Invesco Mutual Fund

Invesco India Low Duration Fund

(An open ended low duration debt scheme investing in instruments such that the Macaulay duration^ of the portfolio is between 6 months to 12 months. A relatively low interest rate risk and relatively low credit risk.)

^Please refer to the heading **‘C. Asset Allocation Pattern’** under Section ‘II. **Information about the Scheme’** of Scheme Information Document where the concept of Macaulay duration has been explained

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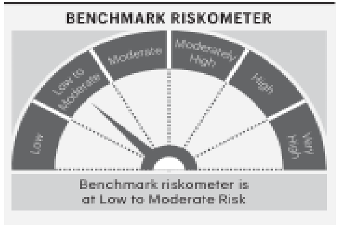
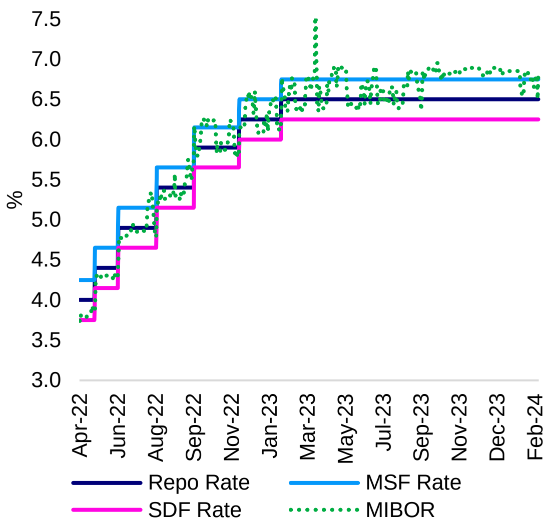
Scheme Name	Potential Risk Class			
Invesco India Low Duration Fund	Credit Risk → Interest Rate Risk↓	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
	Relatively Low (Class I)	A-I		
	Moderate (Class II)			
	Relatively High (Class III)			

Suitable for investors who are seeking*:	Invesco India Low Duration Fund	Benchmark - NIFTY Low Duration Debt Index A-I
• Income over short term • Investments in debt and money market instruments ***Investors should consult their financial advisers if in doubt about whether the product is suitable for them.**		

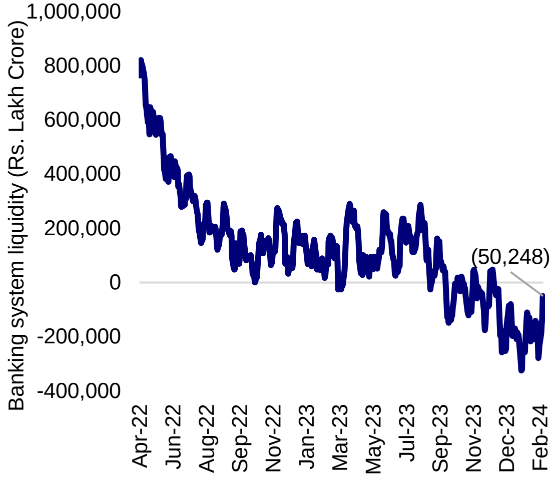
^Please refer to the heading **'C. Asset Allocation Pattern'** under Section 'II. **Information about the Scheme'** of Scheme Information Document where the concept of Macaulay duration has been explained

Yields at the shorter end of the curve are elevated due to past rate hikes and tight liquidity conditions

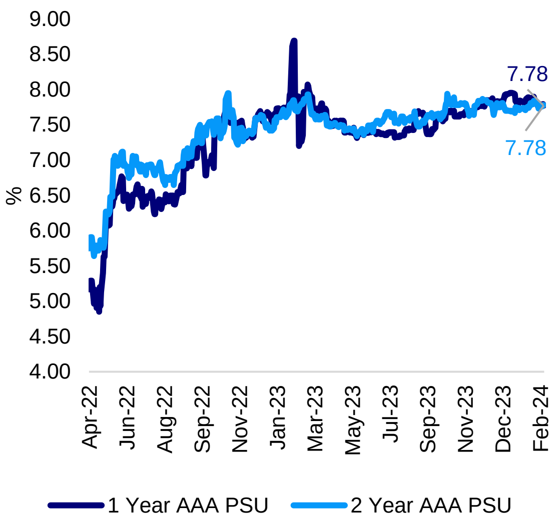
Money market rates have moved towards the upper end of the rate corridor



