Quarterly Fund Update

Invesco Asian Equity Fund

Covering Q1 2025

This marketing communication is for professional investors and qualified clients/sophisticated investors only. Investors should read the legal documents prior to investing.

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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.

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.

Executive summary

- The Invesco Asian Equity Fund outperformed the MSCI AC Asia Pacific ex Japan Index due to strong stock selection and positive asset allocation. In this report we provide an update on our Indonesian holdings.

Performance

Past performance does not predict future returns.

Cumulative returns (%)	3m	6m	YTD	1yr	3yrs	5yrs	10yrs
Invesco Asian Equity Fund[1]	3.4	-3.9	3.4	12.5	9.9	79.6	88.0
MSCI AC Asia ex Japan[2]	1.8	-5.9	1.8	11.3	5.5	41.6	51.4
Out/underperformance	+1.6	+2.0	+1.6	+1.1	+4.5	+38.0	+36.7
EAA Fund Asia Ex Japan Equity[3]	1.0	-6.1	1.0	8.0	-2.7	32.7	36.4
Quartile	1	1	1	1	1	1	1

Source: Invesco, as at 31 March 2025.

Returns may increase or decrease as a result of currency fluctuations. The benchmark index is shown for performance comparisons purposes only. The fund does not track the index. More information on the peer groups can be found at www.morningstar.com.

Q1 Attribution

The Invesco Asian Equity Fund delivered a positive return in Q1, outperforming the MSCI AC Asia ex Japan Index due to strong stock selection and positive asset allocation.

The biggest contributors to overall performance came from China, where equity markets enjoyed a strong quarter, re-rating from deeply discounted levels thanks to increasingly positive policy measures, growing optimism over its AI and robotics capabilities and signs of improved fundamentals.

Chinese internet companies such as Alibaba, JD.com, Tencent Music, and Full Truck Alliance contributed positively, as earnings surprised positively, auto parts manufacturer Minth also added value on greater appreciation of its robotics capabilities. This helped offset weakness amongst consumer-related companies that lagged the broader rally, such as Yili, Wuliyange and Jiumaojiu.

Underweight positions in India and Taiwan benefited relative performance. Stock selection in India also contributed positively as financials proved resilient, with Shriram Finance making notable gains thanks to another solid set of earnings. In Taiwan, MediaTek held up well in a weak period for tech stocks, as it benefited from increased confidence in its growth outlook.

South Korea's market rebounded after a period of weakness, although domestic political uncertainty lingers. Hyundai Mobis benefited from a better business growth outlook and a longer-term shareholder return policy, while Samsung Electronics and recently introduced Samsung E&A both added value.

In ASEAN, our exposure to Indonesia weighed on performance amidst heightened political uncertainty and macro concerns. Although Thailand’s equity market was weak, our holding in Kasikornbank proved resilient, benefiting from the announcement of a special dividend.

IT services company EPAM was one of the biggest single detractors as macro uncertainty affected the outlook for corporate IT spending.

Top attributors (% impact)	
TSMC	0.5
Full Truck Alliance	0.4
JD.com.	0.4

Top detractors (% impact)	
Sands China	-0.5
Delhivery	-0.3
EPAM	-0.3

Positioning

- We continue to have a modest overweight position in Hong Kong & China, with a mix of large internet companies, life insurers and consumer-related stocks.

- ASEAN markets are well represented with overweight positions in Singapore, Thailand and Indonesia, where holdings include leading internet platforms, well capitalised financials, and an autos conglomerate

- A notable theme in the fund are stocks with attractive total shareholder return yields (dividends and buybacks), available across the region, but especially in China, Korea, Australia and the ASEAN countries.

- An overweight position in South Korea reflects a belief that improvements in corporate governance and dividend pay-outs are being underappreciated by the market.

- The fund has significant exposure to dominant semiconductor companies in Taiwan and Korea. The AI boom is creating debates on valuation, while the economic uncertainty threatens the short-term earnings prospects. Ultimately, we feel that the longer-term earnings power of these businesses remains well underpinned, and we remain confident in the companies that we own.

- There are stock specific opportunities in India, but this market remains the fund's largest underweight position.

- In terms of fund activity, we exited our position in Ping An Insurance and introduced EPAM Systems, Samsung E&A, and Sany Heavy. Please read the end of the document for full rationales.

