INVESCO OPPENHEIMER
FUNDAMENTAL ALTERNATIVES FUND

Q2 2019 COMMENTARY | AS OF 6/30/19

Fund Focus

The Fund primarily invests in alternative assets and strategies.

Ticker Symbol

QVOPX (Class A shares)
QOPYX (Class Y shares)
QOPIX (Class R6 shares)

Category

Multialternative


Portfolio Managers
Michelle Borré, CFA
(Since 11/11)
Timothy Mulvihill
(Since 6/19)

Avg. Industry Experience
23 years

Client Portfolio Manager
John Corcoran

Invesco Oppenheimer Fundamental Alternatives Fund Class A, Y and R6 Shares
Average Annual Total Returns as of 6/30/2019

	2Q19	1-Year	3-Year	5-Year	10-Year
Invesco Oppenheimer Fundamental Alternatives Fund (Class A shares without sales charge)	1.48%	2.66%	1.02%	1.34%	3.01%
Invesco Oppenheimer Fundamental Alternatives Fund (Class A shares with sales charge)	-4.11	-3.00	-0.87	0.20	2.43
Invesco Oppenheimer Fundamental Alternatives Fund (Class Y shares)	1.52	2.86	1.24	1.57	3.27
Invesco Oppenheimer Fundamental Alternatives Fund (Class R6 shares)*	1.55	3.06	1.42	1.76	3.28
HFRX Global Hedge Fund Index[1]	1.58	-1.95	2.12	-0.11	1.42
Morningstar Multialternative Funds Category Average[2]	-	1.81	2.85	1.19	3.88
Morningstar Percentile Rank and Ranking: Multialternative Funds Category[3] (Class A Shares based on total return)	-	42th #145/342	78th #196/265	45th #80/177	68th #44/60

Returns for periods less than one year are cumulative and not annualized.
Annual Expense Ratios:
Class A shares: Gross: 1.97%; Net: 1.97%
Class Y shares: Gross: 1.72%; Net: 1.72%
Class R6 shares: Gross: 1.56%; Net: 1.55%
*Class R6 shares inception date is 8/1/13.

The performance data quoted represents past performance, which does not guarantee future results. The investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. Current performance and expense ratios may be lower or higher than the data quoted. For performance data current to the most recent month-end, visit oppenheimerfunds.com or call 1 800 CALL OPP (225 5677) 1-800-959-4246. Fund returns include changes in net asset value with dividends and capital gains reinvested. Class A shares include the 5.50% maximum sales charge where indicated. Class Y and Class R6 shares are not subject to a sales charge. Fund performance reflects fee waivers, absent which, performance data quoted would have been lower. Total annual fund operating expenses after any contractual fee waivers and/or expense reimbursements by the adviser are in effect through May 28, 2021. See current prospectus for more information. 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. Class I shares were reorganized into Class R6 shares. R6 shares are primarily intended for retirement plans that meet certain standards and for institutional investors. Y shares are generally intended for certain investors, such as wrap-fee based programs or commissionable brokerage platforms that charge sales commission. See prospectus for details.

FUND DESCRIPTION

Invesco Oppenheimer Fundamental Alternatives Fund offers long and short exposures across different asset classes while providing the daily liquidity and transparency benefits of a mutual fund. The Fund seeks to provide investors with strong risk-adjusted returns that have low sensitivity to traditional market factors over the long term. The investment team's process has an underlying value philosophy that combines bottom-up and top-down fundamental analyses for security selection and portfolio construction. The Fund is able to invest both long and short across three distinct alternative investment strategies including Long/Short Equity, Long/Short Credit and Long/Short Macro (including currencies, interest rates, sovereign debt and commodities), making the Fund truly flexible. Although many investors focus on the short-term outlook when considering potential investments, the Fund utilizes a longer-term approach. We look at changing dynamics on both a macroeconomic and microeconomic basis over a multi-year time horizon to uncover investment opportunities that emerge from change.

