# Invesco Balanced-Risk Commodity Strategy Fund

Quarterly Performance Commentary

Nasdaq: A: BRCAX C: BRCCX Y: BRCYX

### Investment objective

The fund seeks to provide total return.

### Portfolio management

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### Portfolio information

| | |
|---|---|
| Total Net Assets | $1,448,370,713 |
| Distribution Frequency | Annually |

### Gross performance attribution

| | Quarter | Since Dec. 1, 2010 (annualized) |
|---|---|---|
| Precious Metals | 0.95% | -0.89% |
| Agriculture | -0.58% | -1.15% |
| Energy | -0.26% | -1.74% |
| Industrial Metals | -1.46% | -1.25% |
| Active Positioning | -0.97% | 0.94% |
| Cash | 0.64% | 0.55% |
| Total | -1.68% | -3.54% |

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

| Risk positioning | Strategic position | Tactical position |
|---|---|---|
| Precious Metals | 0.25 | Underweight |
| Agriculture | 0.25 | Underweight |
| Energy | 0.25 | Overweight |
| Industrial Metals | 0.25 | Underweight |

The fund's strategic allocation targets an equal risk contribution within and across each of the portfolio's four commodity complexes to the overall portfolio risk. Tactical positioning, which is applied monthly, seeks to overweight, underweight or maintain those strategic positions depending on a select group of factors such as supply and demand, the current economic environment and short- and intermediate-term price movements.

## Market overview

- The breakdown in US/China trade talks in May led to a wave of selling that resulted in a quarterly loss for the Bloomberg Commodity Index. Two of the four primary sub-complexes declined as concern about falling demand spurred investors to reduce exposure to economically sensitive assets including energy and industrial metals. Conversely, precious metals were the top performer with gains driven by risk aversion and increased demand for perceived safe havens. Agricultural commodities delivered small gains as prices of corn and wheat spiked due to excessively wet weather in key US growing regions.

## Performance

- The fund's Class A shares at net asset value (NAV) underperformed its benchmark mainly due to strategic and tactical positioning in agriculture. (Please see the investment results table on page 2 for fund and index performance.)
- On an absolute basis, industrial metals were the largest detractor as trade tension weighed on both aluminum and copper.
- Agriculture also declined with notable underperformance from cotton, in both absolute and relative terms, due to trade relations and signs of higher supply. Like corn and wheat, coffee enjoyed weather-related gains as cold temperatures in Brazil provoked supply fears.
- Energy prices were another detractor as all six strategic exposures declined due to escalating trade conflict and concern about slowing economic growth. Natural gas had the largest price decline in the fund's commodity universe as supplies continued to build, exceeding global demand growth. However, a strategic underweight in natural gas was a key contributor to relative return.
- Precious metals provided gains as gold's advance outpaced silver. Demand for precious metals rose as higher risk aversion, stalled dollar strength, geopolitical tension and weaker global growth pushed down nominal and real yields across the globe. The impact of negative-yielding bonds is an important factor as the relative cost of holding gold declines while the metal also serves as an inflation hedge.
- The fund's tactical exposure was a net detractor due to losses in agriculture and energy in May. Tactical agriculture was the largest detractor due to underweights in corn, wheat and coffee, which offset gains from underweights in cotton and lean hogs. Tactical energy also detracted as the fund had net overweights when energy prices collapsed in May. Tactical industrial metals were slightly positive as an underweight in aluminum offset an overweight in copper and a tactical long position in zinc. Tactical positioning in precious metals was flat.

## Positioning and outlook

- We enter the second half cautiously optimistic about commodities following first half gains led by cyclical energy and industrial metals. The recent G-20 meeting disappointed because it resulted in a trade truce rather than a trade deal, though a bigger trade war may have been averted. Weak manufacturing data from China and more accommodative central bank guidance are cause for concern; however, the Organization of the Petroleum Exporting Countries (OPEC) has extended production cuts and the dollar's strength has been temporarily halted by expectations of a more accommodative Federal Reserve. Agriculture investors await the upcoming fall harvest to see the full extent of an awful planting season.
- As we enter July, the fund remains in a defensive posture month-over-month and quarter-over-quarter. Within the agricultural sub-complex, the fund is net underweight grains, soft commodities and livestock positions, except for modest overweights in corn and cocoa. Within precious metals, gold is overweight and silver is underweight. Tactical industrial metals positioning has a small overweight in copper, an underweight in aluminum, a tactical short position in nickel and a tactical long position in zinc. Tactical energy is mixed, with underweights in natural gas and heating oil, net overweights in gasoil, Brent and gasoline, and a neutral position in WTI crude.

## Investment results

Average annual total returns (%) as of June 30, 2019

| | Class A Shares Inception: 11/30/10 | | Class C Shares Inception: 11/30/10 | | Class Y Shares Inception: 11/30/10 | Style-Specific Index |
|---|---|---|---|---|---|---|
| **Period** | **Max Load 5.50%** | **NAV** | **Max CDSC 1.00%** | **NAV** | **NAV** | **Bloomberg Commodity Index** |
| Inception | -5.47 | -4.84 | -5.56 | -5.56 | -4.58 | - |
| 5 Years | -7.59 | -6.53 | -7.23 | -7.23 | -6.29 | -9.15 |
| 3 Years | -4.90 | -3.10 | -3.82 | -3.82 | -2.86 | -2.18 |
| 1 Year | -13.61 | -8.58 | -10.21 | -9.30 | -8.35 | -6.75 |
| Quarter | -7.39 | -2.03 | -3.29 | -2.31 | -1.99 | -1.19 |

*Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. Visit invesco.com/performance 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, and you may have a gain or a loss when you sell shares. No contingent deferred sales charge (CDSC) will be imposed on redemptions of Class C shares following one year from the date shares were purchased. Performance shown at NAV does not include applicable CDSC or front-end sales charges, which would have reduced the performance. Class Y shares have no sales charge; therefore, performance is at NAV. Returns less than one year are cumulative; all others are annualized. Fund performance reflects any applicable fee waivers and/or expense reimbursements. Had the adviser not waived fees and/or reimbursed expenses currently or in the past, returns would have been lower. See current prospectus for more information. Index returns do not reflect any fees, expenses, or sales charges.*
Index source: Bloomberg L.P.

| **Expense ratios** | **% net** | **% total** |
|---|---|---|
| Class A Shares | 1.40 | 1.62 |
| Class C Shares | 2.15 | 2.37 |
| Class Y Shares | 1.15 | 1.37 |

Per the current prospectus
Net = Total annual operating expenses less any contractual fee waivers and/or expense reimbursements by the adviser in effect through at least Feb. 29, 2020 and contractual management fee waivers in effect through at least June 30, 2020. See current prospectus for more information.

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Class Y shares are available only to certain investors. See the prospectus for more information.
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 Return℠ 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.