

# Invesco Developing Markets Fund

## Q1 2025

## Key takeaways

- 1 The fund underperformed its benchmark**

Invesco Developing Markets Fund Class A shares at net asset value underperformed the MSCI EM Index. The largest detractor from relative return was stock selection in the consumer discretionary sector. Stock selection in the financials sector added to relative return.
- 2 Emerging markets performance**

Emerging market equities delivered a positive return in the first quarter and outperformed US and global equities. Emerging market equities underperformed developed market stocks.
- 3 Focused on the long-term**

Uncertainty in our view provides opportunity for active, idiosyncratic investors by favoring skill sets that emphasize a deep understanding of businesses. We believe emerging market equities are attractive because they are mispriced, with valuation discounts compared to US and global equities.

### Investment objective

The fund seeks long-term growth of capital.

### Fund facts

Fund AUM (\$M)	14,791.41
----------------	-----------

### Portfolio managers

Justin Leverenz

## Manager perspective and outlook

- The first quarter was volatile with mixed results across equity markets. China, the largest emerging market economy, posted strong positive performance despite the overhang of US tariffs. Indian equities disappointed again with a second consecutive quarterly decline. Emerging Eastern Europe and Latin America had strong positive performance for the quarter despite apparent uncertainty about the Trump administration's effect on the Ukraine conflict and tariffs on Mexico. Though we anticipate continued market volatility amid uncertain US policy, we believe emerging market equities remain attractive to investors because they are mispriced, with valuation discounts hovering at 40% and 30% relative to US and global equities, respectively.
- Emerging market equity performance depends primarily on two factors, China and the US dollar, both of which have been considerable headwinds for a long time. In our view, this may be an inflection point that could usher in another structural bull market in emerging market equities as these longtime headwinds may be turning into tailwinds that could underpin potentially significant gains. We are increasingly bullish on a cyclical recovery in China. Meanwhile, "US exceptionalism" has come under pressure, with the dollar under considerable strain.



## Top issuers

(% of total net assets)

	Fund	Index
Taiwan Semiconductor Manufacturing Co Ltd	9.48	8.60
Tencent Holdings Ltd	8.37	5.25
H World Group Ltd	5.33	0.10
Kotak Mahindra Bank Ltd	5.22	0.35
Meituan	4.41	1.25
HDFC Bank Ltd	3.08	1.54
Grupo Mexico SAB de CV	2.55	0.20
Galp Energia SGPS SA	2.49	0.00
Tata Consultancy Services Ltd	2.27	0.49
Fomento Economico Mexicano SAB de CV	2.15	0.22

As of 03/31/25. Holdings are subject to change and are not buy/sell recommendations.

## Portfolio positioning

We use a bottom-up, benchmark agnostic approach. Sector and country exposures are a by-product of stock selection. Sector and industry weights reflect areas where historically we tend to find extraordinary companies, identify dynamic changes and see real value creation. Those areas include technology, consumer, health care, financials and resources/industrials. As of quarter end, relative to the MSCI EM Index, the fund was overweight in health care, consumer discretionary, industrials and real estate, while underweight in financials, information technology (IT), materials, utilities, consumer staples, energy and communication services.

During the quarter, we initiated positions Latin American commerce and financial technology company **MercadoLibre**, Indian bank **ICICI** and Chinese biotech **WuXi AppTec**. We sold **Pernod Ricard**, **Adani Ports and Special Economic Zone**, **Hon Hai Precision**, **Global Unichip** and **BIM Birlesik**.

We added to the following existing positions:

**Alibaba** is a Chinese technology and e-commerce company and one of the world's largest retailers.

**PDD** is a Chinese e-commerce company that pioneered the successful group purchase model.

**Meituan** is the world's largest on-demand food delivery service provider and China's largest e-commerce platform for in-store dining services.

**AIA** is a Hong Kong-based multinational insurance and finance corporation. It is the largest publicly listed life insurance group in the Asia-Pacific region.

**Daiichi Sankyo** is a global pharmaceutical company and Japan's second-largest pharmaceutical firm, with established research and development locations in the US and Europe as well as key emerging markets.

