Fund Update

Invesco Emerging Markets 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.

Charles Bond
Fund Manager

Ian Hargreaves
Fund Manager

William Lam
Fund Manager

Matthew Pigott
Deputy Fund Manager

Executive summary

- The Invesco Emerging Markets Equity Fund outperformed the MSCI Emerging Markets Index and the EAA Global Emerging Markets Equity peer group. 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 Emerging Markets Equity Fund[1]	6.2	-2.6	6.2	13.3	21.5	97.5	77.0
MSCI Emerging Markets[2]	2.9	-5.3	2.9	8.1	4.4	46.6	43.9
Out/underperformance	+3.3	+2.7	+3.3	+5.2	+17.1	+51.0	+33.1
EAA GEM Equity[3]	2.2	-5.5	2.2	5.9	2.2	42.1	32.4
Quartile	1	1	1	1	1	1	1

Source: Invesco, as at 31 March 2025.

Q1 Attribution

- The Invesco Emerging Markets Equity Fund delivered positive performance ahead of the MSCI Emerging Markets Index (+2.9% USD) in Q1.
- 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 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 and Yue Yuen.
- The fund’s LatAm exposure generally added value, with better returns from Brazil in particular. Significant contributors included property developer Cyrela as property sales picked-up, while Ambev and Banco do Brasil earnings also surprised positively. Chile’s Embotelladora Andina also delivered strong gains.
- 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)	
JD.com	0.5
Ambev	0.4
Cyrela	0.4

Top detractors (% impact)	
Yue Yuen	-0.4
EPAM	-0.4
Largan Precision	-0.3

Attribution figures are estimates and should be used for indicative purposes only. Data cleansing and retrospective information availability may cause changes.

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.

Positioning

- Brazil is the fund's largest overweight position, and this exposure is spread across energy, financial, consumer and materials stocks. Broadly speaking we believe that valuations remain attractive, below historic averages and with high dividend yields on offer.
- South Korea remains an overweight position in the fund. Improvements in corporate governance and dividend pay-outs are being underappreciated by the market.
- Chinese (and Hong Kong) equities are well represented, with a portfolio of mainly domestic consumer related stocks.
- 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 the market remains our largest underweight position followed by Taiwan and Saudi Arabia.
- In terms of fund activity, we sold Hyundai Motor and Porto Seguro choosing instead to add Anglo American Platinum, Lojas Renner, Telkom Indonesia, and Samsung E&A. Please read the end of the document for full rationales.

Top sector overweight (%)	
Consumer Staples	4.0
Communication Services	2.7
Consumer Discretionary	1.9

Top sector underweight (%)	
Information Technology	-4.8
Energy	-2.5
Healthcare	-2.3

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 ruled Indonesia with a rod of iron, squashing dissent thanks to his connections in the military and maintaining control through a flawed 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.

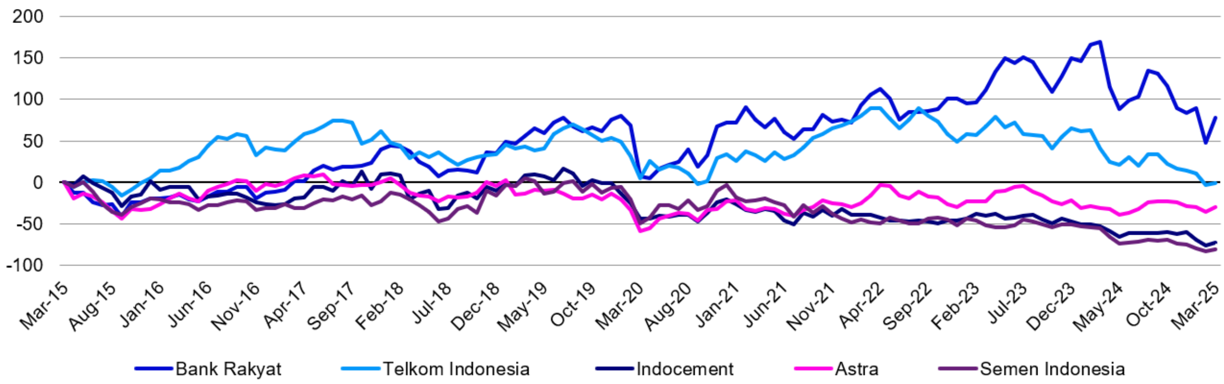
MSCI Indonesia, P/Bx

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 5 stocks in Indonesia which together contribute 4.8% of the portfolio. They are Astra International (Astra), Bank Rakyat (BRI), Semen Indonesia, Telkom Indonesia (Telkom), and Indocement. Over the last 10 years, only BRI has 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.

- Telkom Indonesia (Telkom)

Telkom is the leading telecoms operator in Indonesia with about 50% market share of the cellular market. Consolidation in the cellular market over the last few years has taken Indonesia from a five-player market to a three-player market. Telkom has lost market share in this process, but we believe that the conditions are emerging for a more rational competitive environment, leading to tariff increases. Indonesia has some of the lowest USD ARPUs (average revenue per user) in the world. Telkom shares trade on 10X PE with an 8% yield and the company has minimal leverage (less than 1X EBITDA).

