Invesco Global Investment Grade Corporate Bond Fund

Monthly Report December 2024 (covering November)

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Summary of fund objective

The Fund is actively managed.The Fund intends to achieve, in the medium to long term, a competitive overall investment return with relative security of capital in comparison to equities. The Fund will invest at least two thirds of its total assets in investment grade corporate bonds. Up to one third of the total assets of the Fund may be invested in cash, cash equivalent securities and other debt securities. For the full objectives and investment policy please consult the current prospectus. 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. 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. 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 contingent convertible bonds which may result in significant risk of capital loss based on certain trigger events.

Fund Performance

The outcome of the US presidential election dominated news flow in November. Markets reacted by pricing in a slower pace of interest rate cuts for the US in 2025 given the expectation of fiscal expansion and deregulation boosting growth. In addition, concerns around tariffs and tighter controls on immigration applied upward pressure to inflation expectations. The implications of a Trump presidency were also felt globally, with the heightened risk of trade wars weighing on European growth expectations. Corporate bonds performed well, with US investment grade spreads reaching an all-time low intra month. The spread for sterling IG also narrowed, although the spread for euro IG widened slightly as German bunds outperformed. Total returns were positive for the fund, driven by duration, as interest rates fell combined with good levels of income from credit (carry). On a relative basis, the fund was slightly behind reference benchmark as the regional preference for European credit weighed on performance versus the reference benchmark given the weaker regional spread performance. In addition, subordinated spreads underperformed their senior counterparts, further weighing on relative returns given the fund’s preference to allocate down the capital structure. Duration positioning partially offset the negative impacts from credit as an underweight to US Treasuries worked well in the immediate aftermath of the US election, however curve positioning detracted. Meanwhile, a preference for European duration positively contributed to relative returns given Bunds and Gilts outperformed.

Fund Positioning

We continue to reduce the credit beta of the fund through a combination of moving up in quality and allocating a small portion to government bonds, whilst also allowing cash balances to rise. This affords us the flexibility to increase risk when value opportunities present themselves. By region, we continue to prefer Euro and Sterling credit over US Dollar, as the former offer wider spreads to compensate for downside scenarios. Our sector positioning favours Financials over Industrials and Utilities, while we have allocations to selected Government-Related and External Sovereign issues where we find comparatively generous valuations. We also continue to hold Government Bonds and Cash to hedge against “risk-off” scenarios and provide a funding source in case of a backup in credit spreads.

Outlook

The outcome of the US election in favour of the Republicans will mean the US fiscal situation is likely to remain loose given lower taxes, while 2025 growth and inflation expectations have risen. The Fed will continue its cautious approach to loosening monetary policy from here. We are of the view that with inflation largely behaving and an economy growing at or near potential, the current policy rate is too high and needs to move closer to neutral, which should be supportive of duration sensitive assets. European growth continues to be challenged with Trump’s trade policies likely to weigh further in the medium term. We therefore believe the ECB will need to cut interest rates through the neutral rate to protect growth. In short, the ECB must do more than the Fed and hence we prefer European duration over the US. Credit spreads are unlikely to narrow meaningfully from current levels. Instead, we believe they will be range bound in a “soft-landing” scenario (our base case). Monetary policy is easing, whilst corporate balance sheets remain robust, providing a solid foundation for staying invested. Returns would be driven by carry and interest rate effects in this environment. Even with the recent rally, the all-in yield remains at levels not seen for 15 years.

Past performance does not predict future returns.

Fund Facts

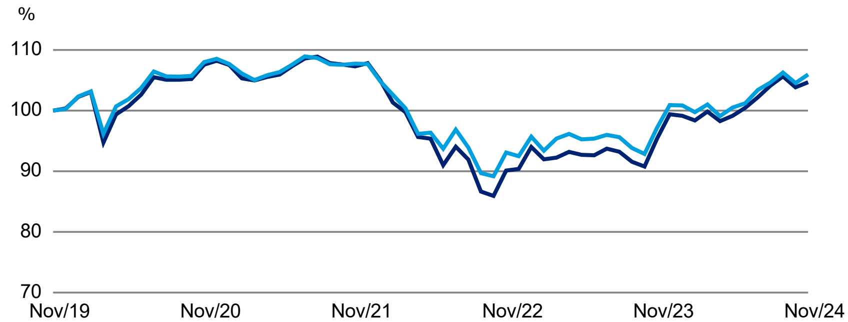
Z-share ISIN	LU1642784927
Bloomberg	IGIGCZA LX
Domicile	Luxembourg
AuM	1.27bn USD
Launch Date	01 Sep 2009
Reference Index**	Bloomberg Global Aggregate Corporate Index USD-Hedged (Total Return)
Fund Managers***	Lyndon Man, Luke Greenwood and Michael Booth

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

*** Luke Greenwood and Lyndon Man since August 2013, Michael Booth since January 2024

Performance (USD) [1]

5 Year Active Return



Cumulative	YTQ	YTD	1M	1Y	3Y	5Y
Fund (Z-shares)	6.28	5.31	0.80	9.72	-2.44	4.68
Reference Index	5.32	5.01	1.34	9.01	-1.66	5.96
Active return	0.96	0.30	-0.54	0.71	-0.78	-1.28

Calendar Year	2019	2020	2021	2022	2023
Fund (Z-shares)	15.05	7.85	-0.37	-16.17	9.97
Reference Index	12.51	8.26	-0.79	-14.11	9.10

Rolling 12 Months	30.11.14	30.11.15	30.11.16	30.11.17	30.11.18
	30.11.15	30.11.16	30.11.17	30.11.18	30.11.19
Fund (Z-shares)	2.79	8.11	4.76	-2.50	13.82
Reference Index	1.30	7.06	3.72	-1.37	13.08
Peer Group	-	-	-	-	-

	30.11.19	30.11.20	30.11.21	30.11.22	30.11.23
	30.11.20	30.11.21	30.11.22	30.11.23	30.11.24
Fund (Z-shares)	7.57	-0.25	-16.01	5.87	9.72
Reference Index	8.00	-0.24	-13.60	4.41	9.01
Peer Group	7.98	-0.47	-13.48	4.22	8.57

Source fund/sector: Morningstar as of 30 November 2024

Source index: RIMES as at 30 November 2024, on a total return basis in USD

Peer Group: Morningstar Category EAA Fund Global Corporate Bond - USD Hedged

[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.

Fund Characteristics

(Annualised Data)

	3Y	5Y
Alpha (statistical)	-0.20	-0.28
Batting Average	58.33	58.33
Gain/Loss Ratio	0.96	1.13
Information Ratio	-0.11	-0.12
Sharpe Ratio	-0.54	-0.19
Tracking Error	2.35	2.00

Awards & Gradings

Morningstar Rating 30.11.24

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

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