We trimmed the following positions:

**Taiwan Semiconductor Manufacturing Company (TSMC)** is one of the world's leading semiconductor foundries and the key enabler of the new computing revolution.

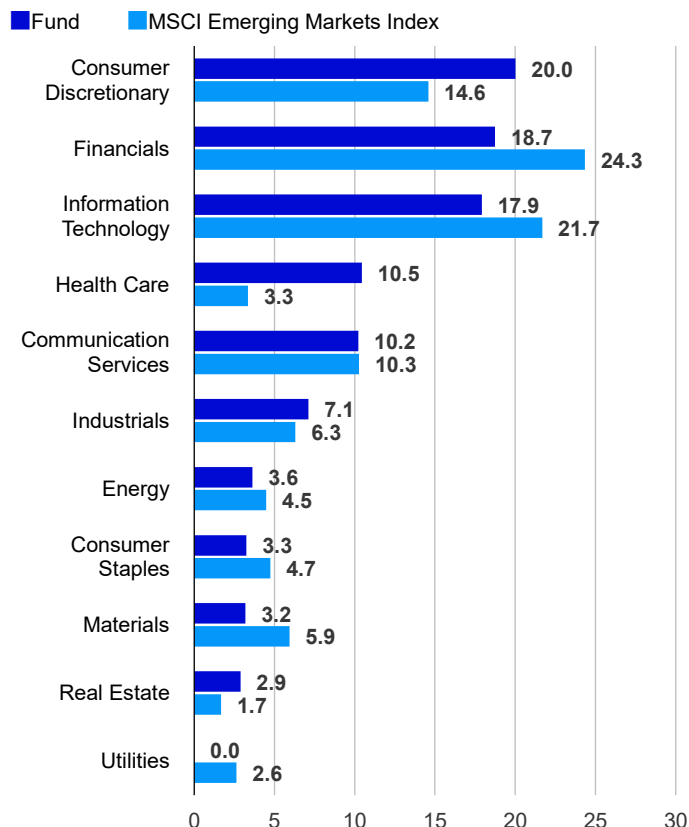
**Fomento Economico Mexicano (FEMSA)** operates Latin America's leading convenience store chain and beverage company.

**Kotak Mahindra Bank** is among India's largest private banks with operations in banking, asset management, life insurance and capital markets.

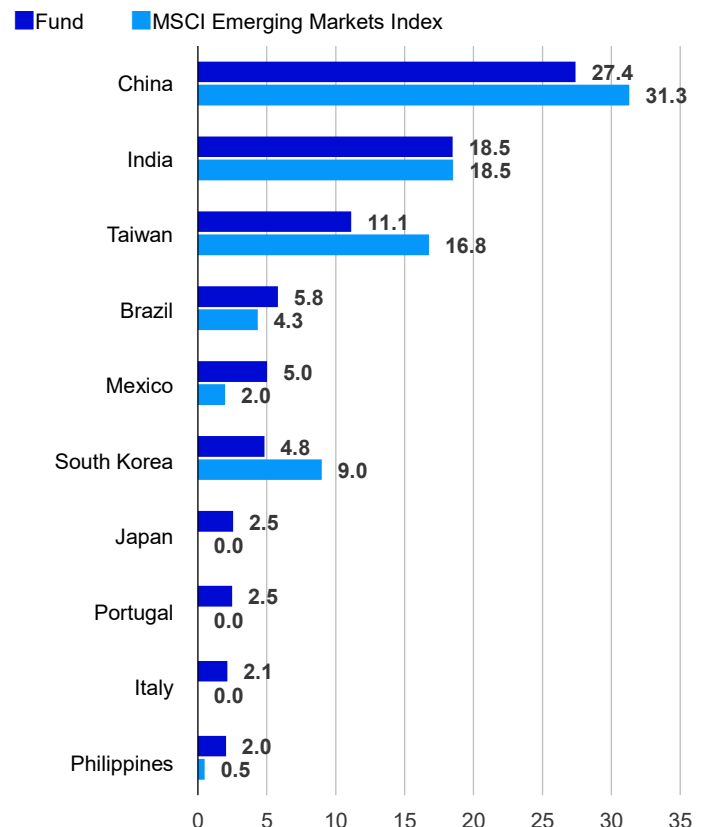
**Tencent** is a Chinese internet and technology company with a robust suite of digital offerings and is a long-term fund holding.

