Invesco Mutual Fund

Invesco India Money Market Fund

(An open ended debt scheme investing in money market instruments. A relatively low interest rate risk and relatively low credit risk.)

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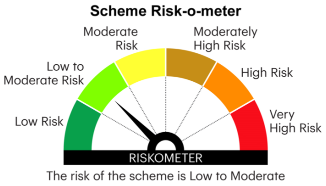
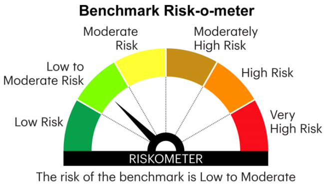
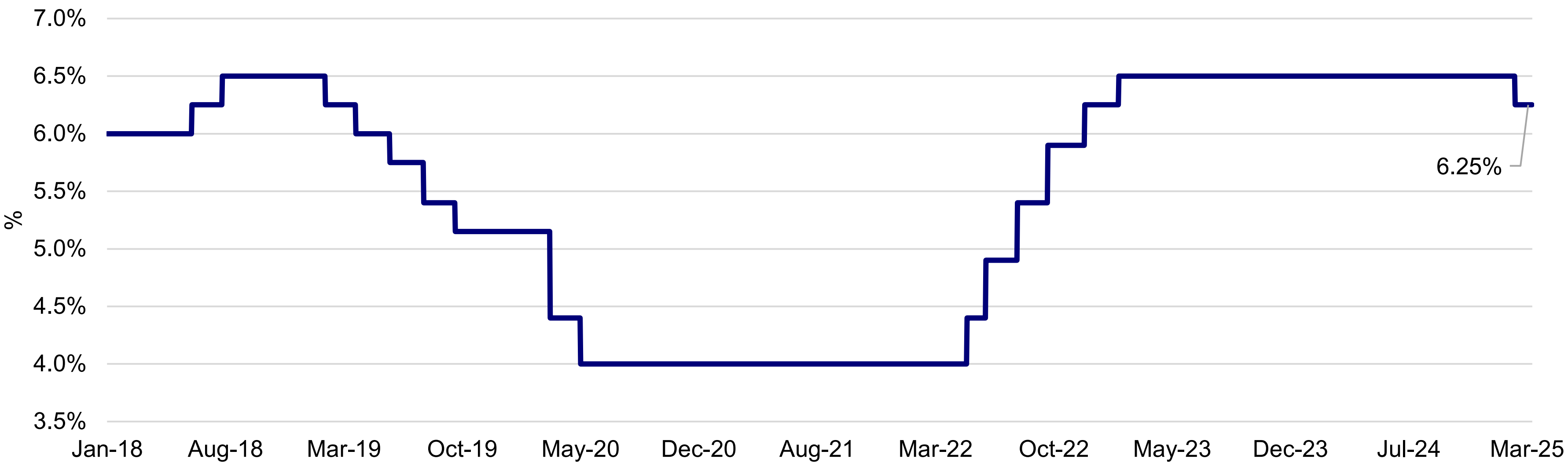
Scheme Name	Potential Risk Class			
Invesco India Money Market Fund	Credit Risk → Interest Rate Risk↓	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
	Relatively Low (Class I)	A-I		
	Moderate (Class II)			
	Relatively High (Class III)			

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

RBI has started rate cut cycle after a long pause of almost 5 years…

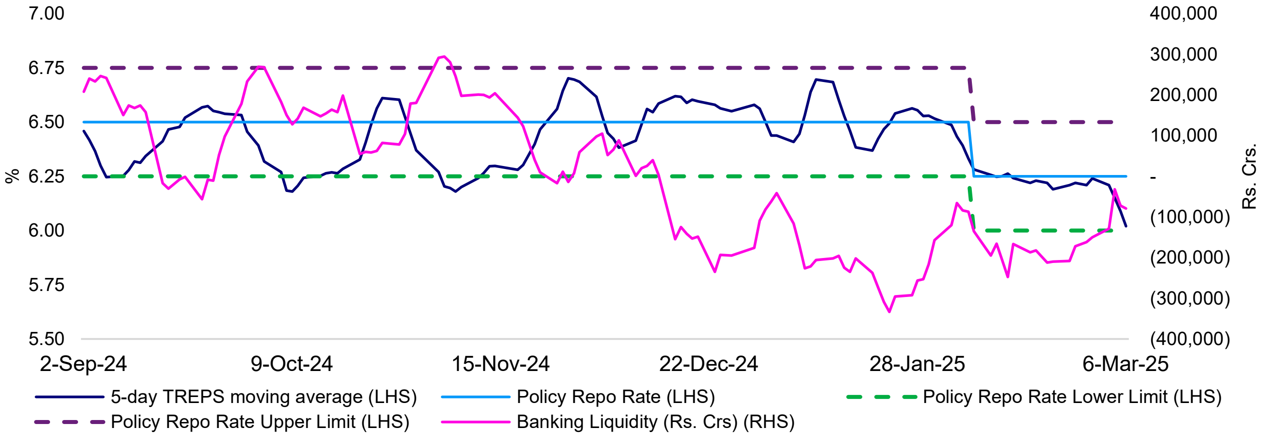
RBI Policy Repo Rate



Source: Bloomberg.
Disclaimer: The above chart is for illustration purpose only. The information alone is not sufficient and shouldn't be used for the development or implementation of an investment strategy.