EXECUTIVE SUMMARY

Michelle Borre has been the sole portfolio manager of the Fund since she took over managing the strategy in late 2011. Senior Research Analyst Tim Mulvihill has worked closely with Ms. Borre on the Fund since 2012. Mr. Mulvihill was promoted to co-portfolio manager of the Fund in June 2019 and will work alongside Ms. Borre in that role going forward.

During the second quarter of 2019, the Fund's Class A shares (without sales charge) generated a total return of 1.48%, modestly underperforming the HFRX Global Hedge Fund Index (HFRX Index), which generated a total return of 1.58%, by 10 basis points (bps). For the first half of 2019, the Fund generated a total return of 3.91%. All three strategies contributed to performance during the reporting period, with the largest contribution coming from Long/Short Equity followed by Long/Short Credit and then Long/Short Macro.

In the Long/Short Equity strategy, the largest contributors to performance were our long positions in Lockheed Martin and Northrop Grumman. The largest detractors were our long position in Philip Morris International and our short position in Ally Financial. In the Long/Short Credit and Long/Short Macro strategies, our long positions in gold and the corporate debt of Bank of America and our short position in the Chinese yuan were the biggest contributors. The biggest detractors were our long/short position in European credit spreads, our options position that benefits from rising U.S. interest rates and our long position in an event-linked bond.

The Fund is designed to provide investors with attractive total returns, high alpha, low beta, low volatility, good downside risk mitigation and high risk-adjusted returns. Our strategy offers investors access to idiosyncratic returns that are independent from the performance of the broader equity and fixed income markets as evidenced by the Fund's low beta of 0.20 to the S&P 500 and -0.10 to the Bloomberg Barclays U.S. Aggregate Bond Index for the period from portfolio manager Michelle Borre's transition date (April 2012) to 6/28/19.

Regarding the macro environment, risk assets around the world rallied from the date of Trump's election victory in November 2016 through 12/31/17, pushing valuations close to all-time highs for a variety of asset classes. During 2018, many of these asset classes reversed course and posted losses after a particularly punishing fourth quarter. They reversed course yet again and rallied in the first half of 2019 as global economic growth slowed, inflation expectations moderated, the Federal Reserve (Fed) remained on pause in its rate hiking cycle and numerous other central banks cut rates, including those in India, Australia, Russia, New Zealand, Malaysia, Philippines, Iceland, Chile and elsewhere. In the second quarter, the S&P 500 generated a total return of 4.30% while the DAX Index climbed 7.57%, the MSCI Emerging Markets Index rose a modest 0.69% and the Shanghai Stock Exchange Composite Index slipped 2.41%. Growth equities continued to outperform value equities in the quarter. In particular, the Russell 1000 Growth Index generated a 4.64% total return in the reporting period compared to the 3.84% return for the Russell 1000 Value Index.

Against this backdrop, interest rates declined as the Fed made clear that it could cut rates in response to a further slowdown in economic growth or negative developments in the continuing trade disputes. At the end of the reporting period, the Fed Funds futures were discounting three 25 bps rate cuts through 2020. The yield on the 10-year Treasury note fell from 2.41% on 3/29/19 to 2.01% on 6/28/19 for a decline of 40 bps. Economic growth in the U.S. surprised to the upside in the first quarter as GDP expanded at 3.1% but that growth rate is expected to slow in the second quarter. We believe Treasuries could become less helpful to investors during future market selloffs, in part because they offer low yields, making the risk/reward tradeoff unattractive.

The Trump administration has injected a level of policy uncertainty into the markets that investors have not seen in quite a while. At the same time, structural flaws in both Europe and Japan remain unresolved. China and other emerging markets will likely face slower long-term growth because the current growth is overly reliant, in our view, on excessive credit expansion. In fact, the credit expansion in China has started to decelerate which has resulted in a slowdown in growth across that economy. Meanwhile, we believe that in numerous countries there has been a meaningful change in the relationship between elected representatives and voters, or stated differently, between those who make policies and those who actually pay for those policies. We have discussed in previous commentaries the impact of Brexit along with the rise of populist parties in Europe. Regarding the former, Prime Minister Theresa May resigned on 6/7/19 after repeatedly failing to secure support for a plan to exit the European Union. The U.K. does not yet have a new Prime Minister and the date for Brexit has been pushed out to 10/31/19 (the same day that Mario Draghi is expected to end his term as President of the European Central Bank).