- Cement companies

We own the two leading cement manufacturers in Indonesia, Indocement and Semen Indonesia, which combined control about 80% of cement volumes. We invested in these two companies 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

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 will drive medium-term growth. We also appreciate its low P/B multiple, strong balance sheet, and conservative management style.

Anglo American Platinum

We initiated a new position in Anglo American Platinum (Amplats) in addition to the portfolio's existing position in Anglo American. Amplats is the world's largest and lowest cost producer of platinum group metals (PGMs). The sector has been in a downturn for the previous 2 years. We believe there is mounting evidence that the current price levels within the sector are unsustainably low with more than 1/3 of the industry making cash losses. Amplats will soon be separated from Anglo American which will give the opportunity to set capital allocation independently of the group. The company has achieved significant cost savings during the recent downturn, allowing it to generate cash even during low PGM price cycles.

Lojas Renner

Lojas Renner has consistently outperformed other Brazilian offline apparel retailers and is considered a quality company. However, the company is currently experiencing a de-rating and slower earnings growth due to several challenges. These include increased cross-border competition, fintechs outperforming them in credit services, slower expansion of retail space, and a weak macroeconomic environment affecting consumer sales and increasing credit losses in Renner's credit business. Lojas Renner has successfully expanded its digital presence. The company has seen significant growth in digital GMV (Gross Merchandise Value), and the Renner App ranks first in downloads and monthly active users among national fashion players. This digitalization effort has improved profitability and customer engagement.

Telkom Indonesia
Wireless telecommunications company Telekom Indonesia has been losing market share in recent years, which has pressured top-line growth. However, we feel consolidation could lead to some average revenue per user growth. The stock trades on 10x P/E with a 7-8% yield.

Sells

Hyundai Motor
We sold our Hyundai Motor preference shares, with the discount to the ordinary share class having narrowed significantly, and the valuation appearing increasingly fair. The company has enjoyed success with its SUV and premium models, and margins look high. Given the amount of new capital coming into the industry this makes us wary, and although the business may continue to perform well, that is dependent on how well received new models are, with downside risk to earnings if US growth slows.

Porto Seguro
We sold Porto Seguro after the Brazilian insurer reached our estimated fair value. The original investment thesis for Porto Seguro was based on two key pillars: firstly, the return to normal profitability in the auto segment, and secondly, the underappreciated diversification of Porto Seguro. Porto's health insurance segment has demonstrated robust growth, with well-controlled loss and combined ratios. In Brazil, health insurers command high multiples due to the sector's lower penetration and greater fragmentation compared to other insurance forms. Consequently, this segment's higher multiple growth significantly enhanced Porto's overall valuation - up to our consideration of a fair market value.

Standardised rolling 12-month performance (% growth)
Past performance does not predict future returns

Calendar year performance

	2020	2021	2022	2023	2024
Fund[1]	25.58	1.93	-16.00	13.57	9.59
Benchmark[2]	18.31	-2.54	-20.09	9.83	7.50

	31.03.14 31.03.15	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
Invesco Emerging Markets Equity Fund Z-AD Class[1]	-8.7	15.8	20.5	-9.5	-22.4	86.7	-12.9	-2.4	9.9	13.3
MSCI Emerging Markets NR[2]	-12.0	17.2	24.9	-7.4	-17.7	58.4	-11.4	-10.7	8.2	8.1
EAA Fund Global Emerging Markets Equity[3]	-11.2	16.1	22.1	-8.8	-18.9	60.5	-13.4	-10.6	8.0	5.9

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

This information is updated on a calendar quarterly basis. Up-to-date information is available on our website www.invesco.com/eu

The performance shown in the chart above up to 7 September 2018 relates to the performance of the Irish-domiciled fund, which was merged into the Luxembourg-domiciled fund on that date.

The performance data shown does not take account of the commissions and costs incurred on the issue and redemption of units. Returns may increase or decrease as a result of currency fluctuations. The investment concerns the acquisition of units in a fund and not in a given underlying asset.

[1] Fund performance figures are shown in US dollars, inclusive of gross reinvested income and net of the ongoing charges and portfolio transaction costs. The figures do not reflect the entry charge paid by individual investors. Performance figures for all share classes can be found in the relevant Key Investor Information Document/Key Information Documents

[2] The reference benchmark is the MSCI Emerging Markets Index. Reference index information source is Refinitiv, net total return, US dollar. As the Fund is actively managed, it is not intended that the performance of the Share Class will track the performance of MSCI Emerging Markets Index (Net Total Return) (the "Benchmark").

[3] Sector average performance is calculated on an equivalent basis to fund performance. The sector is EAA Fund Global Emerging Markets Equity. The sector is shown for performance comparison purposes only. The Fund does not track the sector.