Interbank liquidity turns deficit (Rs. lakh crore)



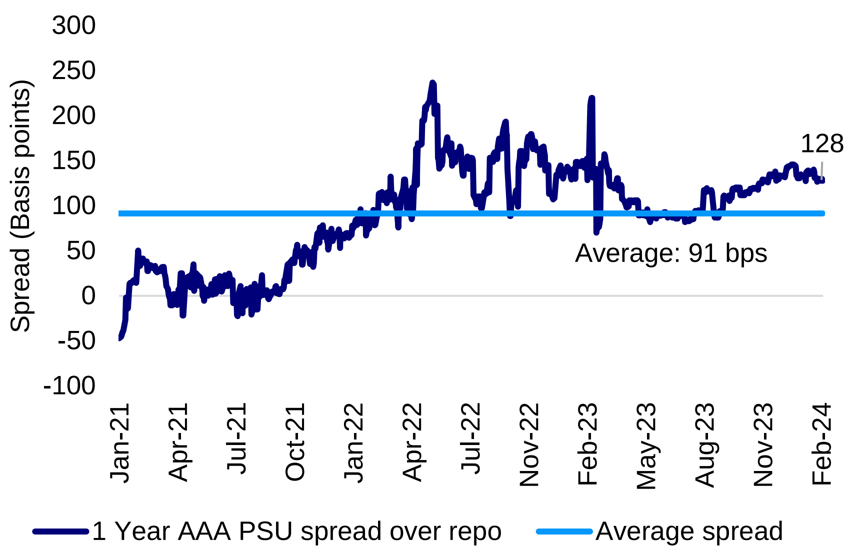
Resulting in elevated 1 year and 2 year AAA PSU yields (%)



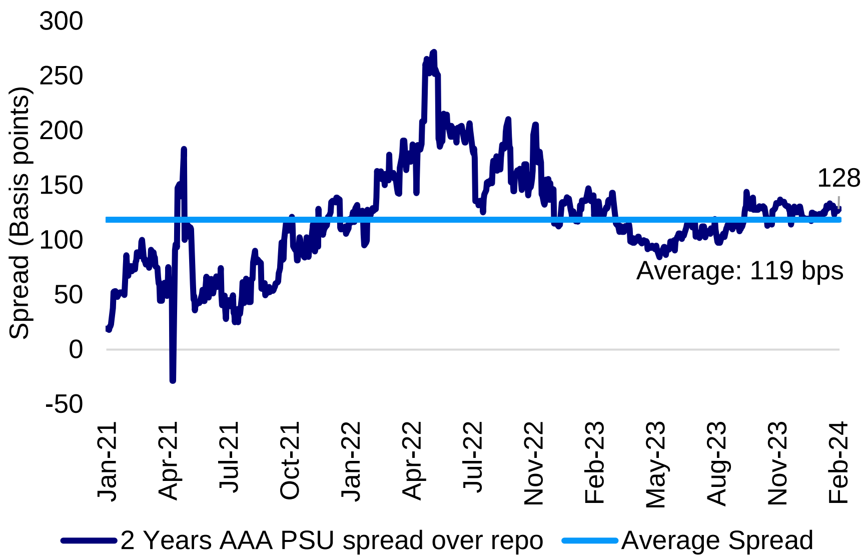
MSF: Marginal Standing Facility, SDF: Standing Deposit Facility, MIBOR: Mumbai Interbank Offer Rate.
Source: Bloomberg. Data from April 11, 2022 till February 29, 2024 as SDF rate was introduced by RBI in Monetary policy statement of April 08, 2022.
Disclaimer: The purpose of above charts is only to explain how 1 year & 2 year AAA PSU yields have inched up due to rate hikes and tight liquidity conditions. This information alone is not sufficient and shouldn't be used for the development or implementation of an investment strategy. It should not be construed as an investment advice to any party.

