Invesco Emerging Markets Local Debt Fund

Q2 2024

Key takeaways

1 Emerging market debt offers income, diversification and total return potential

Emerging markets local bonds, in our view, offer an attractive opportunity to invest in a high-yielding asset class with low correlation to both US stocks and bonds and potentially high total returns.

2 Emerging market debt has the potential to provide high income

Nominal and real interest rates in emerging markets have remained elevated while inflation has generally continued to fall. Emerging market income is attractive, in our view, and individual country dynamics offer compelling total return opportunities.

3 Favorable outlook for emerging market local debt

Robust income, healthy growth and interest rate differentials compared to developed markets suggest to us a rich opportunity set. We expect the US Federal Reserve (Fed) to cut rates later this year, which we believe should provide a tailwind to emerging markets.

Investment objective

The fund seeks total return.

Fund facts	
Fund AUM ($M)	88.35

Portfolio managers

Hemant Baijal, Wim Vandenhoeck

Manager perspective and outlook

- Global economic growth broadened in the second quarter, with some divergence. US economic resilience continued, though down from a higher level. Eurozone growth improved from a lower base and some emerging countries (such as India), in our view, really shined.
- Select developed market central banks, including the European Central Bank, made their first interest rate cuts, as disinflation resumed after a first quarter setback. The Fed and the Bank of England remained on hold, but signaled easing in the second half.
- Disinflation continued in emerging markets, though slower and more varied across countries. Central banks in Latin America and Central and Eastern Europe continued to ease policy rates, while Asian central banks remained on hold.
- Elections may be pivotal market drivers this year, with approximately 76 nations holding elections in 2024. While most have had limited effect thus far, we have been starting to see implications of policy uncertainty in certain countries.
- The US dollar remained rangebound, ending the quarter up 1.4%. We think the dollar could begin to weaken this year if and when the Fed begins cutting rates.
- Overall, we maintain a constructive outlook for emerging markets. Robust income and attractive interest rate differentials versus developed markets, in our view, offer income generation, while individual country dynamics offer compelling total return opportunities.

Portfolio characteristics*

Effective duration (years)	5.10
Weighted avg. effective maturity (years)	6.07
30-day SEC yield (Class A shares)	6.46
30-day SEC unsubsidized yield (Class A shares)	6.14

Quality breakdown (% total)

AAA	4.2
AA	4.2
A	20.7
BBB	41.2
BB	20.0
B	1.0
Not rated	1.7
Cash and Cash equivalent	7.4
Derivatives & FX	-0.5

Investment categories (% total)

Emerging Market Debt	**85.5**
Emerging Market Sovereign Bonds	84.0
Emerging Market Corporate Bonds	1.5
Non-US Debt	**2.4**
Non-US Sovereign Bonds	2.4
Cash & Cash Equivalent	**7.4**
Derivatives & FX	**-0.5**
Other	**5.1**

Portfolio positioning

We decreased the fund's overall foreign currency exposure during the quarter, primarily by decreasing allocations in the Euro, Polish Zloty and South Korean Won. We decreased the fund's duration positioning, primarily by reducing exposure in the Czech Republic, China and Romania.

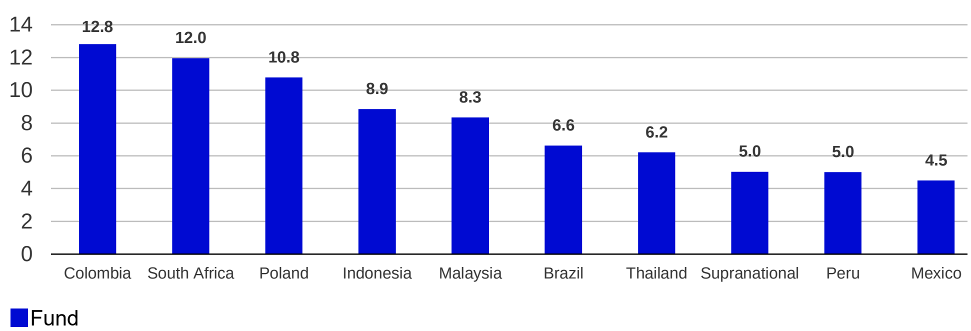
In line with our expectations, global economic growth has remained resilient while disinflation has generally continued. In emerging markets, central banks generally continued to cut rates in the second quarter, but largely maintained a bias toward restrictive monetary policy. Going forward, we believe the beginning of the Fed easing cycle is approaching and expect that emerging market central banks will be able to focus more on the domestic dynamics driving their monetary policies, after their focus on external shocks in the first half of 2024.

With US inflation data moderating and the labor market softening, market expectations have been building for a Fed rate cut in September. We still expect two Fed rate cuts this year, which should, in our view, be tailwinds to emerging markets whose economies have been enjoying solid growth and low(er) inflation. In addition, we anticipate the US dollar could start to weaken if and when the Fed begins cutting interest rates.

Overall, we expect a favorable environment for emerging markets local debt in the second half of 2024. Varying inflation and growth dynamics across different economies create, in our view, interesting opportunities. In certain countries, political (judicial independence in Mexico) and fiscal (Brazil) developments have been redirecting the attention of market participants beyond economic fundamentals, which has been keeping monetary policy normalization relatively gradual. Going forward, we expect greater variation in interest rates due to domestic policies rather than foreign exchange rates. We believe exchange rates will be more influenced by the US dollar trajectory.

