INVESCO OPPENHEIMER
# GLOBAL ALLOCATION FUND[1]

Q2 2019 COMMENTARY | AS OF 6/30/19

**Fund Focus**

The Fund primarily invests globally in stocks, bonds and alternatives.

**Ticker Symbol**

QVGIX (Class A shares)
QGRYX (Class Y shares)
QGRIX (Class R6 shares)

**Morningstar Category**

World Allocation

Alessio de Longis, CFA
(Since 4/15)

**Average Industry Experience**
14 years

**Client Portfolio Manager**
John Corcoran

**Portfolio Inception:**
November 1991

**Invesco Oppenheimer Global Allocation Fund Class A, Y and R6 Shares**

Average Annual Total Returns as of 6/30/19

| | 2Q19 | 1-Year | 3-Year | 5-Year | 10-Year | Since Inception of: Global Allocation Strategy (2/29/12) | Since Inception of: Fund |
|---|---|---|---|---|---|---|---|
| Invesco Oppenheimer Global Allocation Fund (Class A shares without sales charge) | 2.74% | 1.22% | 5.39% | 3.51% | 7.10% | 6.66% | 7.59% |
| Invesco Oppenheimer Global Allocation Fund (Class A shares with sales charge) | -2.91 | -4.33 | 3.42 | 2.34 | 6.49 | -- | 7.37 |
| Invesco Oppenheimer Global Allocation Fund (Class Y shares)* | 2.74 | 1.42 | 5.65 | 3.76 | 7.42 | -- | 4.30 |
| Invesco Oppenheimer Global Allocation Fund (Class R6 shares)* | 2.80 | 1.56 | 5.82 | 3.94 | | -- | 5.63 |
| 60% MSCI ACWI / 40% Bloomberg Barclays Global Aggregate Bond Hedged USD (Reference Index)[2] | 3.37 | 6.76 | 8.20 | 4.65 | 7.93 | -- | — |
| Morningstar World Allocation Category Average[3] | -- | 3.05 | 6.23 | 2.72 | 7.13 | -- | -- |
| Morningstar Percentile Rank and Ranking: World Allocation Category[4] (Class A shares based on total return) | -- | 80th #390/467 | 70th #264/395 | 39th #126/315 | -- | -- | -- |

Returns for periods less than one year are cumulative and not annualized.
Annual Expense Ratios:
Class A shares: Gross: 1.35%; Net: 1.29%.
Class Y shares: Gross: 1.10%; Net: 1.04%.
Class R6 shares: Gross: 0.90%; Net: 0.85%.
* Class Y shares inception date is 5/1/00. Class R6 shares inception date is 2/28/12.

***The performance data quoted represents past performance, which does not guarantee future results. Because of changes to certain non-fundamental investment policies in connection with a change from a balanced strategy to a global allocation strategy, performance prior to 8/16/10 is not indicative of performance for any subsequent time periods. 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 1-800-959-4246. 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.***

| Not FDIC Insured | May Lose Value | Not Bank Guaranteed |
|---|---|---|

## MARKET REVIEW

After a brutal fourth quarter in 2018, risk assets rallied sharply in the first half of 2019 as economic growth slowed, inflation expectations moderated and the Federal Reserve (Fed) maintained its pause in the rate hiking cycle. The Fed also signaled that it could cut rates if the economic slowdown worsened or the ongoing trade disputes escalated. Monetary policy eased in the second quarter as numerous central banks cut interest rates, including those in India, Australia, Russia, New Zealand, Malaysia, Philippines, Iceland and Chile, among others. The U.S. equity market continued to outperform many developed and emerging markets in the period with the S&P 500 generating a total return of 4.30% in the quarter and 18.54% in the first half of 2019. Global equity markets generated a total return of 4.18% in the quarter and 17.39% in the first half while emerging market equities generated a modest 0.69% total return in the quarter and 10.69% for the first half of the year. U.S. Treasury yields moved lower during the quarter, and by the end of the reporting period the Fed Funds futures discounted three 25 basis point (bps) rate cuts through 2020. The yield on the 10-year Treasury note fell 40 bps to end the period at 2.01%.

While financial markets experienced a strong first half of 2019, economic activity around the world has continued to moderate. Weakness has been pronounced in global manufacturing, with several large economies (e.g., China, Germany, Italy and South Korea) posting contractionary readings in recent purchasing manager index surveys, primarily due to weak external demand and global trade headwinds. Moreover, analysis of industrial new orders versus inventory levels across major global economies suggests continuing weakness in the near term. Outside the industrial sector, measures of consumer sentiment and housing activity show continuing weakness in the United States, Eurozone and China.