Current spreads over repo rate are attractive and above their historical average

1 year AAA PSU spreads over repo rate



2 years AAA PSU spreads over repo rate

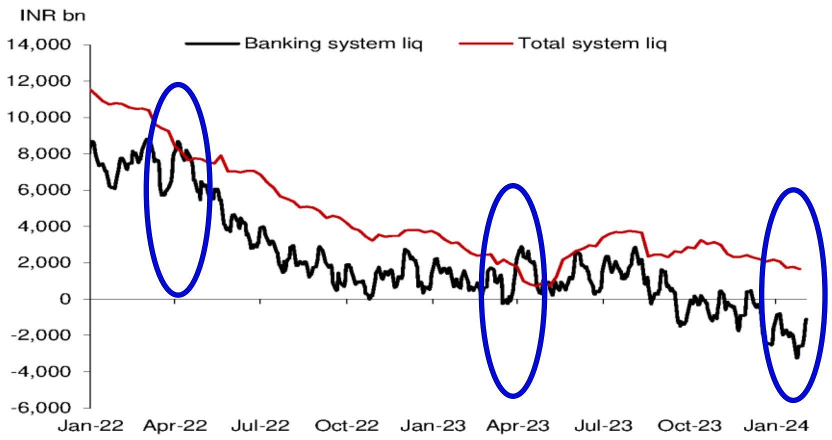


Source : Bloomberg. Data from January 01, 2021 till February 29, 2024

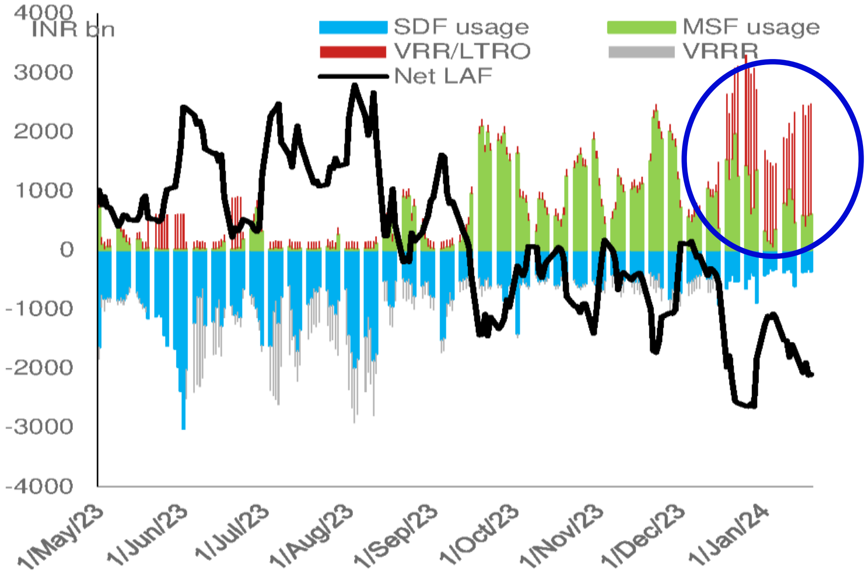
Disclaimer: The purpose of above charts is only to explain how 1 year & 2 year AAA PSU yields spreads over repo rate are at attractive levels. This information alone is not sufficient and shouldn't be used for the development or implementation of an investment strategy. It should not be construed as an investment advice to any party.

