

Invesco Balanced-Risk Commodity Strategy Fund

Q4 2023

Key takeaways

- 1 The fund outperformed its benchmark**
Outperformance was driven by strategic underweights in oil, natural gas and nickel.
- 2 Precious metals led fund results**
Gold was the largest individual contributor to absolute return as its price rose in the fourth quarter on heightened geopolitical tensions, robust demand from emerging markets and expectations for falling real interest rates in 2024.
- 3 Year-to-date outperformance widens further**
The fund's relative outperformance in the fourth quarter increased its outperformance of the benchmark for the full year 2023.

Investment objective

The fund seeks to provide total return.

Fund facts

Fund AUM (\$M)	737.67
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Portfolio managers

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Wolle

Manager perspective and outlook

- In 2023, the fund outperformed the Bloomberg Commodity Index due to outperformance in energy, agriculture and industrial metals. Strategic and tactical underweights in natural gas were the largest contributors to relative return as natural gas prices fell 65% for the calendar year. Within agriculture, strategic underweights in corn, wheat and lean hogs added to return relative to the benchmark due to bumper crops and growing herds. Tactical net shorts in wheat and lean hogs provided additional gains. The fund's strategic exclusion of nickel and zinc due to their liquidity profiles led to outperformance in industrial metals.
- Since inception of the Bloomberg Commodity Index in 1991, the benchmark has returned 2.51% annually, underperforming the return from cash as measured by 3-month Treasury bills. In our view, the benchmark's failure to provide excess returns over cash stemmed from a failure to emphasize return sources unique to commodities, especially measures of scarcity. Rather, benchmark weightings are determined by "economic significance" based on an algorithm that uses liquidity and global production but is not cross referenced with demand. The net result of this approach is that, compared to the fund, the benchmark has larger weights in corn, wheat, livestock and natural gas, which were poor performing commodities in 2023 and have also underperformed since 1991.



Gross performance attribution (%)

	Quarter	Year to date	Since inception (annualized)
Agriculture	-1.37	-1.89	0.31
Energy	-4.49	-3.87	-0.46
Industrial Metals	0.22	-0.43	-0.55
Precious Metals	1.60	0.93	-0.09
Tactical Positioning	-1.02	-1.90	0.20
Cash	1.36	4.99	1.00
Total	-3.69	-2.17	0.41

Returns are gross of fund expenses; net returns will be lower. Cash represents fund collateral used to support derivative positions.

Performance highlights

Precious metals were the largest contributor to the fund's absolute return due to gains in both gold and silver. Gold's resurgence after its summer decline was triggered by the Hamas attacks on Israel and further supported by declines in interest rates and the US dollar. The US Federal Reserve provided an additional tailwind in December when it signaled up to three interest rate cuts in 2024. Silver's gains were more muted due to its crossover use as an industrial metal, given weaker demand for solar panels and concerns about global growth prospects.

Industrial metals also contributed to absolute return, benefiting from gains in copper, which hit an eight-month high amid speculation that demand will increase if central banks reduce interest rates next year. Copper prices were further boosted by Panama's decision to shutter First Quantum Minerals' Cobre Panama operation, which produces approximately 1.5% of the world's copper supply. Loss of this mine and reports of reduced output from other key producers has increased market concerns that supply will be insufficient to meet demand in coming years.

Energy was the largest detractor from absolute return due to losses in all six underlying exposures. Refined products such as gasoil, heating oil and gasoline suffered price declines as refining margins have decreased with lower seasonal demand and

supply has increased as many refineries completed planned maintenance. Oil prices fell on waning global demand and rising supply. The Energy Information Administration (EIA) reported that the US achieved record oil production in 2023, surpassing the previous high in 2019. Natural gas finished 2023 as the worst performing commodity in the fund's full commodity universe. Natural gas prices declined 65% due to warmer winter temperatures that reduced demand for heating and the EIA reported record levels of US natural gas production.

Agriculture was the second-largest detractor from absolute return, mostly due to losses in sugar, soybean oil and cotton. Within agriculture, the largest contributor to absolute return was coffee, which saw a surge in arabica coffee prices, driven by weather-related effects of El Nino suppressing supply and new exchange rules that limit the ability to reintroduce older beans into warehouses. The combination of El Nino and the new rules has caused 10 straight months of declining inventories that have now fallen to 1999 levels.

Tactical positioning detracted from results due to losses from positioning in energy and precious metals that offset a gain from positioning in industrial metals, where a net short in nickel proved timely.