## PERFORMANCE REVIEW

During the second quarter of 2019, Invesco Oppenheimer Global Allocation Fund's (Fund) Class A shares (without sales charge) generated a total return of 2.74%, underperforming the 3.37% return of its blended benchmark (60% MSCI All Country World Index / 40% Bloomberg Barclays Global Aggregate Bond Index Hedged USD) by 63 basis points. For the first half of 2019, the Fund generated a total return of 10.63%. The Fund's relative underperformance in the second quarter resulted primarily from weak security selection within the portfolio's underlying investment strategies. The Fund's top-down allocation decisions were very minor detractors during the period.

## ASSET ALLOCATION

The greatest contributors to performance versus the benchmark in the second quarter from top down allocations were the Fund's overweight to duration (both in U.S. and International fixed income), its overweight to higher yielding emerging market currencies (versus developed market currencies), and its overweight to Brent crude oil. In contrast, the biggest detractors versus the benchmark were the Fund's underweight to global equities, its overweight to MLPs (versus U.S. large cap equities) and the underperformance of alternatives such as event-linked bonds and insurance linked securities (versus U.S. investment grade credit).

In terms of positioning, at the end of the reporting period the Fund was underweight global equities, primarily through an underweight to developed markets ex U.S. The Fund was overweight duration in both domestic and international fixed income. The Fund remains underweight to U.S. investment grade credit with no exposure in that asset class. The Fund neutralized its overweight to MLPs and is now neutral on Brent crude oil. The Fund remains overweight U.S. small cap equities and is overweight higher yielding emerging market currencies and underweight lower yielding developed market currencies.

More specifically, the Fund has a modest underweight in U.S. equities, where we are positioned defensively. Our factor exposures are currently tilted to quality and low volatility, while we are underweight momentum and value. Our leading economic indicators suggest the U.S. economy has entered a slowdown phase of the business cycle, where growth remains above trend, but at a decelerating rate. This deceleration is led in part by slower housing activity. Within U.S. equities, we neutralized our overweight exposure to MLPs which we had maintained for more than a year. The price of WTI crude oil fell sharply from the $60's to the low $50's per barrel starting in mid-May. While MLPs are not directly correlated to fluctuations in oil prices, at these lower levels in WTI investors often begin to worry about creditworthiness for MLPs and whether distributions are at risk, given their levered balance sheets. Accordingly, we neutralized our position in MLPs during the second quarter. We also closed our successful overweight to Brent crude oil, which was a much more tactical position in the Fund, during the quarter.

We remain underweight European equities. Our macro regime framework suggests that European growth is in contraction, and likely to decelerate further in 2019. After a meaningful deceleration in export growth in 2018, leading indicators of manufacturing activity suggest further downside risks. The ECB ended its quantitative easing program on 12/31/18, which at the margin removed incremental monetary policy support. However, several weeks later in response to slowing economic growth and other softening data, the ECB announced that it was ready to supply fresh liquidity to European banks though zero-interest loans, and may even reduce policy rates further from their current level of -0.40%. While monetary conditions remain accommodative, credit growth in the private sector runs at a modest 2-3% per year, in line with nominal GDP growth, suggesting a lack of excess liquidity and limited upside in domestic demand growth.

The emerging markets faced a pronounced deceleration in 2018, and both China and the rest of the emerging markets are in a contractionary regime today. However, aggressive monetary and fiscal stimulus in China suggest that improvements could occur later this year. In fact, we believe that if the global economic outlook improves from here, it will likely be led by improvements in the emerging markets.

We continue to have no credit allocation in our portfolio, which represents a meaningful tilt versus our benchmark. We see limited upside this late in the cycle, and the investment case is limited to income generation. Instead, we prefer sourcing income from uncorrelated alternatives such as event-linked bonds.

## ASSET ALLOCATION (CONTINUED)

In terms of our government bond positioning, we are overweight duration in both U.S. and international markets. We expect the U.S. yield curve to remain flat to slightly inverted after having seen a noticeable inversion of the 3-month to 10-year slope in the reporting period. That inversion suggests the Fed needs to cut interest rates to re-steepen the curve and prevent a tightening in lending standards. We will monitor lending standards and credit growth going forward to confirm or refute the potential recession signal sent by the yield curve. In the meantime, the Fed has already signaled its readiness to cut interest rates in 2019.

