Invesco Global Emerging Markets

Fund Research Centre
Recommended

Why we recommend the fund

- This Recommended fund is managed according to a distinctive, valuation-conscious approach that underpins the suite of Asian and emerging market offerings from the Henley-based team.
- The managers benefit from the collegiate approach, where the aim is to be open-minded in stock selection and pro-active in managing portfolio positions.
- The managers strike a balance between the search for value in unloved areas of the market with a concern for balance sheet strength and an understanding of the risks to future cash flows.

Key characteristics and expected outcome

- Valuation analysis is at the heart of the team's approach. They look for stocks trading on significant discounts to their estimates of fair value.
- Using this bottom-up work, the managers are prepared to be contrarian when initiating positions by investing in unloved parts of the market where the gap between a stock's price and its fair value is seen to be significant.
- Overall, the fund has a bias towards larger companies, but the managers are willing to invest further down the market-cap spectrum where they perceive sufficient opportunity and a favourable risk/reward skew.
- Notwithstanding the guidelines regarding portfolio positioning versus the index, the managers have plenty of flexibility. Indeed, the investment approach and the relatively concentrated nature of the portfolio mean that its composition is likely to be differentiated.
- Given the value-orientated nature of the approach, the fund is more likely to fare well in markets when sound fundamentals and attractive valuations are favoured. Momentum-driven and/or highly speculative markets resulting in the rapid re-rating of stock prices tend to be challenging for the strategy.
- As the value style skew is relatively modest through time, the fund can be used as a mainstay emerging markets equity holding for long-term investors. Investors who are more concerned about shorter-run outcomes versus benchmark could consider blending it with a growth-orientated offering.

Risk commentary

The fund's KIID Synthetic Risk and Reward Indicator (SRRI) is 5. This is a regulatory measurement that is, where possible, calculated from the volatility of its weekly performance over a five-year period. A score of 5 means the fund's historic volatility is between 10% and 15%.

The fund's historic volatility is akin to mainstream indices and peers. Given the manager's style bias and benchmark agnostic approach, investors should be prepared for differentiated outcomes. Different share classes could have different SRRI scores.



Key Fund Facts

Inception Date:	29 June 1987
Manager(s) Since:	Charles Bond (Jan 20) Matthew Pigott (Feb 24)
Fund Domicile:	United Kingdom
Base Currency:	£ Sterling
Fund Benchmark:	MSCI Emerging Markets
IA Sector:	Global Emerging Markets

Formal documentation, including the fund prospectus and the KIID, should be sought directly from the asset manager. A link to the asset manager's website can be found on the relevant fund page at fundresearchcentre.co.uk.

Fund Snapshot

An emerging market equity fund where the managers look for stocks that are trading below fair value, whilst also favouring conservative balance sheets. Within its sector, the fund features in our 'Larger-Cap, Value-Biased' category.

Investment Team

The fund is co-managed by Charles Bond and Matthew Pigott. Messrs Bond and Pigott joined Invesco in April 2012 and July 2022, respectively. They are established members of the Henley-based Asian and Emerging Market Equities team, which is co-headed by William Lam and Ian Hargreaves. Messrs Bond and Pigott are supported by an experienced and well-resourced team of investment managers and analysts.

Investment Philosophy

The investment process is founded upon the belief that investors` behavioural biases lead to market inefficiencies. They cite three interlinked factors to explain this: market participants place too much focus on near-term issues; investor expectations are too heavily impacted by current trends; and, the market is driven by momentum and technical factors as well as fundamental considerations. The team seeks to exploit these market inefficiencies through careful fundamental analysis and a strong emphasis on valuation.

Investment Process

The approach is primarily bottom up in nature, with the team seeking to take advantage of inefficiencies in the market with a view to buying stocks below their intrinsic values. The team filters the large emerging market universe down to around 1,000 investable stocks, removing those of insufficient size, those with poor liquidity and any that fall foul of Invesco's ESG considerations. Their main aim is to identify companies whose current circumstances and prospects are not reflected in their valuations.

As well as considering quantitative measures of valuation, the team undertakes fundamental research into areas such as the quality of a company's products and services, the risks to which it is exposed, the strength of the management team and the extent to which the firm benefits from unique characteristics or tangible advantages over competitors. This helps them to narrow the investable universe to around 100 stocks, the "Company Shortlist".

Stocks on the list are ranked by their total return potential, allowing comparisons with other potential ideas or holdings within the fund. This is a dynamic tool, which responds to share price movements and to adjustments made by the team to their earnings and valuation estimates in real time. Combined with a qualitative assessment (conviction, liquidity, margin of safety, strength of balance sheet, ESG considerations, macro views, other similar stocks), this tool helps them to determine whether a stock is sufficiently attractive from an absolute return perspective to justify adding it to the portfolio, as well as assisting in discussions about position sizing.

Portfolio Construction and Risk Controls

The fund is reasonably concentrated, featuring approximately 50 stocks. The managers are benchmark agnostic, meaning that position sizes are a function of expected return, conviction, liquidity, downside risk, and portfolio risk overall. From a regional perspective, the main constraint is that for any market which is more than 10% of the index, there is typically a portfolio weighting of between 0.5x and 1.5x compared to the index weight. For sectors representing 10% or more of the index, there is typically a portfolio weighting of between 0.5x and 1.5x compared to the index weight. The team works closely with Invesco's Investment Risk team, which provides risk and performance oversight on all investment management activities.

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