In 2018, Italian voters shunned center left parties and instead voted for populist and center right candidates, resulting in a hung parliament. Although the Euro-skeptic/populist party and the anti-immigrant party have subsequently formed a ruling coalition, it remains to be seen how effectively they can govern and for how long. In late 2018, German Chancellor Angela Merkel's party posted weak showings in regional elections, causing Chancellor Merkel to announce that she would not run for re-election either as Chancellor of Germany or as head of her party. In December 2018, Prime Minister Charles Michel of Belgium lost a no-confidence vote, in part over the issue of immigration, and will step down later this year. French President Emmanuel Macron came under significant pressure because of the Yellow Vest protests, and the government in Finland actually resigned in March 2019 after failing to overhaul the country's social and health care programs. Spanish Prime Minister Pedro Sanchez faced another period of political uncertainty after calling for snap elections that were held in April—the country's third in less than four years—against the backdrop of a continuing Catalan secession crisis. Most recently, in July 2019, Greece's Prime Minister Alexis Tsipras was voted out of office after his leftist Syriza Party lost power in a snap election. Simply put, joining the EU opened the door to new problems like immigration and the need to bail out peripheral nations. However, the EU does not seem capable of solving these issues, which has caused significant internal tension. We believe the EU in its current form is unsustainable, although we do not know what specific catalysts might cause changes in its structure or when those changes might occur.

Moreover, we believe investors now face rising geopolitical risks both in the U.S. and around the world. Ongoing trade disputes between the U.S. and China, Europe, Japan, Canada and Mexico have the potential to escalate. At the same time, the Trump administration faces challenges at home including Democratic control of the House of Representatives and a series of ongoing investigations despite the conclusion of Special Counsel Robert Mueller's investigation. Under these circumstances, we believe investors could benefit from a broader toolkit than was needed during the risk-on, quantitative easing-supported market of the past several years and a different toolkit than has been effective in the past because of the unfavorable risk/reward in conservative fixed income. Part of this broader toolkit could include the Fund's ability to take short positions which can profit from market declines.

PERFORMANCE REVIEW AND PORTFOLIO POSITIONING

During the second quarter of 2019, the Fund's A Shares (without sales charge) generated a total return of 1.48%, modestly underperforming the HFRX Index by 10 bps. All three strategies contributed to performance in the period, with the largest contribution coming from Long/Sort Equity followed by Long/Short Credit and then Long/Short Macro.

The Fund contains a variety of macro and change-related themes that are implemented across asset classes and supported by detailed bottom-up research conducted by the investment team. These themes are typically expressed through a variety of positions (which can be long, short or both) and help to guide overall construction of the portfolio. For example, current themes in the portfolio include: (1) Breakthrough Advances in Healthcare; (2) Central Bank Policy; (3) China Imbalances and Implications; (4) Commercial Aerospace Cycle; (5) Competition in Consumer Products and Retailing; (6) Cyclical Change in Credit; (7) Demographics and Consumer Preferences; (8) Energy Cost Curve and its Implications; (9) Energy Efficiency/Renewable Energy; (10) European Fragmentation; (11) Geopolitical Tensions & Global Threats; (12) Healthcare Reform and Structural Change; (13) Housing Cycle; (14) IOT, Internet and Cloud; (15) Mobile Evolution; (16) Regulatory Change; (17) Risk/Reward Profile; (18) Event-Linked Bonds; and (19) Security/Industry Specific Changes.

More broadly, we seek to deliver idiosyncratic and asymmetric returns through a high alpha, low beta and low volatility strategy that can help to manage downside risk while giving investors an opportunity to participate in rising equity markets. Part of the reason the Fund tends to perform well in challenging markets is that we try to hedge a variety of tail risks in our Long/Short Macro strategy. On a longer-term basis, these hedges can help us deliver attractive risk-adjusted returns, as does our constant focus on both upside and downside risk. For example, our Sharpe Ratio, an important measure of risk-adjusted return, is currently ranked in the 14th percentile (16/111 funds) of the Morningstar peer group (Class A shares) for the period from portfolio manager Michelle Borre's transition date (April 2012) through 6/30/19. The Fund's Sortino Ratio, another key measure of risk-adjusted return which penalizes only downside volatility, is ranked in the 7th percentile (8/111 funds) of the peer group (Class A shares) for the same period. We believe this performance is strong evidence of our commitment to delivering attractive returns per unit of risk taken.