Top sector overweight (%)	
Industrials	3.3
Communication Services	3.0
Consumer Staples	2.1

Top sector underweight (%)	
Information Technology	-4.1
Health Care	-3.5
Energy	-2.2

An update on our Indonesian holdings

History repeating?

Investing in Indonesia is not for the faint of heart. Like many countries in South East Asia, Indonesia still lives in the shadow of the Asian Financial Crisis that started in Thailand in 1997. By the end of 1998, there had been banking crises in Thailand, Indonesia and South Korea, to name a few, accompanied by massive currency devaluations.

At the time, Indonesia was led by Suharto, a former military commander who became President 30 years prior. In his three decades in power, Suharto governed Indonesia with strong influence, using his military connections to manage dissent and maintain control through a less-than-perfect democratic system. Suharto resigned in 1998 following widespread rioting, as people had grown weary of corruption and faced the dire economic consequences of the crisis. The riots also took on a racial dimension, with many ethnically Chinese Indonesians fleeing the country, fearing for their lives and their property.

After 1998, Indonesia entered the Reform era ('Reformasi') which saw constitutional reforms that strengthened democratic accountability, state institutions and the rule of law. The role of the military in government was severely reduced and successive governments since have overseen largely peaceful transitions of power after democratic elections. Following an IMF intervention in 1998, Indonesia also implemented wide-ranging economic reforms designed around the Washington Consensus. These reforms prioritised the removal of subsidies, trade barriers and exchange rate controls; whilst encouraging privatisation of industry, deregulation and fiscal responsibility.

2024 saw the election of Prabowo Subianto (Prabowo), a former military commander and once son-in-law of Suharto. Prabowo first entered politics in 2004 with the Gerindra party and stood unsuccessfully to be presidential candidate in the 2004 and 2009 elections. He later ran unsuccessfully as presidential candidate for Gerindra in the 2014 and 2019 elections. During these several failed presidential bids, many considered Prabowo too tainted by his past. His deep ties to the Suharto regime, links to an alleged massacre in East Timor in 1983 and allegations of torturing pro-democracy protestors during the 1998 crisis, all contributed to nervousness from voters and investors alike.

Since taking power, Prabowo has introduced a popular free school lunch policy and has set up a holding company for Indonesia's State-Owned Enterprises (SOEs) called Danantara. He has also weakened rules that limit the role of military personal in SOEs, whilst calling into question Indonesia's policy of capping the fiscal deficit at 3% of gross domestic product. Along with rumoured plans to dilute the independence of the central bank and concerns that the long-standing finance minister may resign, investor concerns are now heightened. Many fear that Prabowo's policy agenda may ultimately mark the end of the Reform era.

Time to panic?

Turning to stock market performance, the MSCI Indonesia is down 26.5% in USD over the last 12 months, making it one of the worst performing emerging markets. Those familiar with our approach will know that our instinct in times of crisis; when valuations are low and when the risk of loss near its nadir, is to take advantage of the opportunities being created by investor fear. We see the current situation as probably a good time to buy Indonesian stocks and have been doing so in the portfolios.

Of course, the risks appear greater today than they did a few years ago. We can't know whether Prabowo will roll back the liberal economic and political reforms that have been the consensus in Indonesia for nearly three decades. We can't know how economic activity might be affected if there is change to the policy consensus. And most importantly we can't know how the stock market might interpret all this. But it doesn't seem unreasonable to suggest that many of these apparent risks are already being priced by the market.

On a price to book basis, the MSCI Indonesia is trading below its GFC low and at the low it reached during COVID. In the last 30 years, valuations were only lower during the Asian crisis period, after which GDP per capita fell by over 50% in USD, the aftermath of which caused widespread bankruptcies. Given the low levels of debt to GDP, an orthodox monetary policy and limited signs of excess; we believe the economy is resilient enough to cope with likely headwinds from domestic policy making.