RBI has also started taking various durable liquidity measures to ease banking liquidity which has helped overnight rate to move closer to the policy repo rate

Overnight rate has started move closer to the policy repo rate



Average	Sep 2, 2024 - Nov 30, 2024
Banking Liquidity (Rs. Crs)	131,540
TREPS rate (avg)	6.39%
Repo rate	6.5%

Average	Dec 1, 2024 - Feb 6, 2025
Banking Liquidity (Rs. Crs)	(133,947)
TREPS rate (avg)	6.49%
Repo rate	6.5%

Average	Feb 07, 2025 - Mar 06, 2025
Banking Liquidity (Rs. Crs)	(161,561)
TREPS rate (avg)	6.21%
Rep rate	6.25%

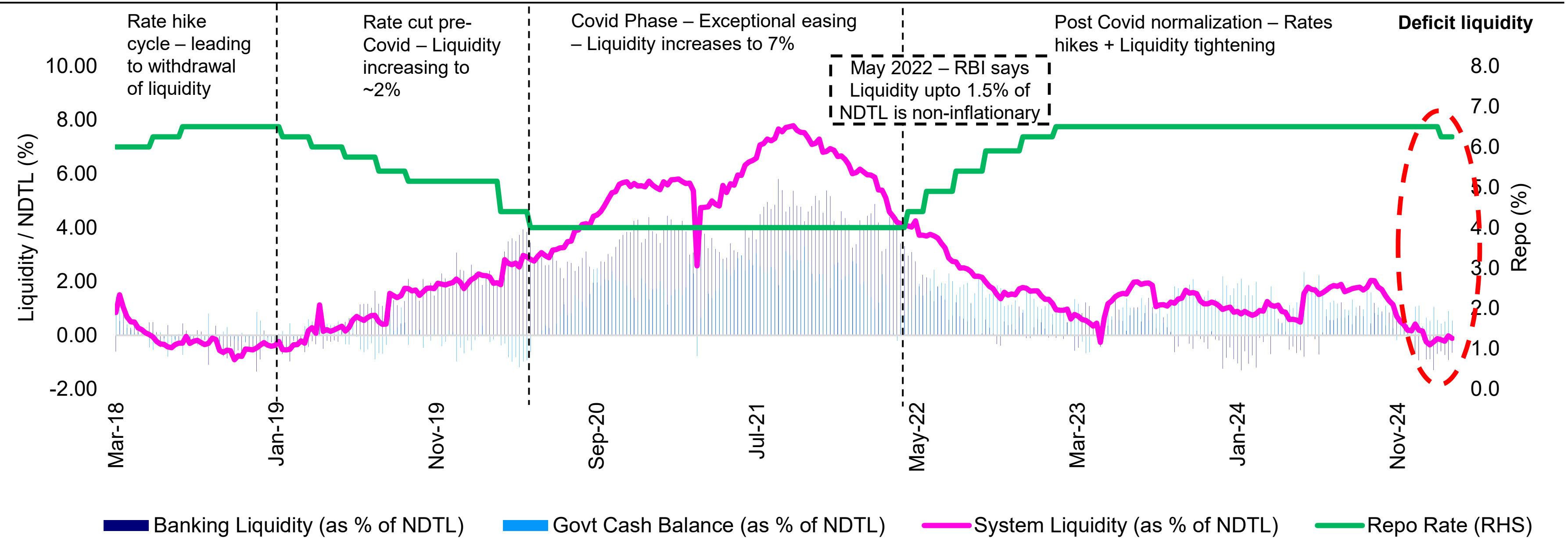
Recent liquidity measures taken by RBI

Measures (conducted / announced)	Amount
VRR plus Repo operations ≥14 day	~Rs. 1.8 lakh Crs (as of Mar 07, 2025)
Open Market Operations	Rs 2.38 lakh Crs
Fx Swaps	USD 25 Bn (~Rs 2.2 lakh Crs)

Source: Bloomberg, RBI. Data as on March 12th , 2025. VRR – Variable Repo Rate, TREPS – Tripart Repo

Disclaimer - The above chart is for illustration purpose only to show movement of banking liquidity and corresponding change in overnight rate. The information alone is not sufficient and shouldn't be used for the development or implementation of an investment strategy.

