

London, 20 March 2025 – As the current tax-year comes to an end Ian Hargreaves, co-manager of Invesco Asia Dragon Trust plc, shares his views on the potential for Asia to offer ISA investors undervalued opportunities and diversification away from overheated global markets.

The first salvos in a trade war between China and the US have been fired. Some global investors may fear this will dent Asian markets' performance and seek a perceived 'safe haven' in the US.

However, with 85% of the world's population living in Asia and the emerging markets – which contribute about half of global economic output – we believe Asia is simply too big and too diverse to ignore.

The recent panic in the US over Chinese AI model DeepSeek illustrates the danger of avoiding Asian markets. Asia is home to many good companies with strong fundamentals, particularly in growth areas such as AI. Not only that – they're often much cheaper than US companies that offer equivalent potential growth.

Undervalued Asia

It's clear that investors who stay away from these markets risk missing out on some of the world's best investment opportunities as well as overconcentrating their portfolios. This is not to downplay the risks associated with Asian markets, but there's increasing risk in the developed markets too, where investors are potentially less well compensated.

For example, a key theme for us right now is consumer-related companies in Hong Kong and China. Consumer sentiment in China is at an all-time low and consumer-related companies are trading at reduced valuations.

This means they are sensitive to changes in consumer sentiment, which we believe cannot stay at rock bottom for ever. They stand to benefit when Chinese consumers – who've been building up cash savings since the country's property market crashed – start to spend again.

A turning point

For ISA investors thinking about maxing out this year's allowance or looking forward to next year, Asian equities currently offer the potential for double-digit earnings growth, with reasonable valuation levels across much of the universe. However, the asset class continues to trade at a significant discount to global equities, particularly the US market. The implementation of China's stimulus measures could be a turning point this year.

While we remain mindful of geopolitical risks and the uncertainty that is a given with the Trump administration's pursuit of protectionist policies, Asian corporates have healthy balance sheets and competitive advantages which could make them more resilient than what is being implied in valuations.

Moreover, if specific channels of global trade are forced to reconfigure away from China, other Asian countries could benefit, which would likely see further growth in intra-Asian trade. There are signs of exuberance in India and parts of Taiwan's tech sector, but for active managers there are compelling opportunities across other markets.

Opportunity in AI 'picks & shovels'

As an investment destination, Asia offers access to world leading manufacturing and technology companies in North Asia, including AI 'picks & shovels'. China, India, and Southeast Asia are hotbeds of consumer demand growth, with innovative internet and e-commerce businesses.

Exposure to rising incomes and a growing middle class is also accessible through well capitalised financials, while supply chains for AI, renewables, batteries and commodities play an important role in trade and the energy transition. Asia is home to some of the most exciting investment opportunities in the world and can provide diversification for ISA investors with a global focus.

Invesco Asia Dragon Trust plc* was recently [spotlighted by the Association of Investment Companies as an 'ISA millionaire' maker](#), generating a 1,133% return and delivering a portfolio of £1,196,213 for someone who invested their full ISA allowance in the Trust every year since the ISA came into existence – from 1999 to 2024.

***The Trust's track record is for Invesco Asia Trust, which merged with abrdn's Asia Dragon Trust plc to form Invesco Asia Dragon on 14 February 2025.**

Standardised rolling 12-month performance (% growth):

Category	31.12.19	31.12.20	31.12.21	31.12.22	31.12.23
	31.12.20	31.12.21	31.12.22	31.12.23	31.12.24
Ordinary Share Price	26.1	3.6	-1.1	-3.4	15.8
Net Asset Value	23.4	3.1	1.5	-2.6	12.4
MSCI AC Asia ex Japan Index*	21.2	-3.8	-9.6	0.0	14.0

Past performance does not predict future returns. Ordinary share price performance figures have been calculated using daily closing prices with dividends reinvested. NAV performance figures have been calculated using daily NAV with dividends reinvested. The NAV used includes current period revenue and values debt at fair. The Benchmark performance shown is total return. The Benchmark performance figures are in sterling as at 31 January 2025 unless otherwise stated. Standardised past performance figures are updated on a quarterly basis. Source: Morningstar. The benchmark index for this Investment Trust changed on 1 May 2015 from the MSCI AC Asia Pacific ex Japan to the MSCI AC Asia ex Japan (both indices total return in sterling terms). The benchmark performance in the chart shows the returns for the current index only. Index returns are shown on a total return basis, with income reinvested net of withholding taxes. Before December 2020 Index returns were shown with income reinvested gross of withholding taxes.

For further information, please contact:

Invesco

Michelle Ballington

Michelle.Ballington@invesco.com

Telephone +44 (0) 1491 416353

Lansons

Tom Straker / Millie Steyn

toms@lansons.com / millies@lansons.com

Telephone +44 207 294 3606 / +44 20 7566 9705

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Investment risks

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.

The product invests in emerging and developing markets, where difficulties in relation to market liquidity, dealing, settlement and custody problems could arise.

The use of borrowings may increase the volatility of the NAV and may reduce returns when asset values fall.

The product uses derivatives for efficient portfolio management which may result in increased volatility in the NAV.

Important Information

All data sourced from Invesco, Bloomberg, as at 28 February 2025, unless otherwise stated. All figures in USD

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Views and opinions are based on current market conditions and are subject to change.

Telephone calls may be recorded.

For more information on our products, please refer to the relevant Key Information Document (KID), Alternative Investment Fund Managers Directive document (AIFMD), and the latest Annual or Half-Yearly Financial Reports. This information is available using the contact details shown.

Further details of the Company's Investment Policy and Risk and Investment Limits can be found in the Report of the Directors contained within the Company's Annual Financial Report.

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