Recently, RBI has become more active in providing short term liquidity which indicates that the yields may soften going forward

Banking system liquidity converges with total system liquidity in April on back of Government spending



RBI has increased liquidity infusion operations since January 2024



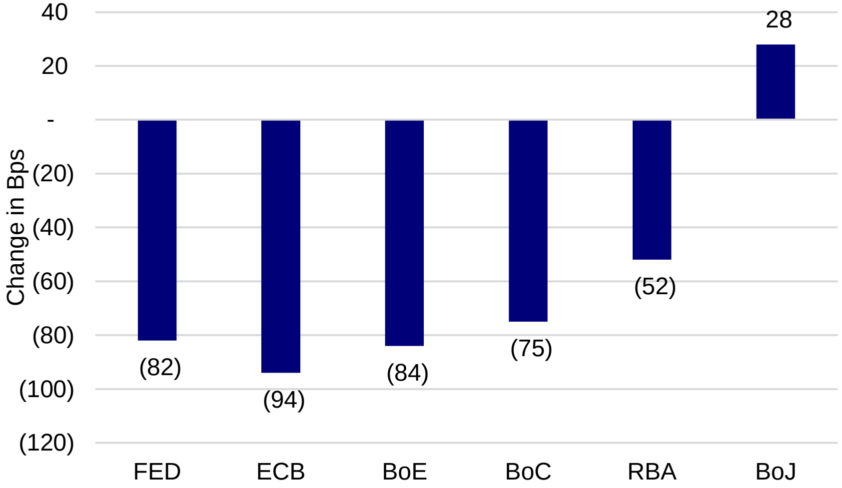
Liq: Liquidity, RBI: Reserve Bank of India, SDF: Standing Deposit Facility, MSF: Marginal Standing Facility, VRR: Variable Rate Repo, VRRR : Variable Rate Reverse Repo, LAF : Liquidity Adjustment Facility, Bn: Billion

Source: Nomura

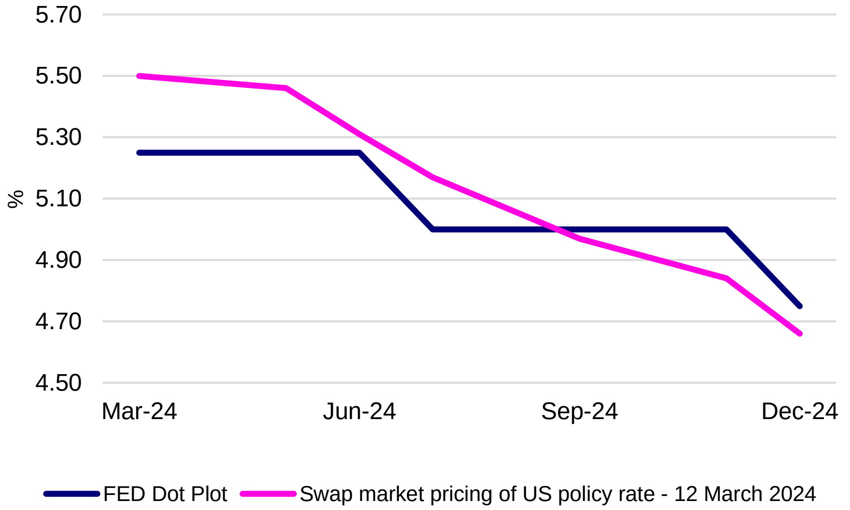
Disclaimer: The purpose of above charts is only to explain the current liquidity scenario and the expectation that going ahead the liquidity may ease due to government spending. The chart on the right shows the liquidity operations conducted by RBI which may also aid in softening of yields going ahead. This information alone is not sufficient and shouldn't be used for the development or implementation of an investment strategy. It should not be construed as an investment advice to any party. The information provided herein may include statements/data of future expectations that are based on current views and assumptions and involves known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied.