Significantly, the Fund is ranked in the 37th percentile (41/111 funds) on total return (Class A shares) for the period from April 2012 to 6/30/19, while it is ranked in the 7th percentile (8/111 funds) for volatility and the 1st percentile (2/111 funds) for maximum drawdown (Class A shares). The Fund has delivered 78% of the upside of the HFRX Index but only 34% of the downside for that period. In sharp contrast, the Morningstar peer group has delivered 84% of the upside of the HFRX Index along with 77% of the downside for the same period.

LONG/SHORT EQUITY

The Long/Short Equity strategy generated a positive total return and contributed to performance during the second quarter. The top performers were our long positions in Lockheed Martin and Northrop Grumman. The largest detractors were our long position in Philip Morris International and our short position in Ally Financial.

Our long position in **Lockheed Martin (LMT),** a leading U.S.-based defense company, contributed to performance in the period. The outperformance was driven by a combination of revenue and earnings results on strong U.S. defense outlays, continued strength in F-35 orders, and improving F-35 margins. Increasing global tensions in Iran and throughout the Middle East, and macro concerns arising from U.S./China trade tensions, also helped the defense space.

Our long position in **Northrop Grumman (NOC)**, another leading U.S. defense company, also contributed to performance. The company benefitted from a combination of improving margins, improved earnings outlook for 2019, and strong growth in backlog as the recent book to bill came in at 1.5x. These factors reflect the strong backdrop for U.S. defense spending, with NOC positioned to benefit from a combination of the F-35 program and the ramp up of the new bomber program. Increasing global tensions in Iran and throughout the Middle East, and macro concerns arising from U.S./China trade tensions, also helped the defense space.

In contrast, our long position in **Philip Morris International (PM)**, a cigarette and tobacco company, detracted from performance. The shares declined in the second quarter partly as a result of rising costs related to the company's investment in its heated tobacco products. Investor remain unsure about the trajectory of the ramp for iQOS although management continues to project solid end-market demand and is pushing to improve market penetration in countries where the product is sold.

Our short position in **Ally Financial (ALLY)**, a bank holding company, also detracted from performance. The stock performed well in the reporting period on the back of lower than expected credit losses and a shift in market expectations from rising to falling short-term rates, hurting the value of our position. Ally's balance sheet is liability sensitive which means that its earnings will benefit from falling short-term rates. The firm's credit losses continue to benefit from elevated used car values, however, used car prices should decline as the supply of late model used vehicles continues to increase as leases expire and such vehicles are remarketed. In addition, losses should increase as unemployment rises from cyclically low levels.

LONG/SHORT CREDIT AND LONG/SHORT MACRO

The Long/Short Credit and Long/Short Macro strategies both contributed to performance in the period. The biggest contributors were our long positions in gold and the corporate debt of Bank of America and our short position in the Chinese yuan. The biggest detractors were our long/short position in European credit spreads, an options position that benefits from rising U.S. interest rates and a long position in an event-linked bond.

Our position in **gold (GLD)** contributed to performance as the yellow metal climbed by 9.07% to $1,409 per troy ounce in the period. Gold bullion, which began the period at $1,292, oscillated in a $173 range before ending the period with a gain of $117 per ounce. The precious metals complex climbed in the quarter on the back of rising geopolitical risks in the Middle East and Europe, slowing economic growth, a falling U.S. dollar, benign inflation expectations, continuing trade wars and easing monetary policies. We believe some investors are increasingly viewing gold and other precious metals as warrants (i.e., long-dated options) on monetary policy going off the rails or a potential hedge against competitive currency debasement or adverse geopolitical events.