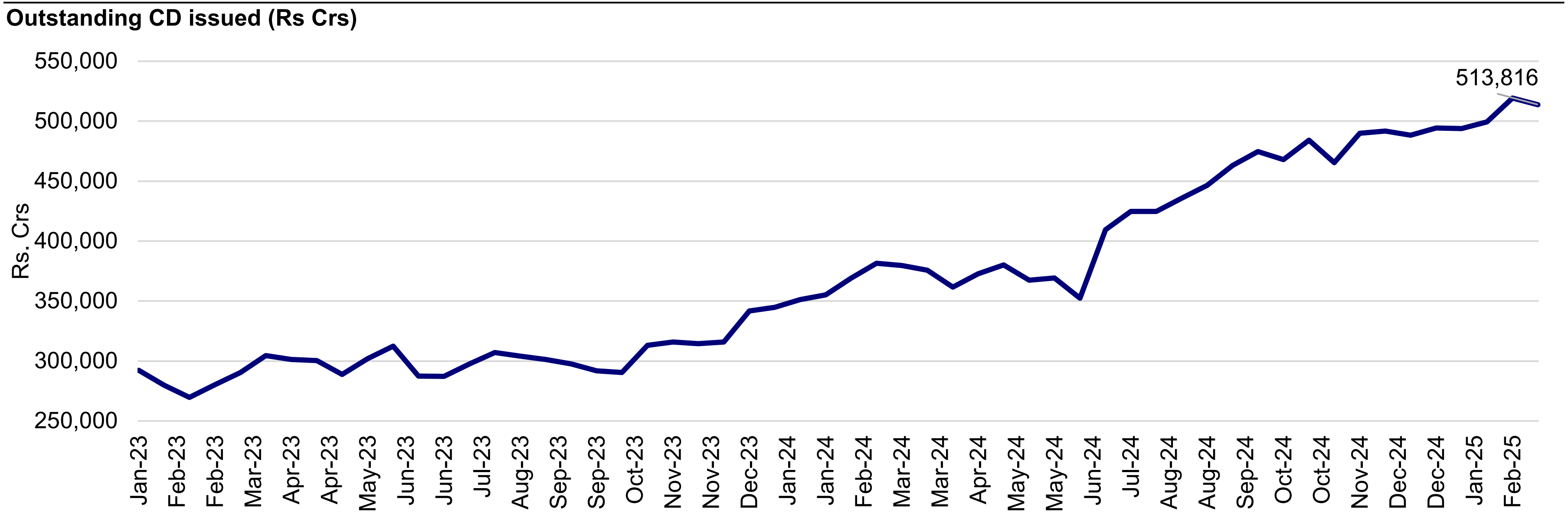
However, system liquidity has turned deficit since December 2024 due to RBI's forex intervention



Source – Bloomberg

Disclaimer - The above chart is for illustration purpose only to show movement of system liquidity during various phases of rate cycle. The 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.

CD supply has also increased sharply to all time high amidst tight liquidity

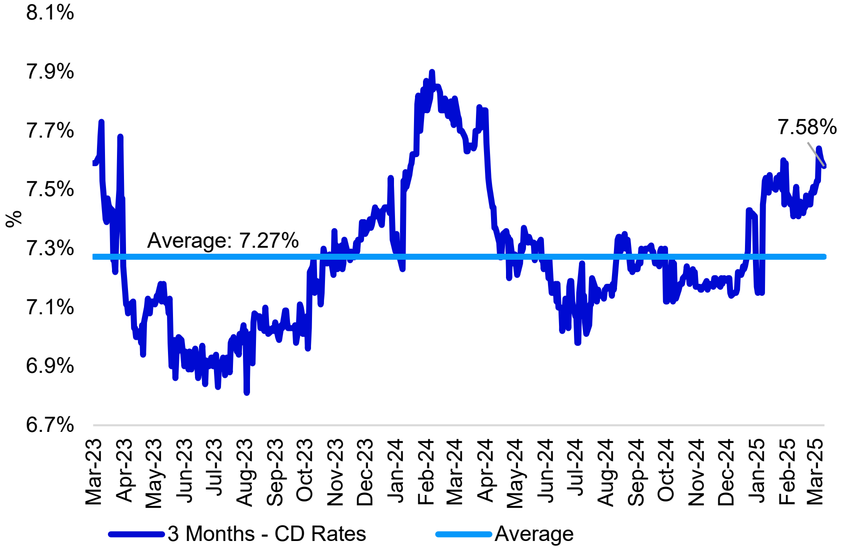


Source: Bloomberg. CD: Certificate of Deposits.