Global rate cut cycle is expected to begin in CY24

Current market pricing of policy rate changes by Central Banks during CY24– change in bps



US swap markets and FED expectations on timing of policy rate cuts



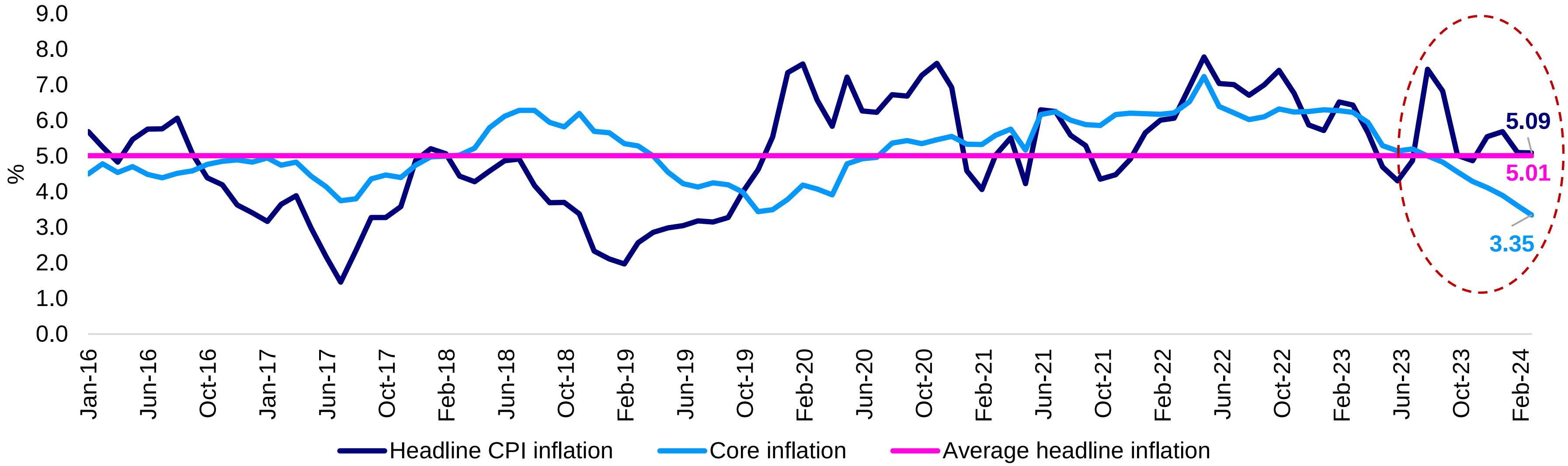
BPS – Basis Points, FED - US Federal Reserve, ECB - European Central Bank, BoJ - Bank of Japan, BoE - Bank of England, RBA - Reserve Bank of Australia, BoC - Bank of Canada, CY – Calendar Year

Left chart data is as of March 13, 2024. Right chart data is as of March 12, 2024. Source - Bloomberg.

Disclaimer- The purpose of above chart is to explain expectation of rate movement across major developed market. The information provided herein may include statements/data of future expectations that are based on current views and assumptions and involves known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied.

India is also expected to follow its global peers led by easing domestic inflation

CPI and core inflation (%)



Source- Bloomberg.

Disclaimer: The purpose of above charts is only to explain the trajectory of Headline CPI inflation and core inflation. Core inflation is inflation ex fool and fuel. The headline CPI inflation is trending closer to its average and is expected to ease further, which will give comfort to RBI to start the easing cycle. This information alone is not sufficient and shouldn't be used for the development or implementation of an investment strategy. It should not be construed as an investment advice to any party.

To summarize – Liquidity is expected to improve first and then followed by a domestic rate cut cycle

- Current liquidity is in deficit which is expected to remain tight till March 2024 keeping the pressure high on short term rates.
- April onwards, we expect the liquidity to improve on the back of Government spending and steady FPI’s inflow as we reach closer to the JP Morgan global debt index inclusion in June 2024.
- MPC may start rate cuts possibly in 2HCY24 amid moderating inflation & likely easing in global monetary policy stance. Before that, MPC may look to change the policy outlook to Neutral from “Withdrawal of accommodation” which is also expected to be favorable for short term yields.
- RBI has been more proactive in liquidity management through regular VRR / VRRRs since January 2024, indicating the intent to keep overnight rates closer to the policy rate.
- Thus, invest at the short end to benefit from high accrual as of now. **Improving liquidity and subsequent rate cut cycle is expected to compress the yields going forward.**

FPI: Foreign Portfolio Investments, MPC: Monetary Policy Committee, VRR: Variable Rate Repo, VRRR : Variable Rate Reverse Repo.

