

Invesco Belt and Road Debt Fund

Monthly Report June 2024 (covering May)

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Summary of fund objective

The Fund is actively managed. The Fund aims to achieve long-term total returns, integrating a thematic approach. The Fund focuses on the "Belt and Road Initiative" which aims to better connect China, Asia, Europe and Africa and their adjacent seas (the "Belt and Road Region"), through the development of the Silk Road Economic Belt and 21st-Century Maritime Silk Road for closer economic co-operation. The investment concerns the acquisition of units in a fund and not in a given underlying asset.

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. As this fund is invested in a particular sector, you should be prepared to accept greater fluctuations in the value of the fund than for a fund with a broader investment mandate. The fund may invest in distressed securities which carry a significant risk of capital loss. The Fund may invest in a dynamic way across assets/asset classes, which may result in periodic changes in the risk profile, underperformance and/or higher transaction costs.

Fund Performance

The Invesco Belt and Road Debt Fund Z-Acc (USD) registered +1.47% in May 2024. Roughly half of the absolute return came from duration rally in the month while the other half was rather evenly distributed between carry and credit spread. In relative term, the fund outperformed in credit selection as the credit spread factor contributed the outperformance of the fund against the customized reference benchmark. From the region perspective, the fund only slightly underperformed in regions such as Africa and Asia Pacific where the fund was overweight risk. The outperformance came from Middle East and Europe where the fund overweight DxS risks. As the fund stayed neutral in duration, the relative performance was flat there.

Fund Positioning

Given the market had another month of risk asset rally, the credit spreads in general got tighter. We believe there is more limited upside room for EM bonds to perform. Thus, we continued to switch out of EM and into DM bonds. We find pockets of value in DM bonds from issuers from Australia and Japan where the credit spreads are wider compared to the similarly rated EM issuers. Fundamental wise, we continue to see stable credit fundamental for global EM issuers in general. We continue to look for relative value trades within EM. At the high level, we see BBB and BB rated bonds are more expensive against other rating buckets. We are actively monitoring the inflation data outlook in the US and other major economies. We will consider the more aggressive duration strategy once we form a much higher conviction. On strategy level, the fund continues to overweigh countries that have good diplomatic relations with both China and the western countries so that they would have more sources of capital inflows. The fund continues to overweigh the infrastructure sector, which covers diversified industries like power utilities, energy, transportation, telecommunications, affordable housing and construction.

Outlook

US economic growth has surprised our expectations on the upside in recent quarters, and weakness is not expected going forward. We expect a global bumpy landing; while some regions are showing slower growth, in aggregate the global economy should expand. Inflation rates have dropped substantially over the recent year, and we expect inflationary pressure to remain low. This macro backdrop is favourable for markets. Valuations are quite tight across many credit asset classes, however, limiting the upside. Inverted yield curves also indicate tight valuations for rates and create a headwind to extending duration. We intend to keep small positive exposures across credit markets and be neutral in rates. We see Asian macro backdrop continue to be in a goldilocks scenario. Inflation pressure mostly eased across Asian countries while economic activities were not slowing down. However, Asian local currency showed significant weakness YTD, which we think is driving rising risk of delayed policy easing from Asian central banks. We think the property sector policies are getting incrementally positive, despite that the tone is still measured. However, we believe the optimism on policy impact has been priced in when fundamental remains very weak. Technical is strong in Asia credit given by limited supply, despite higher rates volatilities. Bu valuation is at historical tight level. Corrections on valuation would be needed to attract interest.

Fund Facts

Z-share ISIN	LU1889098684
Bloomberg	INBRDZA LX
Domicile	Luxembourg
AuM	390.41m USD
Launch Date	08 Nov 2018
Reference Index**	

Fund Managers*** Yifei Ding and Norbert Ling

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

*** Yifei Ding since November 2018 and Norbert Ling since December 2021

Fund Characteristics

(Annualised Data)

	3Y	5Y
Alpha (statistical)	N/A	N/A
Batting Average	N/A	N/A
Gain/Loss Ratio	0.62	0.97
Information Ratio	N/A	N/A
Sharpe Ratio	-1.01	-0.31
Tracking Error	N/A	N/A

Awards & Gradings



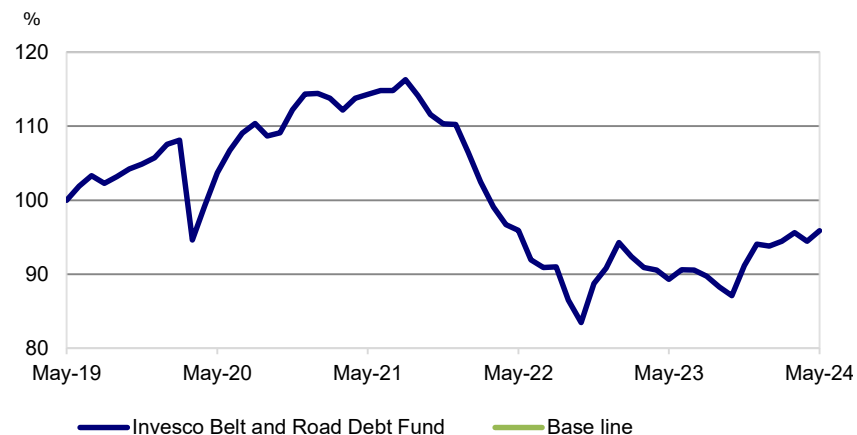
Morningstar Rating 31.05.24

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

5 Year Active Return



Cumulative	YTD	YTD	1M	1Y	3Y	5Y
Fund (Z-shares)	1.87	1.63	1.47	7.34	-16.12	-4.16
Reference Index	-	-	-	-	-	-
Active return	-	-	-	-	-	-

Calendar Year	2019	2020	2021	2022	2023
Fund (Z-shares)	12.91	8.19	-3.62	-17.61	3.59
Reference Index	-	-	-	-	-

Rolling 12 Months	31.05.14	31.05.15	31.05.16	31.05.17	31.05.18
	31.05.15	31.05.16	31.05.17	31.05.18	31.05.19
Fund (Z-shares)	-	-	-	-	-
Reference Index	-	-	-	-	-
Peer Group	-	-	-	-	-

	31.05.19	31.05.20	31.05.21	31.05.22	31.05.23
	31.05.20	31.05.21	31.05.22	31.05.23	31.05.24
Fund (Z-shares)	3.70	10.19	-16.08	-6.89	7.34
Reference Index	-	-	-	-	-
Peer Group	2.20	8.59	-13.18	-2.39	4.95

Source fund/sector: Morningstar as of 31 May 2024

Source index: Bloomberg as at 31 May 2024, on a total return basis in USD

Peer Group: Morningstar Category EAA Fund Asia Bond

¹Fund 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.

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EMEA 3640626