We are neutral on the U.S. dollar and believe that dollar strength in 2018 was a pause in the long-term bear market for the greenback, which started in mid-2016. Our valuation framework suggests the U.S. dollar remains expensive. Larger fiscal and trade deficits are likely to put downward pressure on the dollar once the cyclical backdrop outside the U.S. improves, but this scenario does not seem likely over the next few quarters given the ongoing underperformance suggested by leading economic indicators in international markets. Therefore, the opposing forces of attractive valuations but unfavorable relative growth performance outside the U.S. warrant a neutral exposure to foreign exchange risk.

## SECURITY SELECTION

During the second quarter, the security selection component of the Fund's investment process was the primary detractor from performance. The largest contributors to performance relative to our benchmarks came from our U.S. Midcap Growth strategy and our Developing Market strategy (i.e., emerging market equities). In contrast, our International Equity strategy underperformed.

## MARKET OUTLOOK

Our macro regime framework indicates the global economy is likely to enter a contraction, with growth falling below trend and decelerating. In terms of regional contributions, the U.S. is in a slowdown regime (growth above trend and decelerating) while both international developed markets and emerging markets are registering a contraction based on our analysis.

Significantly, while the cyclical backdrop is clearly deteriorating, there are no late-cycle inflationary pressures, domestically or globally. As a result, all major central banks around the world have already acknowledged the current slowdown and explicitly adopted a more dovish stance, including the Fed and the ECB. Numerous central banks even cut interest rates during the second quarter, including those in India, Australia, Russia, New Zealand, Malaysia, Philippines, Iceland and Chile, among others. This is an important feature of the current cycle compared with historical precedents, when central banks have often tightened policy into restrictive territory because of rising inflationary pressure despite a slowing economy. Today, the absence of progressively restrictive monetary conditions can help reduce downside risks to economic growth and asset prices on the margin.

From a longer-term perspective, our capital markets expectations suggest that over the next five years, global equities are likely to do well, on average, with potential for outperformance in international and emerging markets over U.S. equities. However, from a dynamic asset allocation standpoint, the current divergence between strong financial market performance and deteriorating economic activity warrants caution in the medium term. Our research indicates that in a global contractionary regime, investors have historically received limited compensation for bearing incremental risks in a global multi-asset portfolio. As a result, we have maintained an underweight position in global equities, and an overweight position in developed markets duration.

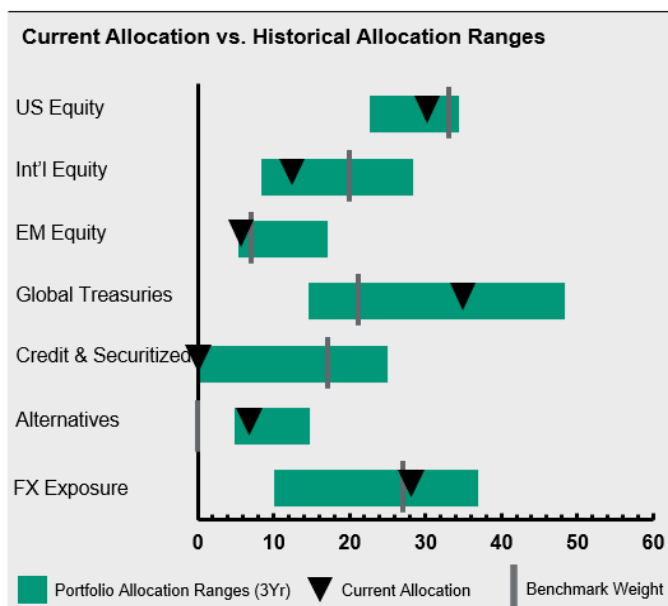
As always, we continue to monitor closely the developments in financial conditions as well as the political and policy landscape to assess risks to the macro outlook and financial markets. We are paying close attention to the policy backdrop and the inflation picture; both are potential headwinds to derail the advanced cycle. If the Fed's pause in rate hikes (and possible rate cut in July) and its cessation of the quantitative tightening program in September indicate that the tightening cycle is over, we would expect the current market cycle to extend further. If that were to happen and leading economic indicators were to re-accelerate, we would adjust our exposures accordingly. On the contrary, should we see further deterioration in economic data, or an increase in equity and credit market volatility, we stand ready to adapt to a slowing macro environment and could reduce risk further.