Invesco India Low Duration Fund

An active strategy focusing on upto 3 years segment of the yield curve

Current strategy	• Actively managed fund with investments in money market instruments, corporate bonds and G-sec in 6 months to 3 years segment • Ladder investment approach i.e. investment in securities with varying maturity dates which helps minimize interest rate risk and enhance the portfolio liquidity • Classified as A-I in the Potential Risk Class matrix which reflects a relatively low interest rate risk and relatively low credit risk
Suitable for	• Suitable for investors with an investment horizon of short to medium term

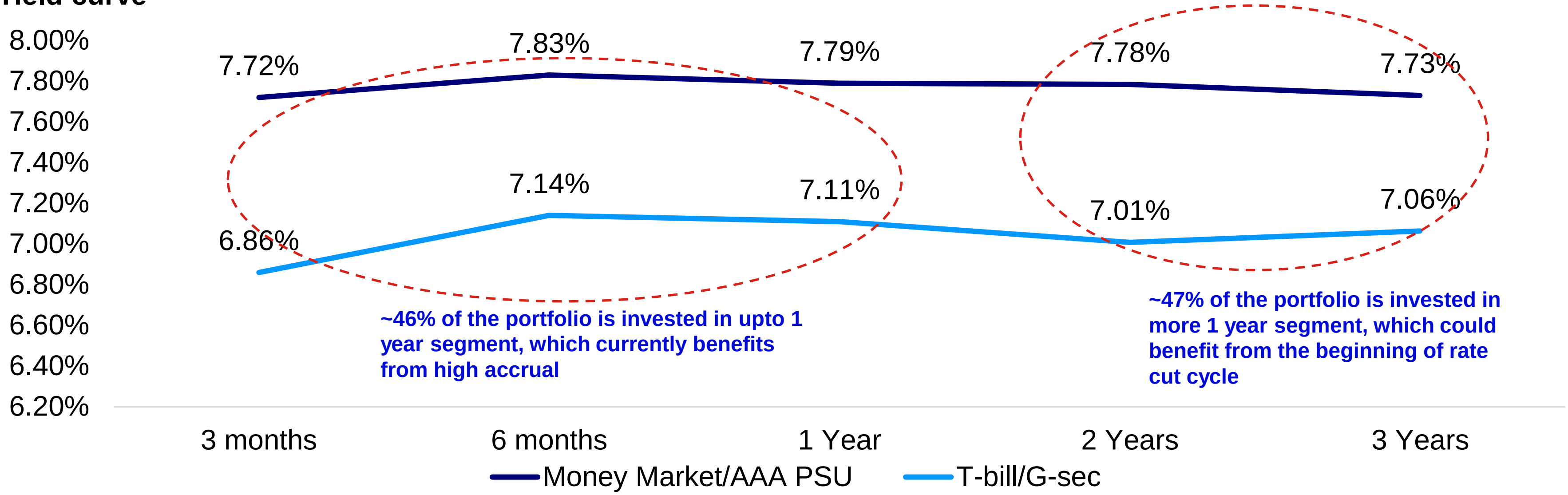
Instrument Allocation	% Exposure
NCDs	59.49%
G-sec	8.82%
Certificate of Deposits (CD)	18.10%
Commercial Papers (CP)	2.06%
T-Bills	5.23%
Corporate Debt Market Development Fund	0.35%
Cash & Cash Equivalent	5.95%

Rating Profile	% Exposure
AAA	47.07%
A1+	20.16%
Sovereign	14.05%
AA+	10.30%
AA	2.12%
Corporate Debt Market Development Fund	0.35%
Cash & Cash Equivalent	5.95%

Portfolio data as on February 29, 2024.