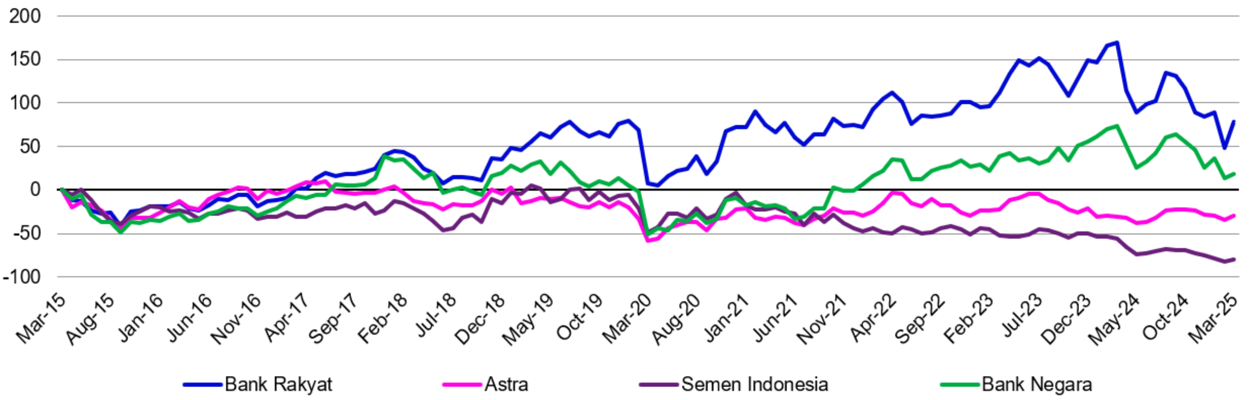
MSCI Indonesia, P/Bx

Source Bloomberg, Invesco as at April 2025. Red line represents P/Bx of 1.92 as at 31/03/25.

Holdings

Whilst we take the macroeconomic backdrop into account, as bottom-up investors we believe the fundamentals of companies are the key driver of stock returns. We own 4 stocks in Indonesia which together contribute 5.0% of the portfolio. They are Astra International, Bank Rakyat, Bank Negara, and Semen Indonesia. Over the last 10 years, only the banks have generated a positive return in USD, which we believe has created opportunities.

10-year performance of Indonesian holdings (US$, Total Return) rebased to 100



Source Bloomberg, Invesco as at April 2025.

Astra International (Astra)
Astra is one of Indonesia's largest companies and operates a conglomerate of different businesses. Those businesses can be broadly grouped into three segments; automotive, financial services and mining which each contribute about 1/3rd of profit. Astra's shares trade on approximately 6X PE with an 8% dividend yield. The balance sheet is also very strong, with net cash after financing receivables are excluded.

Bank Rakyat (BRI)
BRI is one of Indonesia's leading banks, specialising in lending to micro businesses. BRI's micro lending business has high entry barriers and subsequently generates high returns on equity. The bank has a common equity tier one ratio of 25% and so is well positioned to weather adverse economic conditions. The stock trades on 1.9X price to book with an 8% dividend yield.

Bank Negara (BNI)
BNI is a state-owned bank that conducts commercial and consumer banking services. Management have been focussed on conservative and sustainable growth, aiming to improve the bank's liability franchise, with steady progress in recent years, reflected in lower NPLs and consistent improvement in credit costs. The shares are currently trading on 0.9x P/B, with an indicated dividend yield of 8.8%.

Semen Indonesia
The team owns the two leading cement manufacturers in Indonesia, Indocement and Semen Indonesia, which combined control about 80% of cement volumes. The fund holds the latter which we invested in about three years ago on the premise that supply additions were coming to an end and industry utilisations were likely to rise as demand grows. Unfortunately, demand has failed to materialise in the way we had anticipated, and margins have failed to recover as we had hoped. Consequently the shares have done poorly, both are down about 50% since initial purchase. However, we have remained shareholders, because our longer-term estimates for the earnings power of these companies remains broadly unchanged.

There has also been some consolidation in the industry over the last few years, which should help to lay the foundations for a more benign competitive environment going forward. If demand growth returns in a meaningful way, this will also improve the supply/demand dynamics of the industry, leading to higher margins. The stocks trade on about 10X PE with 4% yields, but we believe there is significant room for earnings growth if/when market dynamics recover towards their longer-term average.

Another way to think about the valuation for these two companies, is that they have combined annual capacity of about 90m tons, with a combined enterprise value of $2.7bn. Estimates for the replacement cost for this capacity average about $120m per ton, meaning it would cost $10.8bn to build this capacity today. This means the stocks are trading at a 75% discount to replacement cost and both have good balance sheets (Semen Indonesia has less than 1X net debt to EBITDA and Indocement has net cash).

