Invesco Balanced-Risk Allocation Fund

Q1 2025

Key takeaways

1. **The fund outperformed its benchmark**
The fund had a positive return in the first quarter due to gains in the real return macro factor.

2. **Real return assets were the sole contributor to results at the macro factor level**
At the macro factor level, the real return macro factor was the sole contributor, with all four sub-complexes contributing to results.

3. **Tactical positioning detracted**
The adaptive monthly tactical positioning detracted from performance largely due to overweights in Japanese and US equities and underweights in US Treasury bonds and natural gas.

Investment objective
The fund seeks to provide total return with a low to moderate correlation to traditional financial market indices.

Fund facts	
Fund AUM ($M)	994.79

Portfolio managers
Alessio de Longis, Christopher Devine, John Burrello, Scott Hixon, Scott Wolle

Manager perspective and outlook

- Despite broad global growth in the first quarter, 2025 got off to a bumpy start. With the return of the Trump administration, asset performance was largely driven by uncertainty about geopolitical and economic policies.
- Disinflation slowed and even stalled in some Western developed economies as the global trend of monetary policy easing decelerated during the quarter. In a reversal from 2024, non-US equities outperformed US equities as the narrative around US exceptionalism was challenged. Artificial intelligence (AI)-related advances in China disrupted the US technology rally, while aggressive government spending cuts and fear of tariff wars raised inflation expectations and lowered growth forecasts.
- A weaker US dollar further supported non-US equities. Government bond yields generally rose, except in the US and Canada. Commodities ended with their highest quarterly gain since the first quarter of 2022, as measured by the Bloomberg Commodity Index.

Gross performance attribution (%)

	Quarter	Year to date	Since inception (annual-ized)
Growth	-1.17	-1.17	2.38
Defensive	-0.16	-0.16	1.49
Real Return	2.58	2.58	0.63
Tactical Positioning	-0.53	-0.53	0.91
Cash	1.04	1.04	1.28
Total	1.77	1.77	6.69

Returns are gross of fund expenses; net returns will be lower. Cash represents fund collateral used to support derivative positions. Note: Growth represents cap-weighted equity beta and long put options, Defensive represents bonds and equity factor premia, and Real Return represents commodities.

Performance highlights

The fund's Class A shares at net asset value (NAV) outperformed its balanced benchmark for the quarter.

Growth: Strategic exposure to the growth macro factor detracted from performance. In a reversal from the previous quarter, non-US equities outperformed US equities. European equities contributed to performance as dispersion between European and US equities widened. Europe's growth outlook continued to improve following the incoming German chancellor's announcement of a fiscal spending plan designed to boost defense capabilities. UK equities added to performance as investors rotated away from richly valued US technology stocks. Emerging market equities added to performance as Chinese equities rallied on government stimulus and optimism about China's tech prospects. Both US large and small-caps detracted in a retreat from US exceptionalism. Japanese equities detracted as yen appreciation appeared to weigh on the export-dependent region. Exposure to defensive put options detracted as performance across markets was mixed.
Defensive: Strategic exposure to the defensive macro factor detracted, with mixed results across markets. US Treasuries added to results as yields fell amid uncertainty about Trump administration policy and the economic growth outlook. Canadian government bonds added to results. The Bank of Canada made two rate cuts during the quarter as pending US tariffs threatened Canada's economy. Australian government bonds detracted as the Reserve Bank of Australia made its first rate cut since 2020 in February. UK gilts detracted as the Bank of England cut its policy rate another 0.25% in February but held rates steady in March and indicated easing would continue at a gradual pace. Japanese government bonds detracted as the Bank of Japan continued its policy normalization, raising rates in January and signaling future hikes despite keeping rates steady in March. German bunds detracted as higher spending announced by the incoming chancellor sent yields soaring. Defensive factor exposure added to performance as factors outperformed their base indexes.
Real Return: Strategic exposure to the real return macro factor was the sole contributor at the macro factor level. All four sub-complexes added to performance. Precious metals saw gold reach another all-time high in March amid apparent investor demand for safer real assets. Energy added to results, driven by natural gas. Industrial metals contributed to results mostly due to soaring copper prices. Agriculture added to results due to contributions from coffee, soybean oil and sugar, which offset losses in grain, wheat and soybeans.

Tactical positioning detracted from results largely due to overweights in Japanese and US equities and underweights in US Treasury bonds and natural gas.

Standardized performance (%) as of March 31, 2025

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 06/02/09	NAV	1.41	1.41	-1.03	-1.39	5.06	3.03	5.34
	Max. Load 5.5%	-4.12	-4.12	-6.51	-3.22	3.88	2.45	4.97
Class R6 shares inception: 09/24/12	NAV	1.49	1.49	-0.61	-1.02	5.44	3.40	3.69
Class Y shares inception: 06/02/09	NAV	1.49	1.49	-0.73	-1.15	5.33	3.28	5.60
Invesco Balanced-Risk Allocation Fund Custom Style Index		0.07	0.07	6.37	4.96	9.53	6.54	-
Total return ranking vs. Morningstar Tactical Allocation category (Class A shares at NAV)		-	-	84% (220 of 254)	88% (214 of 237)	84% (177 of 214)	71% (104 of 146)	-