**Samsung Electronics** is a South Korean company that produces semiconductors, along with consumer electronic products, industrial equipment and internet access network systems.

## Sector breakdown (% of total net assets)



## Top countries (% of total net assets)



## Top contributors (%)

Issuer	Return	Contrib. to return
Tencent Holdings Limited	19.70	1.23
Kotak Mahindra Bank Limited	21.55	0.94
H World Group Limited	12.12	0.61
Alibaba Group Holding Limited	49.29	0.39
Fomento Economico Mexicano, S.A.B. de C.V.	15.37	0.39

## Top detractors (%)

Issuer	Return	Contrib. to return
Taiwan Semiconductor Manufacturing Company Limited	-12.87	-1.42
Swiggy Limited	-39.20	-0.61
Obero Realty Limited	-29.25	-0.53
TATA Consultancy Services Limited	-10.31	-0.22
PT Bank Central Asia Tbk	-12.45	-0.20

## Performance highlights

In our view, the real reason to invest in developing market equities is the opportunity to capture unique companies with durable long-term growth and sustainable advantages. Our investment approach typically avoid companies with governance conflicts, unsustainable advantages, mean reversion, product cycle/gadgets and capital intensive/cyclical industries.

From a sector perspective, stock selection in financials added the most to relative return. An underweight in IT and stock selection in consumer staples also added to relative results. The largest detractor from relative return was stock selection in consumer discretionary, followed by stock selection in real estate and industrials.

Geographically, an underweight in Taiwan was the largest contributor to relative return. An overweight in Mexico and lack of exposure to Thailand also contributed to relative return. The largest detractor from relative return was an underweight and stock selection in China. Stock selection and an underweight in South Africa and stock selection in the Philippines also detracted from relative return.

### Contributors to absolute performance

**Tencent**, a long-term fund holding, is a Chinese internet and technology company that has developed a robust suite of digital offerings for its user base. Tencent provides communication and social tools, PC and mobile games, and a plethora of digital content, including news and literature.

**Kotak Mahindra Bank** is among India's largest private banks with operations in banking, asset management, life insurance and capital markets. India's financial sector has several structural trends that have underpinned its strong growth and returns on investment.

**H World Group** is a pioneer in China's hotel industry, primarily using a franchise model. It has solidified and maintained its leadership position through investments in infrastructure technology, which have supported operational efficiency and boosted brand loyalty.

### Detractors from absolute return

**Taiwan Semiconductor Manufacturing** is one of the world's leading semiconductor foundries and the key enabler of the new computing revolution, with multiple architectures, chip platforms and design teams competing to push computing and artificial intelligence (AI) innovation.

**Swiggy** operates a food and grocery delivery business in India. Alongside its competitor Zomato (not a fund holding), Swiggy is one half of a duopoly in India's grocery and food delivery markets.

**Obero Realty** is a real estate development company operating in Mumbai and focused on premium developments. The company's focus is residential projects, but it also has a diversified portfolio of projects that target the upper end of the market segment.

## Standardized performance (%) as of March 31, 2025

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
Class A shares inception: 11/18/96	NAV	2.37	2.37	-1.07	-0.10	3.38	2.22	9.06
	Max. Load 5.5%	-3.26	-3.26	-6.52	-1.96	2.21	1.64	8.84
Class R6 shares inception: 12/29/11	NAV	2.50	2.50	-0.64	0.30	3.79	2.64	3.72
Class Y shares inception: 09/07/05	NAV	2.44	2.44	-0.82	0.15	3.64	2.47	6.03
MSCI Emerging Markets Index		2.93	2.93	8.09	1.44	7.94	3.71	-
Total return ranking vs. Morningstar Diversified Emerging Mkts category (Class A shares at NAV)		-	-	84% (664 of 777)	80% (528 of 714)	97% (619 of 636)	84% (363 of 435)	-

Expense ratios per the current prospectus: Class A: Net: 1.28%, Total: 1.28%; Class R6: Net: 0.88%, Total: 0.88%; Class Y: Net: 1.03%, Total: 1.03%.