Our position in the **corporate debt of Bank of America** also contributed to performance in the period. These are junior subordinated fixed-to-floating-rate bonds which are now paying a fixed rate of 6.25%. If these securities are not called (redeemed) in September of 2024, they will pay interest at a floating rate of 3-month Libor plus 371 bps. These bonds benefited from a rally in longer-term Treasuries and a tightening in corporate credit spreads. These bonds also outperformed high yield bonds and the S&P Preferred Stock Index in the second quarter.

Our position that is **long the U.S. dollar / short the Chinese yuan** contributed to performance as well. Our short position is expressed through put options as well as outright currency forward contracts. The breakdown in U.S./China trade talks in May caused the U.S. to raise tariffs on certain Chinese goods. The increased tariffs caused the yuan to fall relative to the U.S. dollar, which benefited the value of our position.

In contrast, our long/short position in **European credit spreads** detracted from performance. This position benefits from wider spreads between Germany and less credit worthy European sovereigns (i.e., Italy, Spain and France). Deterioration in the European economy prompted the ECB to signal that it may ease financial conditions in the near term. This guidance exceeded expectations and caused credit spreads to tighten in Europe. This, in turn, caused the outperformance of bonds in Italy, Spain and France relative to German bonds, negatively impacting the value of our position.

Our **options position that benefits from higher U.S. interest rates** also detracted from performance. Supply chain disruptions from tariff increases and uncertainty arising from growing trade tensions weakened the U.S. economy. This caused the Fed to signal that it might cut interest rates later this year, which caused rates to fall and hurt the value of our position.

Our **long position in Akibare**, an event-linked bond (aka catastrophe bond), detracted from performance as well. The bond has declined in value because it is facing a potential loss of principal due to the typhoon events in Japan in 2018.

OUTLOOK

After a nearly two-year hiatus, volatility and drawdowns have returned. In our view, the sudden spikes in volatility and significant drops in the S&P 500 in 2018 were overdue. The actual outlier was 2017 with its 50-year low in equity volatility, 30-year low in Treasury volatility, and a maximum drawdown of 2.8% on the S&P 500—well below the annual average of more than 10%. In particular, by the end of 2017, it had been more than 380 days since the last 5% draw down on the S&P 500, far longer than the 90-day average of the last nine decades. The market was due for a spike in volatility and a meaningful drawdown, both of which occurred in January 2018 as the CBOE Volatility Index (VIX Index) jumped more than 250% and the S&P 500 fell 10.1%. The bumpiness continued as the VIX Index spiked 65% in March and the S&P 500 sold off 7.5%. In September through December, the VIX Index spiked 208% and the S&P 500 sold off 19.4%. While this drawdown did not quite reach the level that would qualify as a bear market (i.e., down 20%), it was quite close. In May 2019, the VIX Index jumped 65% while the S&P 500 sold off 6.5%. Prolonged periods of low volatility breed complacency and a lack of mindfulness about downside risk. We believe investors have started to pay attention again.

OUTLOOK

U.S. equities outperformed international equities for a reason in 2018. The S&P 500 meaningfully outperformed most developed and emerging market equity indices in 2018—and there is a reason why. In the fourth quarter of 2017, the Fed was raising interest rates and starting to shrink its balance sheet. Simply put, quantitative easing was morphing into quantitative tightening. By early 2018, Congress had enacted tax reforms, it had agreed to two years of fiscal stimulus and the Trump administration had drafted an infrastructure program. As a result, the federal government was borrowing more at a time when the U.S Treasury was selling assets. This combination of factors effectively pulled U.S. dollars out of the rest of the world, making it more expensive to borrow in dollars. The good news for U.S. companies is that they have enjoyed the benefits of several offsets in the form of lower tax rates, increased fiscal stimulus, consistent deregulation by the Trump administration and improving economic growth. In contrast, companies in other developed markets as well as those in the emerging markets have enjoyed few (if any) such offsets. This is part of the reason why economic growth in the U.S. and earnings growth for the S&P 500 were so robust relative to many other markets in 2018.

