Invesco Emerging Markets Local Debt Fund

Monthly Report May 2025 (covering April)

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Summary of fund objective

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. For the full objectives and investment policy please consult the current prospectus. Effective 27 March 2025, Jason Martin became fund manager of the Invesco Emerging Markets Local Debt Fund.

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 Performance

The Invesco Emerging Market Local Debt Fund Z-Acc (USD) returned +4.18% in April 2025, outperforming its reference benchmark (+3.25%) by 97bps. Year-to-Date the strategy is outperforming by 55 bps (8.25% vs 7.70%). The reference benchmark performance for the month was driven by stronger EM FX (+1.72%), lower rates (+1.02%) and its monthly income (+0.50%). The positive performance for the month was driven by our overweight duration positionings in Brazil, Poland, and Hungary. Our JPY and EUR hedges also added to performance on the back of weakening US economic outlook. However, our underweight positioning in Asia (China and Thailand) slightly offset performance. From a monetary policy perspective, most EM central banks in LATAM held rates steady, with Colombia being an outlier. Their central bank (BanRep) delivered a unanimous 25bp cut, likely reflecting a compromise between the hawks (willing to hold rates) and doves (willing to cut by 50bps). In CEEMEA, Egypt started its cutting cycle with a 225bp cut to 25.5%, while the Turkey's central bank swiftly reversed it cutting cycle and hiked to 46% (from 42.5%). The majority of central bank action is shifting towards Asia, where weaker US activity expectations and weaker dollar are allowing Asian central banks to face their domestic growth challenges with monetary stimulus. The Philippines, Thailand, and India all cut rates 25bps.

Fund Positioning

During the month, we reduced our long USD exposure closer to neutral. Despite the significant weakness in USD, our selection in long EM FX delivered. We increased exposure to BRL and MXN, shifting from underweight to overweight, and added to ZAR and Asian currencies (IDR, INR, and MYR). We actively traded JPY, while reducing CLP, and moving EUR exposure to a funder at the end of the month. On the duration side, we maintained our overweight position around 0.5 years. However, we shifted duration from Mexico and Peru to Brazil and India. Overall, the EM Local strategy remains overweight on duration and has shifted to a neutral to overweight on FX. We started the year with a long duration and an underweight FX (overweight USD) bias, which performed well over the first quarter. Since then, we have reduced duration exposure and increased our FX positioning. We believe the current environment is positive for front end duration as global growth may slow due to the trade policies of the US administration. Additionally, as China seeks new markets for their exports, there's a possibility of them exporting deflation to emerging markets, which could give EM central banks room to lower interest rates further. In the past, this action may have been limited as it would lead to weaker EM FX and eventually pass through inflation.

Outlook

In Brazil, the team believes the end of the hiking cycle is near. While there are arguments about whether the cycle finishes at 14.50% or 15%, the mid cycle adjustments have helped re-anchor inflation expectations, limit currency depreciation, and most importantly regain their central bank's (BCB) credibility. While growth is likely to remain elevated this year due to the fiscal spending, inflation and inflation expectations are anchored, moving towards the BCB target by the end of 2027 according to the latest central bank report. This will give the BCB room to begin cutting rates towards the end of this year or early 2026; where the market is only pricing a shallow rate adjustment for 2026 ahead of the Presidential elections in October. The market focus is beginning to shift toward election polls and potential outcomes of the election, where President Lula's current approval ratings are very poor. Market sentiment would react favorably to shift away from the Workers' Party (PT) and more towards the center, with a fiscally prudent administration. A large shift, in our view, is the global perception of the US dollar, regardless of rate differentials. For a decade plus, foreign investors in the US markets have done well by buying US assets unhedged or partially hedged. As investors abroad potentially allocate less to the US, or even repatriate funds back to their home countries, the demand for US assets, and therefore US dollars, would be reduced. Increases in FX hedge ratios for these offshore investors have a similar impact as unwinding the underlying asset. While we don't expect this to be an immediate significant change in behavior, it is a material shift that could have longer lasting impacts on the USD and would benefit exposure to emerging market assets. Finally, ongoing trade and geopolitical uncertainties are motivating other regions to take proactive steps in reviving their domestic economies. Ultimately, this could significantly narrow the gap between the US and the rest of the world, possibly reversing the trend of the USD we have experienced for over a decade.