Invesco India Low Duration Fund provides participation in both legs – easing liquidity over next few months and then the rate cut cycle

Yield curve



Source : Bloomberg. Data as on February 29, 2024

Disclaimer: The purpose of above charts is only to explain the AAA PSU & G-Sec yield curve. Upto 1 year tenor is represented by yields of money market instrument and the 2 years & 3 years tenor is represented by AAA PSU & G-sec yields. This information alone is not sufficient and shouldn't be used for the development or implementation of an investment strategy. It should not be construed as an investment advice to any party The information provided herein may include statements/data of future expectations that are based on current views and assumptions and involves known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied.

Portfolio statistics

Portfolio Statistics	
YTM[1]	7.74%
Average Maturity	374 days
Macaulay Duration	355 days
Modified Duration	333 days

Maturity Bucket	Portfolio allocation
Upto September’24 (Upto 6 months)	31.00%
October’24 – March’25 (6 to 12 months)	15.32%
April’25 – September’25 (12 to 18 months)	20.18%
October’25 – March’26 (18 to 24 months)	19.24%
Beyond March’26 (More than 24 months)	7.96%
Cash & cash equivalent (including Corporate Debt Market Development Fund)	6.30%

[1]YTM: Yield to Maturity. Yield to maturity should not be construed as minimum return offered by Scheme. The above maturity bucketing shown is based on portfolio as of February 29, 2024.
Source - Invesco Asset Management (India) Pvt. Ltd
Disclaimer - The above positioning is based on our current views & market conditions and are subject to change from time to time.

Key facts – Invesco India Low Duration Fund

Category	An open ended low duration debt scheme investing in instruments such that the Macaulay duration[1] of the portfolio is between 6 months to 12 months. A relatively low interest rate risk and relatively low credit risk
Investment Objective	To generate income by investing in debt and Money Market Instruments.
Asset Allocation	Under normal circumstances the asset allocation pattern will be:

Instruments	Indicative Allocation (% of net assets)		Risk Profile
	Minimum	Maximum	High/Medium/Low
Debt[2] and Money Market Instruments[3]	0%	100%	Low

[2]Debt includes government securities
[3]The portfolio shall have Macaulay duration between 6 months to 12 months

Minimum Application Amount

Rs. 1,000/- per application and in multiples of Re. 1 thereafter. For Systematic Investment Plan (SIP):

Options	Minimum Amount	Minimum Installments
Monthly	Rs. 100/- and in multiples of Rs. 1 thereafter	12
Quarterly	Rs. 300/- and in multiples of Rs. 1 thereafter	4

Plans[4]/ Options (Applicable to Direct Plan also)

- Growth Option
- IDCW Payout option- Weekly, Monthly, Discretionary
- IDCW Reinvestment option- Daily, Weekly, Monthly, Discretionary

(If IDCW under payout of IDCW is equal to or less than Rs.100/- then the IDCW would be compulsorily reinvested in the respective plan/option of the scheme)

Load	Entry Load: Nil[5] Exit Load:[6] Nil
Fund Managers	Krishna Cheemalapati & Vikas Garg
Benchmark	NIFTY Low Duration Debt Index A-I

[1]An open ended low duration debt scheme investing in instruments such that the Macaulay duration^ of the portfolio is between 6 months to 12 months. A relatively low interest rate risk and relatively low credit risk
[4]Direct Plan will have a lower expense ratio excluding distribution expenses, commission for distribution of Units etc. [5]The upfront commission, if any, on investment made by the investor shall be paid by the investor directly to the Distributor, based on his assessment of various factors including the service rendered by the Distributor. [6]Exit Load changed, if any, will be credited back to the scheme, net of Goods & Services Tax. IDCW: Income Distribution cum Capital Withdrawal

Disclaimer

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Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

Get in touch

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