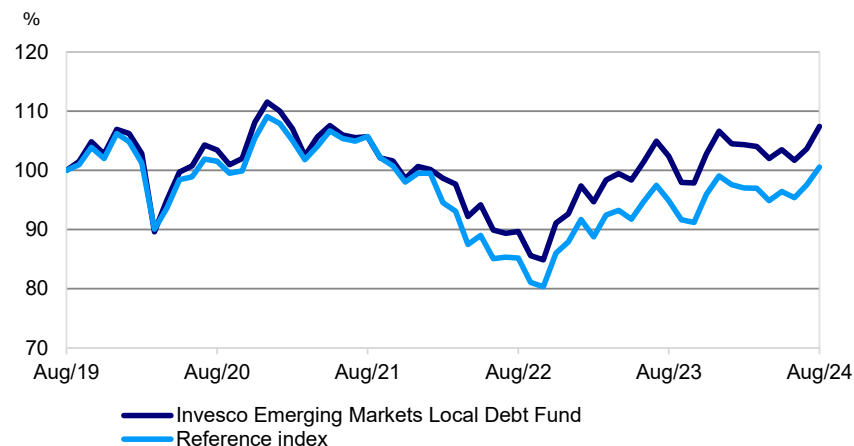
Morningstar Rating 31.08.24

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) <sup>1, 2</sup>

### 5 Year Active Return



Cumulative	YTQ	YTD	1M	1Y	3Y	5Y
Fund (Z-shares)	-4.61	0.74	3.64	4.94	1.67	7.43
Reference Index	-3.71	1.50	3.07	6.00	-4.91	0.56
Active return	0.90	-0.76	0.57	-1.06	6.58	6.87

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	31.08.14	31.08.15	31.08.16	31.08.17	31.08.18
	31.08.15	31.08.16	31.08.17	31.08.18	31.08.19
Fund (Z-shares)	-	-	-	-	-
Reference Index	-	-	-	-	-
Peer Group	-	-	-	-	-

	31.08.19	31.08.20	31.08.21	31.08.22	31.08.23
	31.08.20	31.08.21	31.08.22	31.08.23	31.08.24
Fund (Z-shares)	3.43	2.16	-15.13	14.16	4.94
Reference Index	1.55	4.14	-19.43	11.34	6.00
Peer Group	1.48	3.88	-17.07	11.15	5.61

Source fund/sector: Morningstar as of 31 August 2024

Source index: RIMES as at 31 August 2024, on a total return basis in USD

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

<sup>1</sup>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.

<sup>2</sup>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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