Moreover, we believe the U.S. economy should still benefit from this stimulus in 2019. Although economic growth has decelerated from the 4.2% GDP print in the second quarter of 2018, it was still above 3% in the first quarter of 2019 is well above the average level of 2% witnessed during the prior administration. While economic growth will likely decelerate in the second half of the year, it should continue to benefit from these tailwinds and could remain positive. Lower income earners have finally enjoyed some wage growth for the first time in several decades, and they should also benefit from tax refunds. Lower income earners tend to spend a higher proportion of any additional income they receive which should also help support the economy.

The trade winds have shifted but by how much remains to be seen. In the wake of Trump's election victory, we wrote in our fourth quarter commentary for 2016 that international trade was one area of public policy where Trump did not need the approval of Congress to effect meaningful change. That view has proved to be correct as the U.S. has engaged in simultaneous trade disputes with China, Europe, Japan, Mexico and Canada. How and when these disputes will be resolved remain uncertain. We do know, however, that trade barriers tend to make goods and services more expensive, and on a longer-term basis, they tend to slow economic growth, although the impact may not be apparent for some time.

The interest rate environment is changing. The Fed raised the Fed Funds rate by 25 bps nine times since December 2015, including four times in 2018. Until early this year, the Fed expected to raise rates another three times in 2019 and once more in 2020. In addition, the Fed's quantitative tightening program, which shrinks the size of its balance sheet each month by allowing Treasuries and mortgage-backed securities to mature without being replaced—and therefore is another form of monetary policy tightening—was on autopilot as recently as mid-December. However, after the sharp selloff in risk assets in the fourth quarter, and in response to slowing economic growth, moderating inflation expectations and other factors, the Fed now expects no rate hikes in 2019, and has explicitly stated that it could cut rates in response to a further economic slowdown or additional disruptions in trade. At the end of the reporting period, the Fed Funds futures were discounting three rate cuts of 25 bps each through 2020. Earlier this year, the Fed announced a tapering of its quantitative tightening program and expects to end its balance sheet runoff entirely in September, which is earlier than initially expected and would leave the Fed's balance sheet larger than many investors expected at approximately $3.8 trillion. Both changes have eased monetary policy expectations in the U.S. and have supported the rally in risk assets while contributing to the decline in Treasury yields. In addition, numerous central banks around the world that began their own rate hiking cycles in 2018 have followed the Fed's lead and announced pauses or even rate cuts in the first half of this year. In this regard, central banks in India, Australia, Russia, New Zealand, Malaysia, Philippines, Iceland and Chile, among others, have cut rates in 2019. Significantly, the Fed has made clear this its monetary policy remains data dependent. This means that if economic growth accelerates, inflation risks intensify, or other circumstances warrant, the Fed could climb right back on the rate hike train. We have constructed the portfolio with an eye toward delivering low volatility, effective diversification, strong downside risk mitigation and high risk-adjusted returns in a variety of market conditions.

After the selloff in late 2018 and the rebound of the last two quarters, U.S. stocks and bonds remain expensive. Valuations for stocks and bonds in the U.S. are near their highest deciles going back 100 years. The fact that both asset classes are so expensive at the same time is unusual. Regarding equities, there has been a one-time earnings boost coming from tax reform but in the long term, buying stocks at high valuations means lower expected future returns for investors. At the same time, U.S. fixed income is expensive relative to historical valuations. Moreover, the Trump administration's fiscal and economic policies have caused a meaningful change in the outlook for fixed income. Treasury rates had been range bound for some time, with yields oscillating between 1.25% to 3.0%. In the longer run, however, we did not believe rates this low were sustainable. Trump's election victory sent rates higher as the 10-year yield jumped from 1.85% on election day to a high of 3.24% on 11/8/18 before falling to 2.01% at the end of the second quarter. We have become more cautious on fixed income after the election. In our view, a strong focus on valuations is critical at this point in the economic, equity and credit cycles.

Seeking attractive investment opportunities later in the cycle. We believe the U.S. economy still has attractive growth potential in certain areas, and are waiting to see what additional pro-growth policies the Trump administration can actually implement. We recognize that there are pockets of innovation and disruption in different industries including consumer packaged goods, pharmaceuticals, consumer discretionary, real estate and technology.