## SPECIAL RISKS

Foreign investments may be volatile and involve additional expenses and special risks, including currency fluctuations, foreign taxes, regulatory and geopolitical risks. Emerging and developing market investments may be especially volatile. Eurozone investments may be subject to volatility and liquidity issues. Investments in securities of growth companies may be volatile. 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. Event-linked securities are fixed income securities, otherwise known as Cat Bonds, for which the return of principal and interest payment is contingent on the non-occurrence of a trigger event that leads to physical or economic loss. If the trigger event occurs prior to maturity, the Fund may lose all or a portion of its principal and additional interest. Value investing involves the risk that undervalued securities may not appreciate as anticipated. 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. Below-investment-grade ("high yield" or "junk") bonds are more at risk of default and are subject to liquidity risk. Derivative instruments entail higher volatility and risk of loss compared to traditional stock or bond investments. 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.

## GLOBAL ALLOCATION PORTFOLIO POSITIONING AS OF JUNE 30, 2019

**Current Notional Allocations* vs. Historical Allocation Ranges**




**Portfolio Positioning Relative to Benchmark**

**Portfolio Positioning Relative to Benchmark**

| | Portfolio Weight | Benchmark Weight | Difference |
|---|---|---|---|
| U.S. Equity | 30.8 | 33.1 | -2.4 |
| International Equity | 12.4 | 19.8 | -7.4 |
| Emerging Equity | 5.8 | 7.1 | -1.3 |
| Global Treasuries | 34.7 | 21.6 | 13.1 |
| Credit & Securitized | 0.0 | 18.5 | -18.5 |
| Alternatives | 6.8 | 0.0 | 6.8 |
| FX Exposure | 28.1 | 27.5 | 0.6 |

| | Portfolio Duration | Benchmark Duration |
|---|---|---|
| U.S. | 1.24 | 0.88 |
| International | 2.19 | 1.61 |
| **Total** | **3.43** | **2.49** |

*Notional Allocation refers to exposure gained through the use of derivative instruments when there is not an offsetting cash position. Portfolio allocations are displayed in terms of notional value and may exceed 100% as a result of exposure to derivatives.

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## DISCLOSURES

**Past performance does not guarantee future results.**

1. Because of changes to certain non-fundamental investment policies in connection with a change from a balanced strategy to a global allocation strategy, performance prior to 8/16/10 is not indicative of performance for any subsequent time periods.
2. The Reference Index returns are made up of the returns of (i) Composite Index representing 30% Russell 1000 Index/ 30% MSCI ACWI ex-U.S./ 20% Bloomberg Barclays U.S. Aggregate Index/ 20% Bloomberg Barclays Multiverse ex-U.S. Index from January 1, 2003, through September 30, 2015, and (ii) 60% MSCI ACWI/ 40% Bloomberg Barclays Global Aggregate Bond Hedged U.S.D from October 1, 2015, to present. The MSCI ACWI is a free float-adjusted, market-capitalization-weighted index that is designed to measure the equity market performance of developed and emerging markets. The Bloomberg Barclays Global Aggregate Bond Index provides a broad-based measure of global investment-grade, fixed-rate debt markets. The index is comprised of several other Bloomberg Barclays indices that measure fixed income performance of regions around the world while hedging the currency back to the U.S. dollar. 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.
3. Source: Morningstar, Inc., 6/30/19. The Morningstar World Allocation Funds Category Average is the average return of all funds within the investment category as defined by Morningstar. Returns are adjusted for the reinvestment of capital gains distributions and income dividends, without considering sales charges. Performance is shown for illustrative purposes only and does not predict or depict the performance of the Fund.
4. Source: ©2018 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 World Allocation 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.
5. Allocations 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.
6. The S&P/LSTA U.S. Leveraged Loan Index is a market value-weighted index designed to measure the performance of the U.S. leveraged loan market. The Swiss Re Global Cat Bond Total Return Index is a basket of natural catastrophe bonds tracked by Swiss Re Capital Markets, is calculated on a weekly basis, is market-value weighted, and includes reinvestment of income. The MSCI EM (Emerging Markets) Index is a market-capitalization-weighted index designed to measure the performance of emerging market stocks. 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 JP Morgan Global Manufacturing Purchasing Managers' Index is a diffusion index designed to measure global manufacturing activity (50 is the dividing line between activity expanding and contracting). The JP Morgan Government Bond Index-Emerging Markets Global Diversified is a comprehensive, global local Emerging Markets Index, and consists of regularly traded, liquid fixed rate, domestic currency government bonds to which international investors can gain exposure. Indices are unmanaged and cannot be purchased directly by investors. The Bloomberg Barclays U.S. Treasury Index measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury.

**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.**

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 March 31, 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 funds, 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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