INVESCO OPPENHEIMER

EMERGING MARKETS LOCAL DEBT FUND

Q2 2019 COMMENTARY | AS OF 6/30/19

Fund Focus

The Fund typically invests in local currency government and corporate fixed income securities in emerging market countries.

Ticker Symbol

OEMAX (Class A shares)
OEMYX (Class Y shares)
OEMIX (Class R6 shares)

Category

Emerging Markets Local Currency Bond

Portfolio Managers

Hemant Baijal
(Since 3/15)

Wim Vandenhoeck
(Since 9/16)

Average Industry Experience

30 years

Invesco Oppenheimer Emerging Markets Local Debt 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 or Since Inception
Invesco Oppenheimer Emerging Markets Local Debt Fund (Class A shares without sales charge)	6.42%	10.39%	4.82%	0.94%	2.35%
Invesco Oppenheimer Emerging Markets Local Debt Fund (Class A shares with sales charge)	1.85	5.69	3.31	0.07	1.86
Invesco Oppenheimer Emerging Markets Local Debt Fund (Class Y shares)*	6.32	10.61	5.05	1.20	2.63
Invesco Oppenheimer Emerging Markets Local Debt Fund (Class R6 shares)*	6.35	10.73	5.15	1.27	0.77
JP Morgan GBI EM Global Diversified (linked index)[1]	5.64	8.99	4.24	-0.45	—
Morningstar Emerging Markets Local Currency Bond Category Average[2]	4.79	7.37	3.67	-0.96	—
Morningstar Percentile Rank and Ranking: Emerging Markets Local Currency Bond[3] (Class A shares based on total return)	—	16th #11/65	18th #12/65	13th #9/65	—

Returns for periods less than one year are cumulative and not annualized.

Annual Expense Ratios:

Class A shares: Gross: 1.31%; Net: 1.15%

Class Y shares: Gross: 1.06%; Net: 0.95%

Class R6 shares: Gross: 0.90%; Net: 0.85%

*Class Y shares inception date is 6/30/10. Class R6 shares inception date is 9/28/12.

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 1-800-959-4246. Fund returns include changes in net asset value with dividends and capital gains reinvested. Class A shares include the 4.25% maximum sales charge where indicated. Class Y and 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 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.

MARKET REVIEW

The loss of momentum in the global economy that started in 2018 continued in the first half of the year. The second quarter started with some hopes for stabilization, with China's stimulus kicking in, U.S. data recovering from weakness in Q1, but these positive signs proved premature. Due to renewed tensions in the U.S.-China trade dispute and increasing risks regarding global trade, industrial production and trade globally has weakened noticeably. For most of the world, growth projections are being revised down. A first line of defense in a mild downturn is policy support and that has already started. Major central banks first removed their neutral or tightening biases and shifted to an easing bias. We expect the U.S. Federal Reserve (Fed) to lead the way, followed by the European Central Bank (ECB) and others. The updated global environment for emerging markets this quarter is that global growth stabilization is under threat. To that extent, central banks have now identified this negative global shock and are willing to act, and China can provide further stimulus as needed. We have made downward revisions to growth across our universe of emerging market (EM) countries, as trade war uncertainty further weighs in.

As we expected, the first quarter was mired in further data weaknesses for Asian emerging markets (EM), despite some stabilization in China. We see this as a manifestation of global trade blues as global exports and industrial production fell sharply. In addition, Asia is also feeling the headwinds from a slowing technology cycle. In China, front-loading of exports before tariffs took effect and the domestic policy easing were behind the stabilizing growth numbers in Q1. However forward-looking indicators point to further weakness ahead for the region as global demand weakens. The stabilization we had expected in the second half of 2019 was rooted in our expectation for a trade deal between China and the U.S. Despite the recent truce at G20 meeting, the higher tariff rates as well as continued uncertainty about a deal pose further downside risks to China's and Asian emerging markets' growth in the second half, notwithstanding the ongoing stimulus in China. We see this uncertainty as a key driver for weak global investment, which in turn negatively affects Asian exports. On the positive side, we expect further easing from China should Q2 data surprise significantly. We believe that this global backdrop, benign demand-led inflation pressures, and widening output gaps will allow room for more interest rate cuts in several countries, such as India, Indonesia, Korea, Malaysia, Philippines, Russia and South Africa.