Fund Activity

Buys

EPAM
EPAM is a global leader in digital platform engineering and software development services, serving clients primarily in North America, Europe, and Asia. The company operates delivery centres in Belarus, Ukraine, Poland, India, and the US. In the coming years, cloud data, analytics, and generative AI are expected to be key areas where clients allocate their digital transformation budgets.

We have added this position to the portfolio as the company is investing in advanced technologies like generative AI and agentic AI, which positions it well for future growth. These investments are expected to drive long-term value despite short-term margin impacts.

Sany Heavy
Sany Heavy, the largest construction machinery manufacturer in China, operates in a cyclical industry. Historically, Sany Heavy has leveraged market downturns to increase its domestic market share. The recent decline in its share price is due to weak domestic demand and a slowdown in overseas growth, but we believe these factors are now largely priced in. Currently, the company is trading at a low price-to-book (P/B) multiple compared to its historical levels.

We have added this position because we are optimistic about the stock's long-term prospects. Sany's international business has flourished, with overseas revenues accounting for nearly 60% of its main business revenues. The company has successfully expanded its presence in over 180 countries and regions, highlighting its strong global footprint.

Samsung E&A
Samsung E&A, a Korean engineering, procurement, and construction company, has a strong track record in hydrocarbon-related energy projects. Despite market concerns about earnings and new order outlook, we believe the company's diversification into downstream energy infrastructure and green energy projects could drive medium-term growth. We also appreciate its low P/B multiple, strong balance sheet, and conservative management style.

Sells

Ping An Insurance
With Ping An's share price appreciating during the broad China rally, we have closed our position in this holding. Ping An fits the criteria of a first-in, first-out position in China, having trimmed its direct sales agency force before the broader economic slowdown. Although the business continues to show improvement, there remains a noticeable quality gap compared to alternative insurers we currently prefer like AIA.

Standardised rolling 12-month performance (% growth)

Past performance does not predict future returns.

Calendar year performance	2020	2021	2022	2023	2024
Fund[1]	26.1	0.9	-8.8	3.6	9.4
Benchmark[2]	25.0	-4.7	-19.7	6.0	12.0

	31.03.15 31.03.16	31.03.16 31.03.17	31.03.17 31.03.18	31.03.18 31.03.19	31.03.19 31.03.20	31.03.20 31.03.21	31.03.21 31.03.22	31.03.22 31.03.23	31.03.23 31.03.24	31.03.24 31.03.25
Invesco Asian Equity Fund Z USD Acc[1]	-10.1	22.6	22.8	-3.9	-19.5	79.8	-9.2	-0.9	-1.3	12.5
MSCI AC Asia Ex Japan NR USD[2]	-11.9	17.5	25.8	-5.2	-13.4	57.3	-14.6	-8.9	4.0	11.3
EAA Fund Asia ex-Japan Equity[3]	-10.8	16.0	24.3	-7.2	-13.9	62.0	-15.8	-9.6	-0.3	8.0

This information is updated on a calendar quarterly basis. Up-to-date information is available on our website www.invesco.com/uk
Returns may increase or decrease as a result of currency fluctuations.

[1] Fund (Class Z accumulation – USD) performance figures are sourced from Morningstar, shown in US dollar with gross income reinvested, net of ongoing charges and fund transaction costs. The figures do not reflect the entry charge paid by individual investors. The performance data shown does not take account of the commissions and costs incurred on the issue and redemption of units. The investment concerns the acquisition of units in an actively managed fund and not in a given underlying asset.

[2] The reference benchmark is the MSCI All Countries Asia ex-Japan index. As the Fund is actively managed, it is not intended that the performance of the Share Class will track the performance of MSCI AC Asia ex Japan Index (Net Total Return) (the "Benchmark").

[3] Sector average performance is calculated on an equivalent basis to fund performance. The sector is Morningstar EAA Fund Asia ex. Japan Equity sector and is shown for performance comparison purposes only. The Fund does not track the index.

The historical performance shown in the chart up to 7 September 2018 relates to the historical performance of the Irish domiciled fund, which was merged into the Luxembourg-domiciled fund on that date. This change has no impact on the investment objective, strategies, risk profile or fee structures of the fund.

All data is as at 31 March 2025, sourced from Invesco unless otherwise stated.

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