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. Visit [invesco.com](https://www.invesco.com) for the most recent month-end performance. Performance figures reflect reinvested distributions and changes in net asset value (NAV). Investment return and principal value will vary so that you may have a gain or a loss when you sell shares. Returns less than one year are cumulative; all others are annualized. As the result of a reorganization on May 24, 2019, the returns of the fund for periods on or prior to May 24, 2019 reflect performance of the Oppenheimer predecessor fund. Share class returns will differ from the predecessor fund due to a change in expenses and sales charges. Index source: RIMES Technologies Corp. Had fees not been waived and/or expenses reimbursed in the past, returns would have been lower. Performance shown at NAV does not include the applicable front-end sales charge, which would have reduced the performance.

Class Y and R6 shares have no sales charge; therefore performance is at NAV. Class Y shares are available only to certain investors. Class R6 shares are closed to most investors. Please see the prospectus for more details.

## Performance highlights (cont'd)

### Calendar year total returns (%)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Class A shares at NAV	-14.06	6.89	34.77	-12.14	23.99	17.22	-7.50	-25.16	11.17	-1.39
Class R6 shares at NAV	-13.67	7.38	35.33	-11.79	24.53	17.66	-7.13	-24.85	11.54	-0.97
Class Y shares at NAV	-13.84	7.16	35.10	-11.95	24.31	17.51	-7.25	-24.97	11.40	-1.12
MSCI Emerging Markets Index	-14.92	11.19	37.28	-14.57	18.42	18.31	-2.54	-20.09	9.83	7.50

### Portfolio characteristics\*

	Fund	Index
No. of holdings	86	1,206
Top 10 issuers (% of AUM)	45.29	27.05
Wtd. avg. mkt. cap (\$M)	175,436	151,374
Price/earnings	19.41	14.85
Price to book	3.35	1.82
Est. 3 – 5 year EPS growth (%)	14.77	13.32
ROE (%)	21.39	17.41
Long-term debt to capital (%)	24.56	21.11
Operating margin (%)	25.20	21.91

### Risk statistics (5 year)\*

	Fund	Index
Alpha (%)	-4.03	0.00
Beta	0.99	1.00
Sharpe ratio	0.04	0.32
Information ratio	-0.72	0.00
Standard dev. (%)	17.66	16.70
Tracking error (%)	6.30	0.00
Up capture (%)	82.35	100.00
Down capture (%)	105.10	100.00
Max. drawdown (%)	42.91	35.98

## Quarterly performance attribution

### Sector performance analysis (%)

Sector	Allocation effect	Selection effect	Total effect
Communication Services	-0.03	0.27	0.24
Consumer Discretionary	0.56	-1.65	-1.09
Consumer Staples	-0.03	0.34	0.31
Energy	0.03	0.22	0.24
Financials	-0.16	0.80	0.64
Health Care	-0.10	0.41	0.31
Industrials	-0.05	-0.41	-0.46
Information Technology	0.56	-0.20	0.36
Materials	-0.15	-0.08	-0.23
Other	0.01	0.00	0.01
Real Estate	-0.03	-0.67	-0.70
Utilities	0.05	0.00	0.05
Cash	-0.05	0.00	-0.05
<b>Total</b>	<b>0.59</b>	<b>-0.96</b>	<b>-0.37</b>

Holdings are subject to change and are not buy/sell recommendations. Attribution methodology notes: The attribution provides analysis of the effects of several portfolio management decisions, including allocation and security selection. Securities classified as "Other" may include non-equity securities, derivatives, and securities for which a sector classification may not be appropriate. The portfolio is actively managed and portfolio holdings are subject to change. The percentage weights represented for the portfolio are dollar weighted based on market value. **Market allocation effect** shows the excess contribution due to sector/market allocation. A positive allocation effect implies that the choice of sector weights in the portfolio added value to the portfolio contribution with respect to the benchmark and vice versa. **Selection effect** shows the excess contribution due to security selection. A positive selection effect implies that the choice of stocks in the portfolio added value to the portfolio contribution with respect to the benchmark and vice versa. **Total effect** is the difference in contribution between the benchmark and portfolio. **Past performance does not guarantee future results.**

