INVESCO OPPENHEIMER

INTERNATIONAL BOND FUND

Q2 2019 COMMENTARY | AS OF 6/30/19

Fund Focus

The Fund typically invests in international fixed income securities in both developed and emerging market countries.

Ticker Symbol

OIBAX (Class A Shares)
OIBYX (Class Y Shares)
OIBIX (Class R6 Shares)

Category

World Bond Funds

Portfolio Managers
Chris Kelly, CFA
(Since 3/15)
Hemant Baijal
(Since 1/13)
Wim Vandenhoeck
(Since 1/18)

Average Industry Experience
27 years

Invesco Oppenheimer International Bond 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 International Bond Fund (Class A shares without sales charge)	4.25%	6.55%	3.64%	2.18%	3.63%
Invesco Oppenheimer International Bond Fund (Class A shares with sales charge)	-0.13	1.96	2.14	1.29	3.18
Invesco Oppenheimer International Bond Fund (Class Y shares)*	4.32	6.81	3.96	2.47	3.93
Invesco Oppenheimer International Bond Fund (Class R6 shares)*	4.36	6.77	4.06	2.61	2.82
Reference Index: 50% FTSE Non-U.S. Dollar Government Bond Index/ 30% JPM GBI-EM Global Diversified/ 20% JPM EMBI Global Diversified[1]	4.48	7.48	2.84	1.10	3.35
Morningstar World Bond Category Average[2]	2.96	5.88	2.77	1.47	3.50
Morningstar Percentile Rank and Ranking: World Bond Category[3] (Class A shares based on total return)	—	5th #11/221	28th #58/208	20th #40/196	48th #71/146

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

Annual Expense Ratios:

Class A shares: Gross: 0.91%; Net: 0.90%

Class Y shares: Gross: 0.66%; Net: 0.65%

Class R6 shares: Gross: 0.57%; Net: 0.56%

*Class Y shares inception date is 9/27/04. Class R6 shares inception date is 1/27/12.

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 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

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. Fiscal policy may also be used where applicable. At this stage policy makers are buying insurance to secure and sustain the global expansion, so we do not expect aggressive easing measures - but policy support is coming.

The U.S. economy is slowing down but from quite high levels towards its potential that is just below 2%. Part of the slowdown is due to the waning fiscal stimulus of last year, but uncertainty about trade as well as the slowdown in the world economy are also factors. Business surveys on balance suggest weakening confidence and business investment has slowed down this year. We expect consumption to remain resilient, thanks to the solid job market, wage gains, low household leverage, and strong confidence. Inflation is below target and will likely remain so until 2020. The Fed strongly signaled that policy insurance is coming in the form of policy rate cuts and we expect 50 bps cuts in 2019.

The Eurozone economic weakness continues because of its exposure to global trade. Weakness started mainly in manufacturing and trade, while more domestically oriented sectors proved resilient. On the domestic side, consumer confidence has declined from the cyclical highs but nevertheless remains at strong levels. Credit is available and the labor market continues to improve. As in the U.S., there is domestic resilience but there is more need for policy support given the Eurozone's more fragile recovery and higher exposure to the global economy. We believe the ECB is ready to act and will deliver some modest stimulus in the fall, which could be signaled in the summer.

Japan also suffered from trade tensions. Economic growth surprised in the first quarter, but its composition was not encouraging and recent surveys suggest ongoing loss of momentum. With external risks increasing, firms are reluctant to increase wage growth. However, the labor market is extremely tight in Japan, jobs are plentiful, and workers are hard to find. In response companies are investing in machinery and software to address labor shortages. The tight labor market and investment demand in domestically oriented sectors could provide a cushion against downside risks.

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.

The U.S. dollar (USD) declined vs. many developed and emerging markets currencies during the quarter. The top performers vs. USD were the Russian ruble (+5.9%), South African rand (+4.8%), and Brazilian rand (+3.3%) as risk assets

MARKET REVIEW (CONTINUED)

rallied. The largest declines vs. USD came from the British pound (-2.4%), South Korean won (-1.4%), and Australian dollar (-0.7%) which were impacted by Brexit headlines for the United Kingdom and global growth concerns in South Korea and Australia.

Government bond yields declined across many markets during the quarter. U.S. Treasury 10-year rates declined during the quarter from 2.41% from 2.01%. German 10-year yields went further negative and decreased to -0.33% while Japanese yields decreased to -0.16%. Indian yields declined to 6.88% and Brazilian yields decreased to 7.47%.

PERFORMANCE REVIEW: ATTRIBUTION & PORTFOLIO CHARACTERISTICS

Invesco Oppenheimer International Bond Fund returned 4.25% and 4.32% for the Class A (without sales charge) and Y shares, respectively, during the quarter. The Fund underperformed its Reference Index (50% non-U.S. Citi World Government Bond Index, 30% JPMorgan Global Bond Index – EM Diversified, and 20% JPMorgan Emerging Market Bond Index Global Diversified), which returned 4.48%.

For the quarter, we had positive contribution to total return from interest rates (313 bps) and credit (102 bps), and foreign exchange (FX) (76 bps). Relative to our Reference Index, credit added 98 bps, interest rates added 85 bps while FX detracted -65 bps.