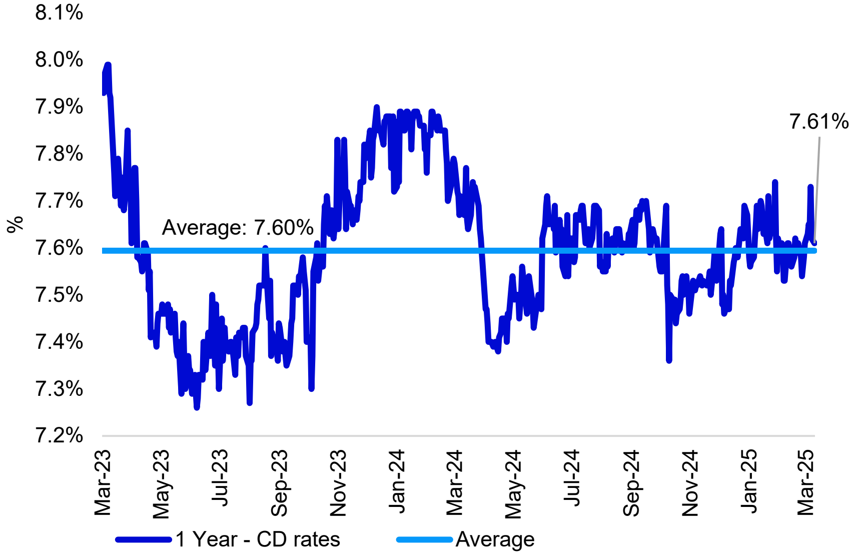
Disclaimer: The purpose of above charts is to show that the outstanding CD issuances have gone up owing to tight liquidity situation. This information alone is not sufficient and shouldn't be used for the development or implementation of an investment strategy. It should not be construed as an investment advice to any party.

With tight liquidity & elevated CD supply, money market yields have remained high despite the policy rate cut

3 Months - CD rates



1 Year - CD rates



Source: Bloomberg. Data as remained 10 March 2025.

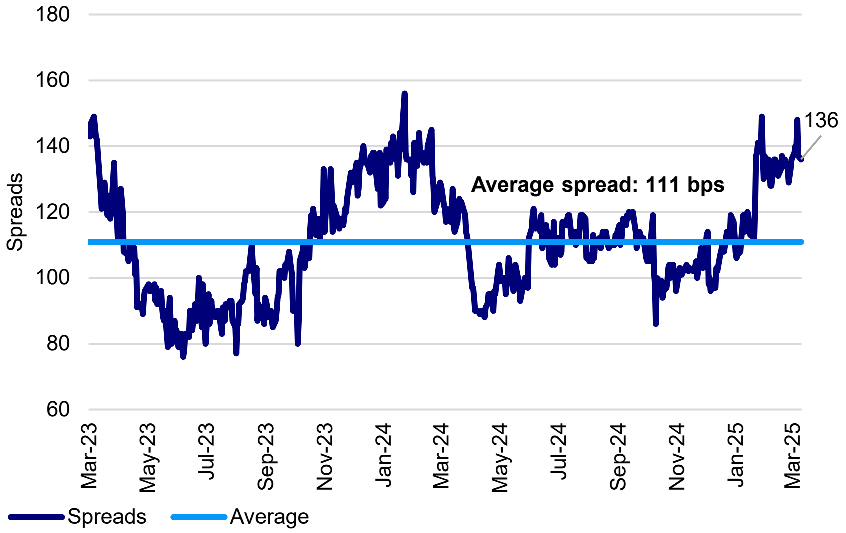
Disclaimer: The purpose of above charts is only to show that the 3 months and 1 year CD rates are currently high despite policy rate cuts. This information alone is not sufficient and shouldn’t be used for the development or implementation of an investment strategy. It should not be construed as an investment advice to any party.

So much so that the rate cuts are not factored in as of now

Despite rate cut, current CD rates are elevated compared to rates last year. Even higher than that in 2019 when repo rate was 6.25%

	11-Mar-19	11-Mar-24	10-Mar-25
Policy Repo rate	6.25%	6.50%	6.25%
Overnight TREPs	6.17%	6.67%	6.18%
3m T-bill	6.36%	6.89%	6.47%
1 yr T-bill	6.50%	7.06%	6.53%
3m CD	7.26%	7.68%	7.58%
1 yr CD	7.7%	7.67%	7.61%
Banking Liquidity (Rs. Crs)	(47,163)	25,140	(1,14,271)
CD Outstanding (Rs. Crs)	2,08,870	3,79,575	5,13,816

Spread of 1 year CD rates over Policy repo rate



Source: Bloomberg.

Disclaimer: The purpose of LHS table is only to show that money market (T-bill, and CDs) yields have remained high despite the policy rate cut. Even if we look at 2019 data when repo rate was same as today i.e. 6.25%, the yields still are at an elevated level. RHS chart is only to show how the spread of 1 year CD has traded above the repo rate over last 2 years. 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.