The EM economies of Latin America have underperformed growth expectations and we are therefore cutting 2019's and 2020's growth forecasts across the board. The disappointing slowdown has broadened from its larger economies which may see traction later, to the smaller economies. We have not materially changed our inflation outlook, as output gaps are even wider and inflation risks are lower. We see easier global monetary conditions curbing exchange rate pressures and allowing all regional central banks to add stimulus. Colombia's lagged economic recovery continues while Argentina has been the larger exception in the region with negative growth and double-digit inflation. Yet, these two economies are still improving from last year. The bar is now too high for the Argentinian economy not to contract this year, but we are hopeful for a background of macro-stabilization which we think will succeed with the potential reelection of Mauricio Macri in the October presidential election. Mexico's growth was hurt by the U.S. slowdown and uncertainties over domestic policy. In our opinion, while the Mexican economy benefits of a good starting point with low debt levels, its economic fundamentals are deteriorating with President López Obrador (AMLO) and his heterodox policy mix. Within this context, we are constructive because we see inflation convergence with central bank easing, high real rates, and fiscal prudence. We do not see Mexican sovereign debt ratings going to below investment grade. In Brazil, we are more optimistic with the approval of the strong pension reform and expect the central bank to drive expansionary conditions. Economic activity has faltered on global and local shocks that allowed a large negative output gap, with domestic uncertainties failing to support a more benign environment. We think traction will come, with higher growth more likely to materialize next year. All in, decreasing global interest rates allow for more accommodative monetary policy which support EM assets. The primary risk to emerging markets is a full-blown trade war, instead of a protracted conflict-resolution solution, leading to recession. However, we see this as unlikely.

PERFORMANCE REVIEW: ATTRIBUTION & PORTFOLIO CHARACTERISTICS

Invesco Oppenheimer Emerging Markets Local Debt Fund returned 6.42% and 6.32% for the Class A (without sales charge) and Y shares, respectively, during the quarter. The Fund outperformed the JPMorgan Global Bond Index – Emerging Market Global Diversified which returned 5.64%.

For the quarter, performance was driven primarily by emerging markets interest rates positioning. EM interest rates contributed (4.95%) which outperformed the benchmark rates component (4.14%). Currency contributed (1.71%) outperforming the benchmark currency component which contributed (1.43%) while EM credit detracted from both absolute and relative performance (-0.01%).

During the quarter our total return contributions came from:

- our overweight in Brazilian interest rates,
- our underweight in Mexican interest rates, and
- our overweight in Indonesian interest rates.

offset by:

- our underweight in Turkish lira,
- our overweight in Indian rupee, and
- our overweight in Colombian peso.

The Fund's duration[4] was unchanged over the quarter at 5.51 years compared to the benchmark's 4.91 years. We did make some changes to our currency exposures with the most notable being an increase in the Thai baht by 1.9% (total exposure 10.4%) and a decrease in the Brazilian real by 3.0% (total exposure 9.9%).

Main Positions at Quarter End:		
Rates:	**Overweight**	**Underweight**
	India	Czech Republic
	Colombia	Brazil
	Egypt	Russia
	Argentina	Mexico
FX:	**Overweight**	**Underweight**
	Egyptian Pound	Czech Koruna
	Thai Baht	Euro
	Indonesian Rupiah	Turkish New Lira
	Argentine Peso	Hungarian Forint

MARKET OUTLOOK & PORTFOLIO POSITIONING*

We still see global growth momentum slowing in Q3 but at a slower rate since we expect greater stability in the second half of the year. We think EM growth will improve marginally in the second half, but at a lower level than we originally expected in Q1. The slowdowns in trade and related investments have been the primary drivers of the decline in global growth. The domestic drivers of growth have been stable, in almost every region, despite signs of weakness evident in declining inflation expectations.

While the delta of change to growth is still negative, we think there will be some stability in the second half and an improvement in global growth in 2020. Our 2019 global growth forecast is 2.8% for the countries in our investible universe and this is a bit below consensus. However, our 2020 global growth forecast is 3.1% with the increase coming mainly from outside the U.S. While global growth is weaker, it is still very much in a sweet spot of being at potential or slightly below providing support for risk assets. In our view, the impact of both monetary and fiscal policy is expected to be positive for assets.

We expect that monetary policy globally will continue to become more supportive especially as the Fed has moved towards an easing bias. Similarly, the ECB has already announced further monetary policy stimulus is quite likely and we are only awaiting to see which form it takes. In this environment, there is room for emerging market central banks to provide monetary stimulus. EM central banks from India to Chile have eased and we expect other central banks to follow. Real policy rates in emerging market countries remain high with room to fall. The high real rates also highlight the fact that inflation remains very muted globally and there is little near-term risk of it accelerating in a meaningful manner. We expect the mix of moderate growth with falling inflation will have a positive impact on asset prices. While we will monitor global conditions closely, we do not expect a recession. The positive policy environment that began in Q1 should continue for our investment horizon.

We continue to believe the U.S. dollar will slowly decline, possibly accelerating in the second half of 2019 into 2020 as the global growth differential to the U.S. may widen. We maintain our view that the medium-term trend for the dollar is lower, continuing the decline that started in 2015, and only interrupted in 2018 because of the large fiscal stimulus in the U.S. EM currencies will likely benefit from carry[4].

Real policy rates in EMs remain high with room to fall. The high real rates also highlight the fact that inflation remains very muted globally and there is little near-term risk of it accelerating in a meaningful manner.

*The mention of specific currencies or countries is subject to change and does not constitute a recommendation on behalf of the Fund or Invesco.