OUTLOOK

Nonetheless, we are mindful that the U.S. economic expansion began its 11th year (i.e., 121st month) on 7/1/19, which marks the longest running expansion in our nation's history based on government data that has been maintained since 1854. We also recognize that extended periods of low equity volatility historically have not been sustainable, and they typically resolve with a period of meaningfully higher volatility. In part because of the Fed's multiple rounds of quantitative easing in the wake of the global financial crisis, the U.S. equity market entered an extended period of low volatility that began in early 2012 and continued through 2017. Volatility clearly picked up in 2018. Over the last 30 years, the average maximum drawdown for the S&P 500 during periods of low volatility has been just under 10%. In sharp contrast, the average maximum drawdown for the S&P 500 during periods of high volatility has been just over 40%. There was a 10% drawdown in the S&P 500 to start last year and a 19% drawdown to end the year. There was another 6.5% drawdown in May 2019 combined with a 65% spike in volatility. The dual risks for investors are that volatility moves meaningfully higher and drawdowns become much more severe.

Accordingly, we continue to pick our spots, selecting securities that we believe offer attractive risk-adjusted returns. We remain focused, as always, on controlling volatility and mitigating downside risk. We expect to be in a cross-current heavy world for a while. We believe that the ability to generate attractive returns efficiently and without taking on undue risk, controlling volatility and limiting drawdowns will be of greater value to investors in this kind of environment, and that is where our investment team's efforts are focused.

SPECIAL RISKS

Fixed income investing entails credit and interest rate risks. When interest rates rise, bond prices generally fall, and the Fund's share prices can fall. Foreign investments may be volatile and involve additional expenses and special risks, including currency fluctuations, foreign taxes, regulatory and geopolitical risks. Value investing involves the risk that undervalued securities may not appreciate as anticipated. Short selling may increase volatility and risk of loss and is considered a speculative investment practice. Derivative instruments entail higher volatility and risk of loss compared to traditional stock or bond investments. Mid-sized company stock is typically more volatile than that of larger company stock. It may take a substantial period of time to realize a gain on an investment in a mid-sized company, if any gain is realized at all. Commodity-linked investments are speculative and have substantial risks, including the loss of principal. The Fund may also invest through a wholly owned Cayman Islands subsidiary, which involves the risk that changes to the laws of the Cayman Islands could negatively affect the Fund. Diversification does not guarantee profit or protect against loss.

Top Ten Equity Holdings by Security[4]
2nd Quarter 2019 (as of 6/30/19)

Coca-Cola Co.	2.11%
Philip Morris Intl. Inc	2.06
Cisco Systems Inc.	2.05
Chubb Ltd.	1.91
Alphabet Inc.	1.81
Lockheed Martin Corp.	1.58
M & T Bank Corp.	1.51
UnitedHealth Group Inc.	1.50
Blackstone Mortgage Trust	1.44
Northrop Grumman Corp.	1.32
Total	**17.47**

FUND ALLOCATIONS AS OF 12/31/18

Long and Short Credit[4]
2nd Quarter 2019 (as of 6/30/19)

	Long	Short	Net
Corporate Bonds & Hybrid Securities	7.0%	-0.9%	6.1%
Asset Backed Securities	10.4	-	10.4
Catastrophe Bonds	1.3	-0.1	1.2
Bank Loans	9.5	-	9.5
Relative Value	10.3	-11.8	-1.5

Long and Short Equity[4]
2nd Quarter 2019 (as of 6/30/19)

	Long	Short	Net
Common Stocks	57.1%	-36.0%	21.1%
FX Hedges for Equities	-	-2.3	-2.3
Equity Options	4.1	-	4.1
Other Equity Derivatives	1.6	-2.1	-0.5

Long and Short Macro[4]
2nd Quarter 2019 (as of 6/30/19)