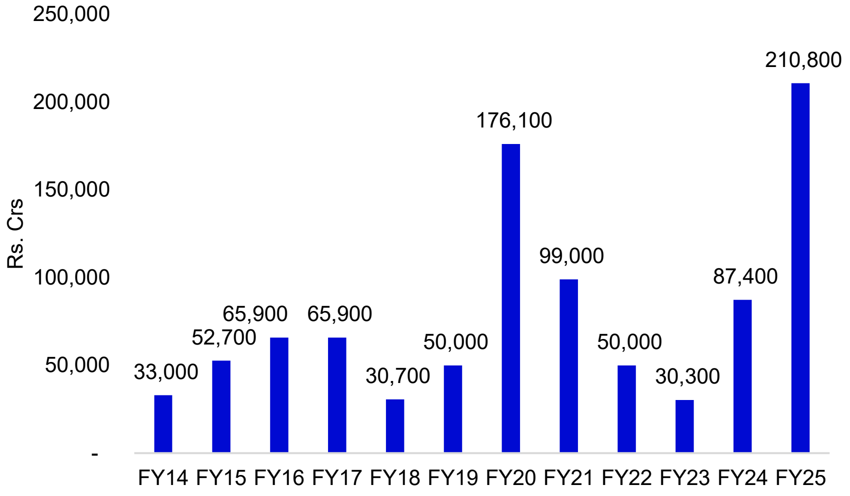
Looking ahead - Banking liquidity is expected to turn surplus by May/June 2025 owing to seasonal decline in CIC and RBI's dividend payout

Change in Currency in Circulation (Rs. Crs.)

	Jan	Feb	Mar	Apr	May	Jun	Jul
2013	(16,530)	(19,900)	(14,020)	(33,610)	(2,270)	10,770	11,360
2014	(3,140)	(16,710)	(12,470)	(41,320)	(23,570)	6,440	10,440
2015	(15,410)	(20,370)	(20,250)	(46,380)	(19,380)	14,250	22,180
2016	(14,270)	(36,810)	(52,170)	(46,960)	(13,350)	350	9,200
2017	(78,540)	(1,47,560)	(1,70,786)	(96,847)	(55,886)	(43,630)	(9,530)
2018	(45,316)	(43,716)	(47,772)	(73,577)	(27,108)	(12,374)	20,631
2019	(36,741)	(45,643)	(32,182)	(40,376)	(17,343)	7,839	13,948
2020	(40,630)	(37,264)	(91,069)	(83,661)	(93,571)	(43,939)	(12,081)
2021	(28,653)	(29,886)	(21,963)	(56,217)	(48,204)	(16,969)	33,380
2022	(45,466)	(48,135)	(55,148)	(74,831)	(8,948)	1,825	32,889
2023	(59,130)	(39,830)	(46,909)	(76,761)	13,085	81,779	35,855
2024	(56,212)	(36,945)	(59,378)	(50,791)	(4,824)	8,351	25,855

RBI's dividend payout for FY26 is expected to be higher than last year which will be paid out in May

RBI Dividend (Rs. Crs)

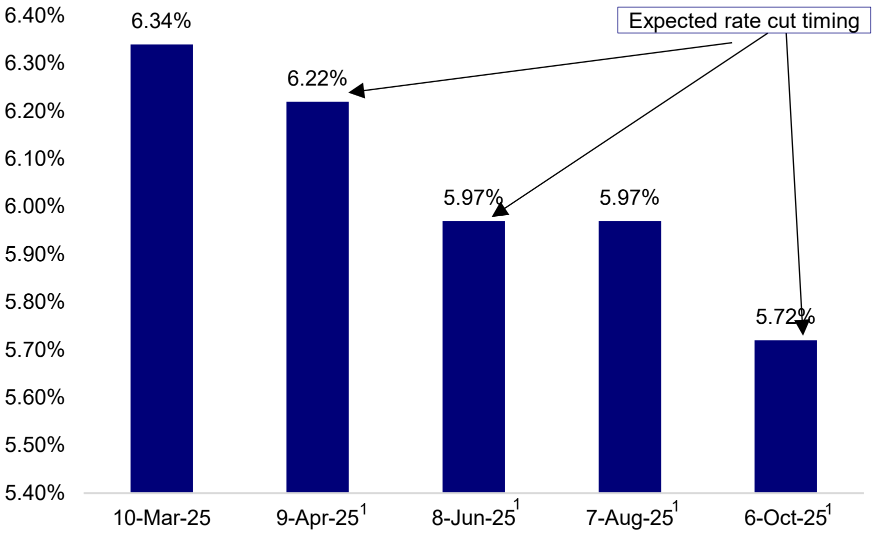


Source – Bloomberg, RBI. CIC: Currency in Circulation

Disclaimer - The above chart is for illustration purpose only to explain calendar year wise month on month currency in circulation in system. The information alone is not sufficient and shouldn't be used for the development or implementation of an investment strategy. The above chart is for illustration purpose only to explain quantum of dividend declared by RBI to Government every financial year. The information alone is not sufficient and shouldn't be used for the development or implementation of an investment strategy.