Top Five Currencies[5] 2nd Quarter 2019 (as of 6/30/19)	
Indonesian Rupiah	11.7%
Thai Baht	10.4%
Mexican Peso	10.1%
Brazilian Real	9.9%
Polish Zloty	9.9%

Top Five Geographic Regions[6] 2nd Quarter 2019 (as of 6/30/19)	
Americas	34.3%
Asia Pacific	28.5%
Europe	18.3%
Africa	10.7%

Portfolio Characteristics* 2nd Quarter 2019 (as of 6/30/19)	Fund
Number of Securities	228
Number of Issuers	64
Standardized Yield**	5.88%
Unsubsidized Yield**	5.77%
Average Effective Duration	5.51
Beta***	0.97
Alpha***	0.62
Information Ratio***	0.43
Turnover	48%

**Standardized yield (Class A shares) is based on an SEC standardized formula designed to approximate the Fund's annualized hypothetical current income from securities less expenses for the 30 day-period ended 6/30/19 and that date's maximum offering price. The Unsubsidized Standardized Yield is computed under an SEC standardized formula based on net income earned over the past 30 days. It excludes contractual expense reimbursements, resulting in a lower yield.

*** Measured versus the Fund's Reference Index.

SPECIAL RISKS

Fixed income investing entails credit and interest rate risks. Interest rate risk is the risk that rising interest rates or an expectation of rising interest rates in the near future will cause the values of the Fund's investments to decline. Risks associated with rising interest rates are heightened given that rates in the U.S. are at or near historic lows. 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. 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. These risks are magnified in frontier markets. The Fund may invest at least 80% of its net assets in debt securities that are economically tied to emerging market countries and denominated in local (non-U.S.) currencies. Eurozone investments may be subject to volatility and liquidity issues. The Fund may invest a significant portion of assets in a single issuer, which may increase volatility and exposure to risks associated with a single issuer. Derivative instruments entail higher volatility and risk of loss compared to traditional stock or bond investments.

* PORTFOLIO CHARACTERISTICS DEFINITIONS

Alpha: An investment's return in excess of the return expected for the level of risk taken. For example, during a period in which the Bloomberg Barclays U.S. Aggregate Bond Index rises 10%, a portfolio assuming 20% more risk than the market would need to gain 12% to match the Bloomberg Barclays U.S. Aggregate Bond Index return on a risk-adjusted basis. This number is annualized based on three years of data.

Average Effective Duration: The average option-adjusted duration of securities weighted by market value. This number is based on three years of data.

Beta: A measure of the risk of a security or portfolio in relation to an independent variable (i.e., the general market or other specified benchmark). The independent variable has a beta of 1.00 by definition. Any security or portfolio with a beta greater than 1.00 is considered more volatile, while a beta of less than 1.00 would be less volatile. Also known as the measure of systematic risk of a security. This number is based on three years of data.

Fiscal Year-End Turnover: A measure of the strategy's trading activity, which is computed by taking the lesser of purchases or sales during the strategy's latest fiscal year, divided by the total net asset value (NAV).

Information Ratio (IR): A measure of the consistency of a portfolio's performance relative to a benchmark. It is calculated by subtracting the benchmark return from the portfolio return, and dividing the result (the excess return) by the standard deviation (volatility) of this excess return. A positive information ratio indicates outperformance versus the benchmark, and the higher the information ratio, the more consistent the outperformance. This number is based on three years of data.

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DISCLOSURES

Past performance does not guarantee future results.

1. The index returns are made up of the returns of (i) J.P. Morgan GBI EM Global Diversified Index from January 1, 2014, to present and (ii) 70% J.P. Morgan Government Bond Index-Emerging Markets Global Diversified/30% J.P. Morgan EM Bond Global Diversified for the period from inception until December 31, 2013. The J.P. 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. The J.P. Morgan Emerging Markets Bond Index Global Diversified is a composite index representing an unleveraged investment in emerging market bonds that is broadly based across the spectrum of emerging market bonds and includes reinvestment of income (to represent real assets). Index performance is shown for illustrative purposes only and does not predict or depict the performance of the Fund. The indices are unmanaged and cannot be purchased directly by investors.
2. Source: Morningstar, Inc., 6/30/19. The Morningstar Emerging Markets Local Currency Bond Funds Category Average is the average 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.
3. Source: ©2019 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 Emerging Markets Local Currency Bond 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. Carry is defined as the profit investors gain from selling a certain currency with a relatively low interest rate and using the funds to purchase a different currency yielding a higher interest rate. Duration measures interest rate sensitivity. The longer the duration, the greater the expected volatility as rates change.
5. The table for the top currency positioning is based on the net foreign exchange exposure of each currency after converting all currencies to a common currency, in this case the U.S. dollar. The mention of specific currencies is subject to change and does not constitute a recommendation on behalf of the Fund or Invesco.
6. The table for the top current regions considers the country's geographic location and is based on assets of the Fund. The mention of specific regions does not constitute a recommendation on behalf of the Fund or by Invesco.

Portfolio holdings are subject to change. The mention of specific countries, currencies, securities or sectors does not constitute a recommendation on behalf of the Fund or Invesco. The performance data quoted represents past performance which does not guarantee future results.

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 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 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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