All data is as at 31 March 2025, sourced from Invesco unless otherwise stated. Fund (Z-AD share class; as at 2 August 2021, this is now the Primary share class for this fund) and sector average performance source: Morningstar.

Important information

This marketing communication is exclusively for use by professional investors in Continental Europe as defined below, Qualified Clients/Sophisticated Investors in Israel and Professional Clients in Dubai, Jersey, Guernsey, Ireland, Isle of Man and the UK. This communication may also be used by financial intermediaries in the United States as defined below. It is not intended for and should not be distributed to the public.

For the distribution of this communication, Continental Europe is defined as Austria, Belgium, Denmark, Finland, France, Italy, Luxembourg, Netherlands, Norway, Spain, Sweden and Switzerland

Data as at 31.03.2025, unless otherwise stated. By accepting this material, you consent to communicate with us in English, unless you inform us otherwise. This is marketing material and not financial advice. It is not intended as a recommendation to buy or sell any particular asset class, security or strategy. Regulatory requirements that require impartiality of investment/investment strategy recommendations are therefore not applicable nor are any prohibitions to trade before publication. Views and opinions are based on current market conditions and are subject to change. For information on our funds and the relevant risks, refer to the Key Information Documents/Key Investor Information Documents (local languages) and Prospectus (English, French, German, Spanish, Italian), and the financial reports, available from www.invesco.eu. A summary of investor rights is available in English from www.invescomanagementcompany.lu. The management company may terminate marketing arrangements. Not all share classes of this fund may be available for public sale in all jurisdictions and not all share classes are the same nor do they necessarily suit every investor.

Issued by Invesco Management S.A., President Building, 37A Avenue JF Kennedy, L-1855 Luxembourg, regulated by the Commission de Surveillance du Secteur Financier, Luxembourg.

Denmark: The fund is registered in Denmark for professional investors only and not for public distribution. **Dubai:** Invesco Asset Management Limited, Index Tower Level 6 - Unit 616, P.O. Box 506599, Al Mustaqbal Street, DIFC, Dubai, United Arab Emirates. Regulated by the Dubai Financial Services Authority. **Guernsey:** The fund can only be promoted to Professional Clients. **Israel:** Issued by Invesco Asset Management Limited, Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire RG9 1HH, UK. Authorised and regulated by the Financial Conduct Authority. No action has been taken or will be taken in Israel that would permit a public offering of the Fund or distribution of this document to the public. This Fund has not been approved by the Israel Securities Authority (the ISA). The Fund shall only be sold in Israel to an investor of the type listed in the First Schedule to the Israeli Securities Law, 1968, who in each case have provided written confirmation that they qualify as Sophisticated Investors, and that they are aware of the consequences of such designation and agree thereto and further that the Fund is being purchased for its own account and not for the purpose of re-sale or distribution, other than, in the case of an offeree which is an Sophisticated Investor, where such offeree is purchasing product for another party which is an Sophisticated Investor. This document may not be reproduced or used for any other purpose, nor be furnished to any other person other than those to whom copies have been sent. Nothing in this document should be considered investment advice or investment marketing as defined in the Regulation of Investment Advice, Investment Marketing and Portfolio Management Law, 1995 (“the Investment Advice Law”). Neither Invesco Ltd. nor its subsidiaries are licensed under the Investment Advice Law, nor does it carry the insurance as required of a licensee thereunder. This document does not constitute an offer to sell or solicitation of an offer to buy any securities or fund units other than the fund offered hereby, nor does it constitute an offer to sell to or solicitation of an offer to buy from any person in any state or other jurisdiction in which such offer or solicitation would be unlawful, or in which the person making such offer or solicitation is not qualified to do so, or to a person to whom it is unlawful to make such offer or solicitation. **Switzerland:** Issued by Invesco Asset Management (Schweiz) AG, Talacker 34, CH-8001 Zurich, who acts as representative for the funds distributed in Switzerland. Paying agent in Switzerland: BNP PARIBAS, Paris, Zurich Branch, Selnaustrasse 16 8002 Zürich. The Prospectus, Key Information Document, financial reports and articles of incorporation may be obtained free of charge from the Representative. The funds are domiciled in Luxembourg.**Jersey:** Consent under the Control of Borrowing (Jersey) Order 1958 (the "COBO Order") has not been obtained for the circulation of this communication. The offer that is the subject of this communication may only be made in Jersey where it is valid in the United Kingdom. **Additional information for financial intermediaries in the United States:** This document is intended for distribution to US financial intermediaries for informational purposes and in relation to their activities with offshore clients only. The Funds are not registered under any US securities law, and may not be offered or sold directly or indirectly in the US, its territories or possessions, nor to any US persons, citizens or residents. The Fund must not be marketed on US soil. Issued in the US by Invesco Distributors, Inc., 11 Greenway Plaza, Suite 1000, Houston, Texas 77046, USA. Invesco Distributors, Inc. is the appointed US sub-distributor of the Invesco Funds SICAV. All entities are indirect, wholly owned subsidiaries of Invesco Ltd.

EMEA 4406231