RBI is also expected to deliver another rate cut in upcoming April 2025 policy

OIS Swap curve has priced in more than 2 rate cuts in CY2025



Source: Domestic Swap curve.[1]Estimates

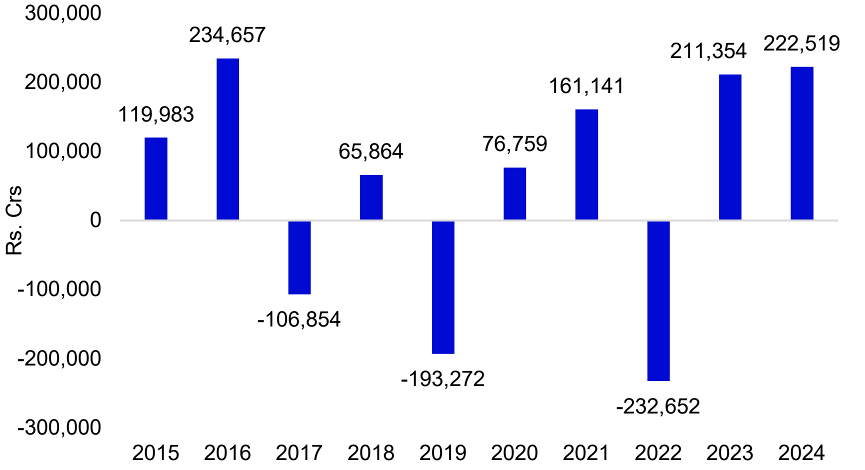
Disclaimer: The purpose of above charts is only to show the rate cuts being factored in the swap curve. This information alone is not sufficient and shouldn't be used for the development or implementation of an investment strategy. It should not be construed as an investment advice to any party. The 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.

- RBI delivered its first rate cut in Feb 2025 but still sounded hawkish while keeping an eye on global uncertainty.
- Since then, US treasury yield on 2 yr / 10 yr paper has rallied by 35-40 bps as the market is factoring in US growth disruption due to tariff policies and hence FOMC may have to deliver more rate cuts to support growth.
- Even on domestic front, headline CPI for Feb 2025 has come at 3.61% against the market consensus at 3.98%, led by sharper decline in food inflation.
- Domestic growth remains under pressure with subdued private investments and urban consumption.
- Current growth-inflation dynamics has opened space for RBI to deliver another 25 bps rate cut in April 2025 and likelihood of one more rate cut thereafter, depending upon the global factors.
- Even the Interest rate swap curve is pricing in more than 50 bps rate cuts in CY2025.

Banking liquidity is expected to improve as well as mutual fund inflows are expected to pick up over next few months there by improving demand supply dynamics

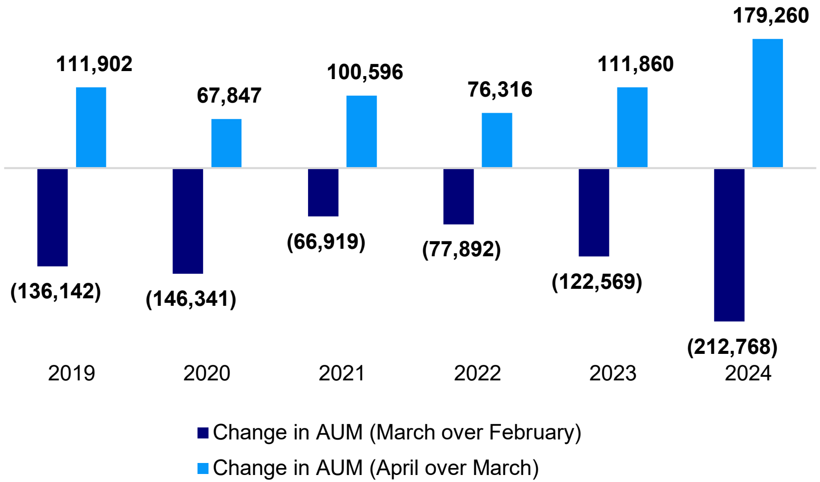
Banking liquidity tends to improve post March month

Change in liquidity (Rs. Crs) (Between June 30 and March 23 of respective years)



Demand from Mutual Funds (overnight, liquid, money market, ultra short and low duration) falls in March & increases in subsequent month leading to higher demand

Change in AUM (Rs. Crore)



CD: Certificate of Deposit, AUM: Assets Under Management, TREPS: Tri party Repo.