In FX, our total returns were led by underweights in the euro and Japanese yen along with our overweight to the Brazilian real. The primary detractors were from our underweight to the British pound and overweights to the Indian rupee and Mexican peso. Our FX exposure was unchanged at 79.1% which is in line with our our Reference Index. We increased our exposures to the euro by 8.8% (total exposure 13.9%), Brazilian real by 2.4% (total exposure 6.0%), and Mexican peso by 1.5% (total exposure 4.2%). We decreased our exposures to the Colombian peso by 2.3% (total exposure 0.7%), Swedish krona by 2.3% (total exposure 3.1%), and Japanese yen by 2.2% (total exposure 11.6%).

The Fund continued to underweight Japanese and core European rates exposure in place of credit. We reduced our EM and European credit exposures given the strong performance this year. In interest rates, the Fund benefitted from overweight positions to Mexico, Brazil, and India while the fund detracted from the following underweight interest rate positions in Canada, Germany, and Eurozone. We increased duration[4] by 0.21 year during the quarter for an overall duration of 3.30 years vs. the reference benchmark's 7.12 years.

Emerging market bonds wobbled somewhat in April and May as U.S.-China trade talks broke down but rallied in June as the U.S. and China agreed to revive trade talks post the G20 summit. During Q2, the EM local currency debt index gained 5.6% coming from both rates and currency, while the EM hard currency index was up 4.1%.

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.

The U.S economy is slowing down but from high levels towards its potential of just below 2%. Declining fiscal stimulus of last year along with uncertainty about trade and lower global growth are also contributing factors. Lower growth in the Eurozone continues from weakness in manufacturing and trade, while domestic sectors have been more resilient. Consumer confidence has declined from the cyclical highs but remains at strong levels.

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 growth forecast is 2.8% for the countries in our investible universe and this is a bit below consensus. However, our 2020 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.

Due to the shift in economics and the policy environment we have kept a stable outlook for our portfolio positioning. 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] while developed market currencies could benefit from valuations.

In our portfolios, we favor carry from EM currencies. We increased our exposures to the Brazilian real, Indian rupee, Indonesian Rupiah, and South African rand. We also like the Norwegian krone. We continue to favor emerging market

MARKET OUTLOOK & PORTFOLIO POSITIONING (CONTINUED)

interest rates over developed market interest rates. Real yields in emerging markets remain close to highs when compared to a combination of developed market yields. Given the strong performance in credit in the first half of the year we are reducing our credit exposure in both emerging markets and Europe. We look to redeploy that capital into emerging market interest rates.

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. Eurozone investments may be subject to volatility and liquidity issues. Derivative instruments entail higher volatility and risk of loss compared to traditional stock or bond investments. Currency derivative investments may be volatile and involve significant risks. Small- and 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 small- or mid-sized company, if any gain is realized at all. The Fund is classified as a “non-diversified” fund and may invest a greater portion of its assets in the securities of a single issuer. Regulation S securities are privately offered securities, may be illiquid, and involve a high degree of risk which may result in substantial losses to the Fund. 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.

Top Five Currencies[5] 2nd Quarter 2019 (as of 6/30/19)	
Euro	13.9%
Japanese Yen	11.6%
Norwegian Krone	6.9%
Brazilian Real	6.0%
Indonesian Rupiah	4.8%

Top Five Geographic Regions[6] 2nd Quarter 2019 (as of 6/30/19)	
Europe	30.0%
Americas	24.0%
Asia Pacific	20.1%
Africa	8.7%
Middle East	1.0%

Portfolio Characteristics* 1st Quarter 2019 (as of 3/31/19)	Fund
Number of Securities	660
Number of Issuers	202
Standardized Yield**	4.14%
Unsubsidized Yield**	4.12%
Average Effective Duration	3.30
Beta***	0.89
Alpha***	0.94
Information Ratio***	0.30
Turnover	115%

**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.

* 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.

Visit Us invesco.com **Call Us** 800 959 4246 **Follow Us**

DISCLOSURES

Past performance does not guarantee future results.

1. The Reference Index is a customized weighted index currently comprised of 50% of the FTSE Non-U.S. Dollar World Government Bond Index, 30% of the JPMorgan Government Bond Index - Emerging Markets Global Diversified, and 20% of the JPMorgan Emerging Markets Bond Index Global Diversified. From January 1, 2003 through December 31, 2011, the underlying index weights were 70% FTSE Non-U.S. Dollar World Government Bond Index, 20% JPMorgan Government Bond Index - Emerging Markets Global Diversified and 10% JPMorgan Emerging Markets Bond Index Global Diversified. The Reference Index returns reflect the weightings in effect for the time periods for which fund returns are disclosed, and weightings prior to January 1, 2012 are not restated. The Fund is not managed to be invested in the same percentages as those indices comprising the Reference Index. The FTSE Non-U.S. World Government Bond Index (FTSE WGBI Non-U.S.) is an index of fixed rate government bonds with a maturity of one year or longer and amounts outstanding of at least U.S. $25 million. 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). The indices are unmanaged, include reinvestment of dividends, are shown for illustrative purposes only, 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.
2. Source: Morningstar, Inc., 6/30/19. The Morningstar World 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 World 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. Duration measures interest rate sensitivity. The longer the duration, the greater the expected volatility as rates change. 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.
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.
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 by the Fund or by Invesco.

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 Index is unmanaged, includes the reinvestment of dividends 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.

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.

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.

© 2019 Invesco Distributors, Inc. All rights reserved.

CO0880.001.0619 June 30, 2019