	Long	Short	Net
Commodities	**4.6%**	**-**	**4.6%**
Gold	4.6	-	4.6
Currencies	**0.6**	**-3.8**	**-3.2**
Chinese Yuan	0.6	-2.5	-1.9
Thai Bhat	-	-1.3	-1.3
Rates	**-**	**-1.8**	**-1.8**
Japan	-	-0.7	-0.7
United States	-	-1.2	-1.2
Sovereign Debt	**5.6**	**-10.6**	**-5.0**
Germany	5.6	-	5.6
France	-	-1.5	-1.5
Spain	-	-1.5	-1.5
Italy	-	-3.5	-3.5
Malaysia	-	-4.1	-4.1

Total Portfolio[4]
2nd Quarter 2019 (as of 6/30/19)

	Long	Short	Net
Collateral Cash at Prime Broker	37.3%	-	37.3%
Portfolio Cash	3.3	-	3.3
Total	**40.6**	**-**	**40.6**

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DISCLOSURES

Past performance does not guarantee future results.

1. The HFRX Global Hedge Fund Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies, including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage. The strategies are asset weighted based on the distribution of assets in the hedge fund industry. Indices cannot be purchased directly by investors. Index performance is shown for illustrative purposes only and does not predict or depict the performance of the Fund.
2. Source: Morningstar, Inc., 6/30/19. The Morningstar Multialternative Funds Category Average is the average return of the mutual funds within the investment category as defined by Morningstar. Returns include the reinvestment of distributions but do not consider sales charges. The Morningstar Multialternative Funds Category Average performance is shown for illustrative purposes only and does not predict or depict the performance of the Fund.
3. Source: Morningstar, Inc., 6/30/19. Morningstar ranking is for Class A shares and ranking may include more than one share class of funds in the category, including other share classes of this Fund. Ranking is based on total return as of 6/30/19, without considering sales charges. Different share classes may have different expenses and performance characteristics. Fund rankings are subject to change monthly. The Fund's total-return percentile rank is relative to all funds that are in the Multialternative Funds Category. The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100. The top performing fund in a category will always receive a rank of 1.
4. Holdings are subject to change, and are dollar weighted based on total net assets. Negative weightings may result from the use of leverage. Leverage involves the use of various financial instruments or borrowed capital in an attempt to increase investment return. Leverage risks include potential for higher volatility, greater decline of the Fund's net asset value and fluctuations of dividends and distributions paid by the Fund. Asset tables may not display cash weightings. Attribution analysis is a process used to analyze the absolute return (often called contribution) and the excess return (often called relative return) between a portfolio and its benchmark. The total effect measures both the allocation effect to a sector as well as stock selection within a sector. The Fund's investment strategies and focus can change over time. The mention of specific portfolio holdings does not constitute a recommendation by the Fund or by Invesco.
5. The S&P 500 Index is a capitalization-weighted index of 500 stocks intended to be a representative sample of leading companies in leading industries within the U.S. economy. The Bloomberg Barclays U.S. Aggregate Bond Index is an index of U.S. dollar-denominated, investment-grade U.S. corporate government and mortgage-backed securities. The DAX is a stock index that represents 30 of the largest and most liquid German companies that trade on the Frankfort Exchange. The Indices are unmanaged and cannot be purchased directly by investors. Index performance is shown for illustrative purposes only and does not predict or depict the performance of the Fund.

Shares of Invesco funds are not deposits or obligations of any bank, are not guaranteed by any bank, are not insured by the FDIC or any other agency, and involve investment risks, including the possible loss of the principal amount invested.

The mention of specific companies does not constitute a recommendation by Invesco. These views represent the opinions of the Portfolio Managers at Invesco and are not intended as investment advice or to predict or depict the performance of any investment. These views are as of the close of business on June 30, 2019, and are subject to change based on subsequent developments. The Fund's portfolio and strategies are subject to change.

Total returns do not show the effects of income taxes on an individual's investment. Taxes may reduce an investor's actual investment returns on income or gains paid by the Fund or any gains realized if the investor sells his/her shares.

Before investing in any of the Invesco, investors should carefully consider a fund's investment objectives, risks, charges, and expenses. Fund prospectuses and summary prospectuses contain this and other information about the funds, and may be obtained by asking your financial advisor, visiting oppenheimerfunds.com or calling 1.800.959.4246. Read prospectuses and summary prospectuses carefully before investing.

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