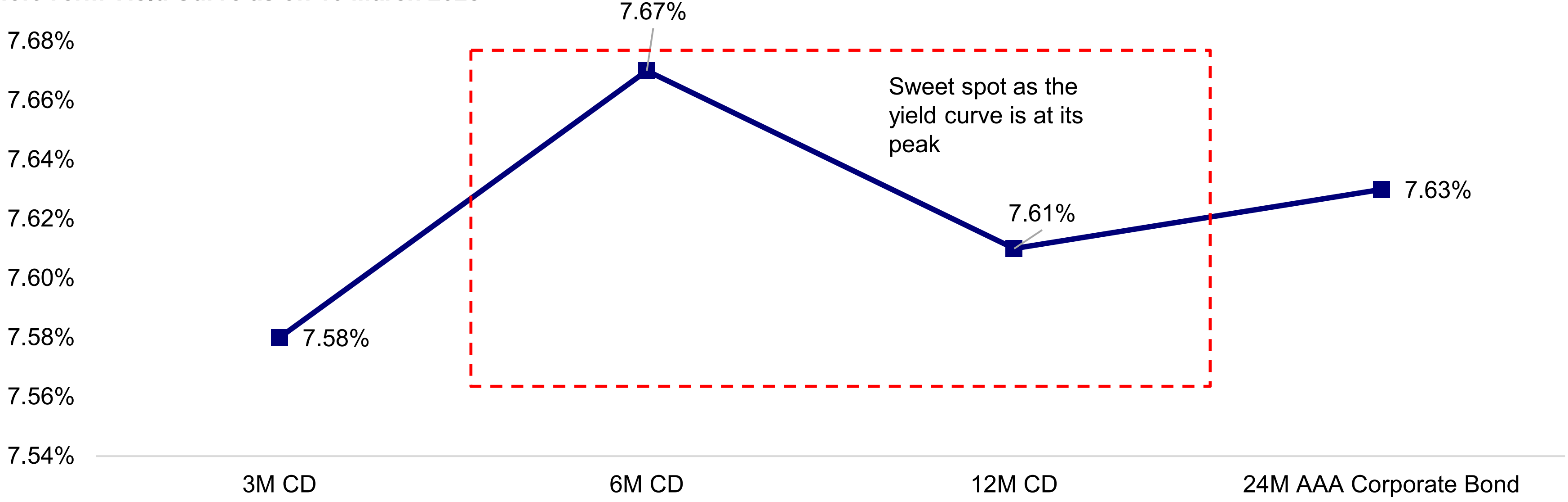
Note: Mutual Fund AUM shows the change in AUM for Overnight, Liquid, Money Market, Ultra Short Duration and Low Duration category.

Source: Bloomberg, MFI Explorer.

Disclaimer : The purpose of above charts is only to explain how supply of CDs has increased over time and how demand from Mutual Funds generally falls in March & subsequently increases in April resulting in yields to soften 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.

Short term rates in the 6 months to 1 year segment are elevated and may serves as a good entry point

Short Term Yield Curve as on 10 March 2025



Source: Bloomberg Data as at March 10, 2025. CD: Certificate of Deposits. M: Months
Disclaimer: The above short term yield curve shown is for illustration purpose only and is only to explain the shape of the current yield curve across various maturities ranging from 3 months to 24 months. The information alone is not sufficient and shouldn't be used for development or implementation of an investment strategy. The Scheme(s) does not assure or guarantee any returns. It should not be construed as an investment advice to any party.

To summarize - Current elevated yields gives a good entry point to benefit from high accrual and yield compression

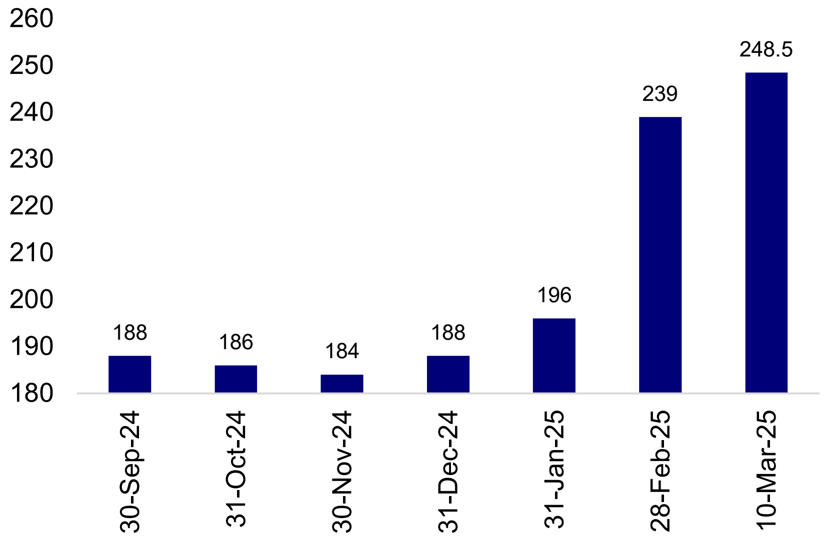
- Current liquidity is in deficit which is expected to remain tight till March 2025 keeping the pressure high on short term rates.
- April onwards, we expect the liquidity to improve on the back of Government spending. However, meaningful improvement is expected after RBI's dividend in May 2025.
- RBI has become more active on providing durable liquidity and we expect more Open Market Purchase operations of G-Sec for same.
- Current money market yields are elevated on tight banking liquidity and elevated CD supply – not even factored in first rate cut of 25 bps.
- Growth-inflation dynamics has opened space for RBI to deliver another 25 bps rate cut in April 2025 and likelihood of more rate cut thereafter, depending upon the global factors.
- Thus, invest at the short end to benefit from high accrual as of now, while keeping the volatility low. **Improving liquidity and favorable demand-supply dynamics over next few months is expected to compress the short-term yields after March.**