Calendar year total returns (%)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Class A shares at NAV	-4.68	10.97	9.78	-7.01	14.66	9.20	9.19	-14.96	5.96	3.19
Class R6 shares at NAV	-4.34	11.40	10.14	-6.72	15.12	9.72	9.46	-14.77	6.45	3.61
Class Y shares at NAV	-4.51	11.35	9.95	-6.73	14.91	9.50	9.46	-14.82	6.34	3.38
Invesco Balanced-Risk Allocation Fund Custom Style Index	-0.05	5.79	14.54	-5.10	19.93	13.72	12.07	-15.72	16.35	11.54

Expense ratios per the current prospectus: Class A**: Net: 1.38%, Total: 1.43%; Class R6**: Net: 1.03%, Total: 1.08%; Class Y**: Net: 1.13%, Total: 1.18%.

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. Visit invesco.com 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 so that you may have a gain or a loss when you sell shares. Returns less than one year are cumulative; all others are annualized. Index source: RIMES Technologies Corp. Had fees not been waived and/or expenses reimbursed in the past, returns would have been lower. Performance shown at NAV does not include the applicable front-end sales charge, which would have reduced the performance.

Class Y and R6 shares have no sales charge; therefore performance is at NAV. Class Y shares are available only to certain investors. Class R6 shares are closed to most investors. Please see the prospectus for more details.

Target risk allocation (%)

	Marginal risk*	Risk contribution
Defense	2.45	21.42
Growth	5.70	49.78
Real Return	3.29	28.80
Total (as of 03/31/25)	11.44	100.00

Risk represents ex-ante standard deviation. Ex-ante standard deviation measures the range of total returns and identifies the spread of fluctuations over a defined, forward-looking, period of time. The risk level derived from each underlying asset determines how much the asset will contribute from a dollar-weight standpoint.

Note: The fund rebalances months to better adapt to prevailing market conditions. Growth represents cap-weighted equity beta and long-put options. Defensive represents bonds and equity factor premia. Real return represents commodities.

Portfolio positioning

We enter the second quarter with continued volatility, which is likely to persist as markets react to geopolitical and economic policy uncertainties, especially tariffs. Recession and stagflation risks, in our view, increased meaningfully in the first quarter, especially in the US. Conversely, European assets seem well-positioned to benefit from recent fiscal stimulus despite tariff-induced headwinds. While US equity-concentrated portfolios had been the clear winners leading up to 2025, the first quarter appeared to expose cracks in the US exceptionalism narrative. Given the level of uncertainty in the current investment landscape, we continue to emphasize the importance of broad diversification to prepare investors for any outcome.

Positioning for April saw equities move from the maximum allowable risk contribution level of 50% to an underweight. Bond risk contribution increased but remains underweight. Risk contribution from commodities jumped from underweight to overweight. Total portfolio risk declined from March.

****** Net = Total annual operating expenses less any contractual fee waivers and/or expense reimbursements by the adviser in effect through at least and contractual management fee waivers in effect through at least Aug 31, 2026. See current prospectus for more information.

Unless otherwise specified, all information is as of 03/31/25. Unless stated otherwise, Index refers to Invesco Balanced-Risk Allocation Fund Custom Style Index.

Under normal conditions, the strategy invests in derivatives and other financially-linked instruments whose performance is expected to correspond to US and international fixed income, equity and commodity markets. However, the performance of the asset classes cannot be guaranteed. The derivative investments and enhanced investment techniques (such as leverage) used by the portfolio are subject to greater risks than those associated with investing directly in securities or more traditional instruments.

The Custom Invesco Balanced Risk Allocation Style Index, created by Invesco as the fund's benchmark, is composed of the following indexes: MSCI World Index (60%) and Bloomberg U.S. Aggregate Index (40%). 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.

Should the Fund's asset classes or the selected countries and investments become correlated in a way not anticipated by the Adviser, the risk allocation process may result in magnified risks and loss instead of balancing(reducing) the risk of loss.

An issuer may be unable to meet interest and/or principal payments, thereby causing its instruments to decrease in value and lowering the issuer’s credit rating.

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.

The risks of investing in securities of foreign issuers, including emerging markets, can include fluctuations in foreign currencies, political and economic instability, and foreign taxation issues. Developing markets may especially be volatile.

Interest rate risk refers to the risk that bond prices generally fall as interest rates rise and vice versa.

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.

Underlying investments may appreciate or decrease significantly in value over short periods of time and cause share values to experience significant volatility over short periods of time.

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.

The opinions expressed are those of the fund's portfolio management, are based on current market conditions and are subject to change without notice. These opinions may differ from those of other Invesco investment professionals.

This does not constitute a recommendation of any investment strategy or product for a particular investor. Investors should consult a financial professional before making any investment decisions.

Note: Not all products available at all firms. Financial professionals, please contact your home office.

The fund holdings are organized according to the Global Industry Classification Standard, which was developed by and is the exclusive property and service mark of MSCI Inc. and Standard & Poor's.

Morningstar

Before investing, consider the Fund's investment objectives, risks, charges and expenses. Visit invesco.com/fundprospectus for a prospectus/summary prospectus containing this information. Read it carefully before investing.