### Region performance analysis (%)

Region	Allocation effect	Selection effect	Total effect
<b>Developed</b>	<b>0.08</b>	<b>0.00</b>	<b>0.08</b>
Asia/Pacific Ex Japan	0.19	0.00	0.19
Europe	0.09	0.00	0.09
Japan	-0.20	0.00	-0.20
North America	-0.01	0.00	-0.01
<b>Emerging</b>	<b>0.00</b>	<b>-0.39</b>	<b>-0.39</b>
Africa/Mideast	-0.24	-0.15	-0.39
Asia/Pacific Ex Japan	0.23	-0.07	0.16
Europe	-0.09	-0.14	-0.23
Latin America	0.64	-0.56	0.08
<b>Other</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Cash</b>	<b>-0.05</b>	<b>0.00</b>	<b>-0.05</b>
<b>Total</b>	<b>0.03</b>	<b>-0.39</b>	<b>-0.37</b>

## Performance attribution (cont'd)

### Performance analysis by country — top 5 (%)

	Total effect	Avg. weight	Total return
Taiwan	0.81	15.24	-12.05
Mexico	0.26	6.18	8.89
Thailand	0.24	0.00	0.00
United Kingdom	0.23	1.89	14.42
Hong Kong	0.19	1.62	11.80

### Performance analysis by country — bottom 5 (%)

	Total effect	Avg. weight	Total return
China	-0.88	24.43	13.14
South Africa	-0.39	1.52	-1.91
Philippines	-0.24	1.89	-9.88
Japan	-0.20	2.43	-5.47
Brazil	-0.20	5.23	8.18

Unless otherwise specified, all information is as of 03/31/25. Unless stated otherwise, Index refers to MSCI Emerging Markets Index.

The MSCI Emerging Markets Index (ND) is an unmanaged index considered representative of stocks of developing countries. The index is computed using the net return, which withholds applicable taxes for non-residents investors. An investment cannot be made directly in an index.

#### About Risk

In general, stock and other equity securities values fluctuate, sometimes widely, in response to activities specific to the company as well as general market, economic and political conditions.

Derivatives may be more volatile and less liquid than traditional investments and are subject to market, interest rate, credit, leverage, counterparty, and management risks. An investment in a derivative could lose more than the cash amount invested.

Environmental, Social and Governance (ESG) considerations may vary across investments and issuers, and not every ESG factor may be identified or evaluated for investment. The Fund will not be solely based on ESG considerations; therefore, issuers may not be considered ESG-focused companies. ESG factors may affect the Fund's exposure to certain companies or industries and may not work as intended. The Fund may underperform other funds that do not assess ESG factors or that use a different methodology to identify and/or incorporate ESG factors. ESG is not a uniformly defined characteristic and as a result, information used by the Fund to evaluate such factors may not be readily available, complete or accurate, and may vary across providers and issuers. There is no guarantee that ESG considerations will enhance Fund performance.

The risks of investing in securities of foreign issuers, including emerging markets, can include fluctuations in foreign currencies, political and economic instability, and foreign taxation issues. Developing markets may especially be volatile.

The performance of an investment concentrated in issuers of a certain region or country is expected to be closely tied to conditions within that region and to be more volatile than more geographically diversified investments.

Growth stocks tend to be more sensitive to changes in their earnings and can be more volatile.

The Fund may hold illiquid securities that it may be unable to sell at the preferred time or price and could lose its entire investment in such securities.

The investment techniques and risk analysis used by the portfolio managers may not produce the desired results.

Following Russia's invasion of Ukraine in February 2022, various countries, including the U.S., NATO and the European Union, issued broad-ranging economic sanctions against Russia and Belarus. As a result, responses to military actions (and further potential sanctions related to continued military activity), the potential for military escalation and other corresponding events, have had, and could continue to have, severe negative effects on regional and global economic and financial markets, including increased volatility, reduced liquidity, and overall uncertainty. Russia may take additional counter measures or retaliatory actions (including cyberattacks), which could exacerbate negative consequences on global financial markets. The duration of ongoing hostilities, corresponding sanctions and related events cannot be predicted. As a result, the value of an investment in the Fund and its performance may be negatively impacted, particularly as it relates to Russia exposure.