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

Invesco India Money Market Fund

Fund has gradually increased the portfolio duration as the yields have remained elevated

Macaulay Duration (in days)



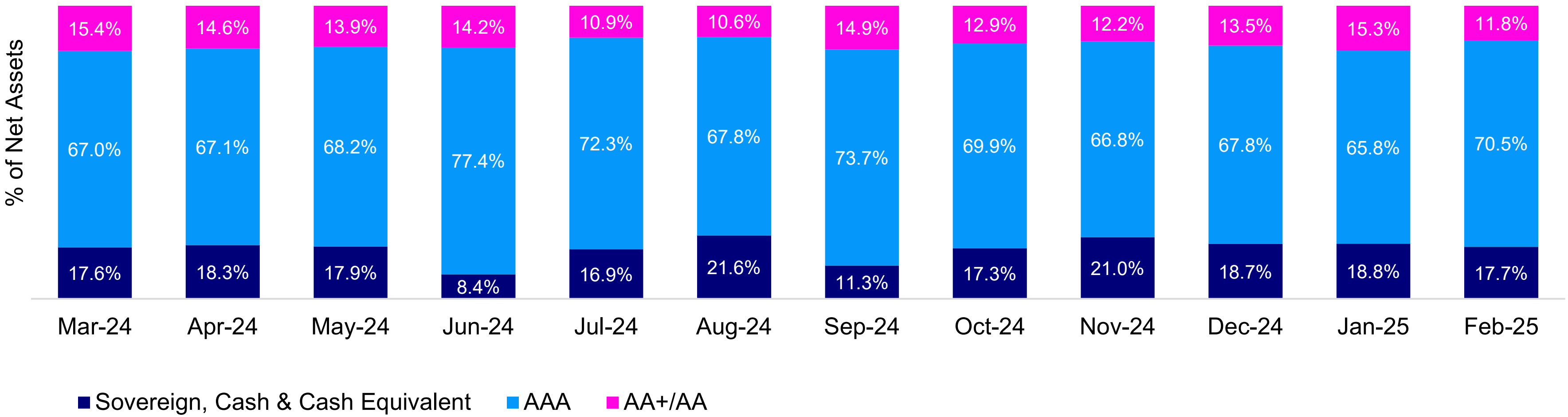
Maturity Profile as of March 10, 2025

Maturity Bucket	% of NAV
Upto March 2025	7%
April to June 2025	13.1%
July to September 2025	10.6%
October to December 2025	10.7%
Jan to March 2026	58.60%

Source: Invesco Asset Management (India). Data as at 10 March 2025

Investments are made in high credit quality portfolio with predominant exposure to AAA long term rating instruments

Long Term rating



Source: Invesco Asset Management (India)

Fund strategy

Current positioning

- Fund has increased duration with the expectation that short term yields will lower more rapidly as banking liquidity improves post May'25.
- High credit quality portfolio - predominantly AAA long term rating.
- Favourable risk-reward matrix as currently elevated yields look attractive and on expectations of rate cut & benign liquidity over next few months.
- Potential risk class A-1 reflecting a relatively low interest rate risk and relatively low credit risk.

Suitable for

- Investors looking for high quality portfolio and steady returns with low volatility.
- Suited for short term investors looking to deploy in other investment strategies at a later date.
- Also suited for long term investors looking to reduce volatility in their portfolio.

Source: Invesco Asset Management (India)
Disclaimer: The above positioning is based on our current views & market conditions and are subjected to change from time to time.

Key facts – Invesco India Money Market Fund

Type of the Scheme	An open ended debt scheme investing in money market instruments. A relatively low interest rate risk and relatively low credit risk.
Category of the Scheme	Money Market Fund
Investment Objective	To generate superior risk-adjusted returns by investing in 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
Money Market Instruments[1]	0%	100%	Low

[1]Having maturity upto 1 year.

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. 1000/- and in multiples of Rs. 1 thereafter	6
Quarterly	Rs. 2000/- and in multiples of Rs. 1 thereafter	4

Plans[2]/ Options (Applicable to Direct Plan also)	• Growth Option • IDCW Payout option - Monthly, Discretionary • IDCW Reinvestment option- Daily, 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[3] Exit Load:[4] Nil
Fund Managers	Krishna Cheemalapati and Vikas Garg
Benchmark	NIFTY Money Market Index A-I

[2]Direct Plan will have a lower expense ratio excluding distribution expenses, commission for distribution of Units etc. [3]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. [4]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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