Standardized performance (%) as of December 31, 2023

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 11/30/10	NAV	-4.01	-3.44	-3.44	7.37	6.80	-0.06	-0.92
	Max. Load 5.5%	-9.35	-8.72	-8.72	5.35	5.59	-0.62	-1.35
Class R6 shares inception: 09/24/12	NAV	-4.09	-3.27	-3.27	7.60	7.04	0.26	-1.59
Class Y shares inception: 11/30/10	NAV	-3.98	-3.15	-3.15	7.64	7.05	0.17	-0.66
Bloomberg Commodity Index		-4.63	-7.91	-7.91	10.76	7.23	-1.11	-
Total return ranking vs. Morningstar Commodities Broad Basket category (Class A shares at NAV)		-	-	20% (21 of 106)	95% (95 of 101)	73% (71 of 97)	34% (24 of 62)	-

Calendar year total returns (%)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Class A shares at NAV	-16.04	-16.80	11.59	4.49	-12.18	4.20	7.75	18.87	7.84	-3.44
Class R6 shares at NAV	-15.77	-16.44	12.02	5.04	-11.87	4.45	8.00	19.10	8.13	-3.27
Class Y shares at NAV	-15.88	-16.60	11.79	4.88	-12.02	4.48	7.89	19.23	8.01	-3.15
Bloomberg Commodity Index	-17.01	-24.66	11.77	1.70	-11.25	7.69	-3.12	27.11	16.09	-7.91

Expense ratios per the current prospectus: Class A**: Net: 1.40%, Total: 1.64%; Class R6**: Net: 1.12%, Total: 1.18%; Class Y**: Net: 1.15%, Total: 1.39%.

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. 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.

Sector weights vs the Bloomberg Commodity Index (%)		
	Fund	BCOM
Agriculture	29.75	33.54
Energy	33.04	29.79
Industrial Metals	16.49	14.52
Precious Metals	16.48	22.14

Portfolio positioning

The fund begins 2024 with total net exposure at 95%. The tactical energy allocation remains overweight oil and refined products and underweight natural gas. In industrial metals, we have increased the underweight relative to the prior month and prior quarter. Aluminum made an intra-quarter transition from overweight to underweight, while nickel and zinc remain net shorts. Tactical precious metals are still a net underweight but the underweight in gold was reduced compared to the prior month and prior quarter. Tactical agriculture remains net underweight in corn, net short in wheat and net short in lean hogs. The soy complex made an intra-quarter transition to a net underweight from a net overweight. We will rebalance the fund both strategically and tactically again at the beginning of February as per our usual cadence. Unlike more passive or index-based strategies, this once-a-month rebalancing gives us more flexibility to position the fund according to prevailing market conditions.

**** Net** = Total annual operating expenses less any contractual fee waivers and/or expense reimbursements by the adviser in effect through at least Feb 29, 2024 and contractual management fee waivers in effect through at least Jun 30, 2024.

Unless otherwise specified, all information is as of 12/31/23. Unless stated otherwise, Index refers to Bloomberg Commodity Index.

Asset allocation/diversification does not guarantee a profit or eliminate the risk of loss.

The Bloomberg Commodity Index is designed to be a liquid and diversified benchmark for the commodity futures market. It is a rolling index composed of futures contracts on 19 physical commodities traded on US exchanges. The index was known as the Dow Jones UBS Commodity Index Total ReturnSM prior to July 1, 2014. An investment cannot be made directly in an index.

About risk

Commodities may subject an investor to greater volatility than traditional securities such as stocks and bonds and can fluctuate significantly based on weather, political, tax, and other regulatory and market developments.

Commodity-linked notes may involve substantial risks, including risk of loss of a significant portion of principal and risks resulting from lack of a secondary trading market, temporary price distortions, and counterparty risk.

Changes in the value of two investments or asset classes may not track or offset each other in the manner anticipated by the portfolio managers, which may inhibit their risk allocation process from achieving its investment objective.

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.

An investment in exchange-traded funds (ETFs) may trade at a discount to net asset value, fail to develop an active trading market, halt trading on the listing exchange, fail to track the referenced index, or hold troubled securities. ETFs may involve duplication of management fees and certain other expenses. Certain of the ETFs the fund invests in are leveraged, which can magnify any losses on those investments.

Exchange-traded notes (ETNs) are subject to credit risk of the issuer, and the value of the ETN may drop due to a downgrade in the issuer's credit rating, despite the underlying market benchmark or strategy remaining unchanged.

Short sales may cause an investor to repurchase a security at a higher price, causing a loss. As there is no limit on how much the price of the security can increase, exposure to potential loss is unlimited.

By investing in the subsidiary, the fund is indirectly exposed to risks associated with the subsidiary's investments, including derivatives and commodities. Because the subsidiary is not registered under the Investment Company Act of 1940, the fund will not have the protections offered to investors in US registered investment companies.

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.

Morningstar

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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.