Past performance does not predict future returns.

Fund Facts

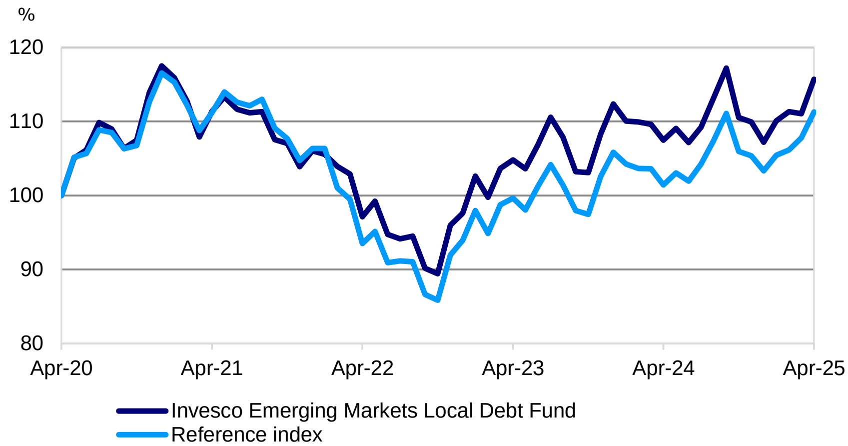
Z-share ISIN	LU2040203619
Bloomberg	INMLDZU LX
Domicile	Luxembourg
AuM	883.44m USD
Launch Date	26 Aug 2019
Reference Index**	J.P. Morgan GBI-EM Global Diversified Total Return Index (USD)
Fund Managers***	Hemant Baijal, Wim Vandenhoeck and Jason Martin

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

*** Hemant Baijal since August 2019, Wim Vandenhoeck since August 2019 and Jason Martin since March 2025

Performance (USD) [1, 2]

5 Year Active Return



Cumulative	YTQ	YTD	1M	1Y	3Y	5Y
Fund (Z-shares)	3.61	7.94	4.18	7.67	19.11	15.70
Reference Index	4.31	7.70	3.25	9.75	19.04	11.29
Active return	-0.70	0.24	0.93	-2.08	0.07	4.41

Calendar Year	2020	2021	2022	2023	2024
Fund (Z-shares)	4.33	-9.78	-7.95	15.12	-4.60
Reference Index	2.69	-8.75	-11.68	12.70	-2.38

Rolling 12 Months	30.04.15 30.04.16	30.04.16 30.04.17	30.04.17 30.04.18	30.04.18 30.04.19	30.04.19 30.04.20
Fund (Z-shares)	-	-	-	-	-
Reference Index	-	-	-	-	-
Peer Group	-	-	-	-	-

	30.04.20 30.04.21	30.04.21 30.04.22	30.04.22 30.04.23	30.04.23 30.04.24	30.04.24 30.04.25
Fund (Z-shares)	11.36	-12.77	7.89	2.54	7.67
Reference Index	11.22	-15.95	6.56	1.79	9.75
Peer Group	-	-	-	-	-

Source fund/sector: Morningstar as of 30 April 2025

Source index: RIMES as at 30 April 2025, on a total return basis in USD

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

Fund Characteristics

(Annualised Data)

	3Y	5Y
Alpha (statistical)	N/A	N/A
Batting Average	N/A	N/A
Gain/Loss Ratio	1.53	1.26
Information Ratio	N/A	N/A
Sharpe Ratio	0.11	0.01
Tracking Error	N/A	N/A

Awards & Gradings

Morningstar Rating 30.04.25

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

[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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