Stocks of small and medium-sized companies tend to be more vulnerable to adverse developments, may be more volatile, and may be illiquid or restricted as to resale.

Investing in securities of Chinese companies involves additional risks, including, but not limited to: the economy of China differs, often unfavorably, from the U.S. economy in such respects as structure, general development, government involvement, wealth distribution, rate of inflation, growth rate, allocation of resources and capital reinvestment, among others; the central government has historically exercised substantial control over virtually every sector of the Chinese economy through administrative regulation and/or state ownership; and actions of the Chinese central and local government authorities continue to have a substantial effect on economic conditions in China.

The Fund is subject to certain other risks. Please see the current prospectus for more information regarding the risks associated with an investment in the Fund.

The opinions expressed are those of the fund's portfolio management, are based on current market conditions and are subject to change without notice. These opinions may differ from those of other Invesco investment professionals.

This does not constitute a recommendation of any investment strategy or product for a particular investor. Investors should consult a financial professional before making any investment decisions.

Note: Not all products available at all firms. Financial professionals, please contact your home office.

The fund holdings are organized according to the Global Industry Classification Standard, which was developed by and is the exclusive property and service mark of MSCI Inc. and Standard & Poor's.

\* **Alpha** (cash adjusted) is a measure of performance on a risk-adjusted basis. **Beta** (cash adjusted) is a measure of relative risk and the slope of regression. **Sharpe Ratio** is a risk-adjusted measure calculated using standard deviation and excess return to determine reward per unit of risk. A higher Sharpe ratio indicates better risk-adjusted performance. **Information Ratio** is a measurement of portfolio returns beyond the returns of a benchmark, usually an index, compared to the volatility of those returns. **Standard deviation** measures a fund's range of total returns and identifies the spread of a fund's short-term fluctuations. **Tracking Error** is defined as the expected standard deviation of a portfolio's excess return over the benchmark index return. The **up and down capture** measures how well a manager was able to replicate or improve on periods of positive benchmark returns and how severely the manager was affected by periods of negative benchmark returns. **Maximum Drawdown** is the maximum observed loss from a high to a low of a portfolio, before a new high is attained. Maximum drawdown is an indicator of downside risk over a specified time period. **Weighted Average Market Cap** is a measure of the average size of company held in a portfolio. The percentage of the portfolio invested each company, or its weight, is multiplied by its size (market capitalization). An average of the weighted size of all companies held is then calculated. **Price/earnings** measures the price per share relative to the earnings per share of the company while excluding extraordinary items. **Price to book** measures the firm's capitalization (market price) to book value. **Est. 3-5 year EPS (Earning per share) growth** measures the earning per share growth from FY3 to FY5. **ROE** is the Return on Equity that measures the fund's annual return relative to total shareholders' equity. This ratio evaluates how quickly investments can be turned into profits. **Long-term debt to capital** measures a fund's financial leverage by calculating the proportion of long-term debt used to finance its assets relative to the amount of equity used for the same purpose. A higher ratio indicates higher leverage. **Operating margin** measures the profit a fund makes for every dollar of sales after paying the variable expenses. **Contribution to Return** measures the performance impact from portfolio holdings over a defined time period. It takes into account both weight and performance of the portfolio holdings. Contribution to Return is calculated at security level.

---

**Morningstar**

Source: ©2025 Morningstar Inc. All rights reserved. The information contained herein is proprietary to Morningstar and/or its content providers. It may not be copied or distributed and is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results. Open-end mutual funds and exchange-traded funds are considered a single population for comparison purposes. Had fees not been waived and/or expenses reimbursed currently or in the past, the ranking would have been lower. Rankings for other share classes may differ due to different performance characteristics.

**Before investing, consider the Fund's investment objectives, risks, charges and expenses. Visit [invesco.com/fundprospectus](https://www.invesco.com/fundprospectus) for a prospectus/summary prospectus containing this information. Read it carefully before investing.**