We believe attractive income, healthy economic growth and favorable interest rate differentials compared to developed markets present a promising outlook for emerging markets local debt in the second half of the year. Additionally, we believe the unique local narratives within emerging markets contribute to a diverse and potentially lucrative opportunity set.

Top countries (% of total net assets)



Top/bottom rates relative returns

	bps
Colombia	12
Egypt	12
China	-11
Mexico	-25
Brazil	-29

Top/bottom FX rates relative returns

	bps
TRY	20
CLP	13
ZAR	7
COP	-18
MXN	-20
BRL	-29

Performance highlights

The fund's Class A shares at net asset value (NAV) underperformed its benchmark for the quarter. The fund's foreign currency exposure and interest rate positioning detracted from relative return. The top contributors to relative return were positioning in the Turkish Lira and Chilean Peso, along with interest rate positioning in Colombia. The largest detractors from relative return were positioning in the Brazilian Real and interest rate positioning in Brazil and Mexico.

Contributors to performance

- Positioning in the Turkish Lira
- Positioning in the Chilean Peso
- Interest rate positioning in Colombia

Detractors from performance

- Positioning in the Brazilian Real
- Interest rate positioning in Brazil
- Interest rate positioning in Mexico

Standardized performance (%) as of June 30, 2024

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 06/30/10	NAV	-2.67	-5.02	-1.09	-2.36	-1.16	-0.12	1.08
	Max. Load 4.25%	-6.79	-9.05	-5.32	-3.76	-2.01	-0.54	0.77
Class R6 shares inception: 09/28/12	NAV	-2.62	-4.90	-0.84	-2.04	-0.82	0.22	0.09
Class Y shares inception: 06/30/10	NAV	-2.43	-4.72	-0.65	-2.11	-0.89	0.15	1.36
JP Morgan GBI-EM Global Diversified Index		-3.71	-1.63	0.67	-3.27	-1.29	-0.87	-
Total return ranking vs. Morningstar Emerging-Markets Local-Currency Bond category (Class A shares at NAV)		-	-	90% (61 of 73)	46% (38 of 71)	50% (43 of 69)	20% (12 of 59)	-

Expense ratios per the current prospectus: Class A**: Net: 1.24%, Total: 1.50%; Class R6**: Net: 0.99%, Total: 1.11%; Class Y**: Net: 0.99%, Total: 1.26%.

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. 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. 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.

Calendar year total returns (%)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Class A shares at NAV	-5.46	-12.04	11.84	14.94	-7.05	13.50	3.77	-10.40	-9.10	13.87
Class R6 shares at NAV	-5.09	-11.69	12.12	15.32	-6.79	13.86	4.22	-10.10	-8.74	14.19
Class Y shares at NAV	-5.18	-11.78	12.17	15.19	-6.86	13.73	3.98	-10.19	-8.70	13.94
JP Morgan GBI-EM Global Diversified Index	-5.72	-14.92	9.94	15.21	-6.21	13.47	2.69	-8.75	-11.69	12.70

****** Net = Total annual operating expenses less any contractual fee waivers and/or expense reimbursements by the adviser in effect through at least Feb 28, 2025.

Unless otherwise specified, all information is as of 06/30/24. Unless stated otherwise, Index refers to JP Morgan Government Bond Index—Emerging Markets (GBI-EM) Global Diversified Index.
The JP Morgan Government Bond Index—Emerging Markets (GBI-EM) Global Diversified Index is a comprehensive global local emerging markets index comprising liquid, fixed-rate, domestic currency government bonds. An investment cannot be made directly in an index.

About risk

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.

Environmental, Social and Governance (ESG) considerations may vary across investments and issuers, and not every ESG factor may be identified or evaluated for investment. The Fund will not be solely based on ESG considerations; therefore, issuers may not be considered ESG-focused companies. ESG factors may affect the Fund's exposure to certain companies or industries and may not work as intended. The Fund may underperform other funds that do not assess ESG factors or that use a different methodology to identify and/or incorporate ESG factors. ESG is not a uniformly defined characteristic and as a result, information used by the Fund to evaluate such factors may not be readily available, complete or accurate, and may vary across providers and issuers. There is no guarantee that ESG considerations will enhance Fund performance.

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.

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

Junk bonds have greater risk of default or price changes due to changes in the issuer's credit quality. Junk bond values fluctuate more than high quality bonds and can decline significantly over a short time.

The Fund is considered non-diversified and may experience greater volatility than a more diversified investment.

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.
Ratings source: Standard & Poor's, Moody's or Fitch, as applicable. A credit rating is an assessment provided by a nationally recognized statistical rating organization (NRSRO) of the creditworthiness of an issuer with respect to debt obligations, including specific securities, money market instruments or other debts. Ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest); ratings are subject to change without notice. Not Rated indicates the debtor was not rated and should not be interpreted as indicating low quality. A negative in Cash indicates fund activity that has accrued or is pending settlement. For more information on rating methodologies, please visit the following NRSRO websites: www.standardandpoors.com and select 'Understanding Credit Ratings' under Rating Resources 'About Ratings' on the homepage; www.ratings.moodys.com and select 'Rating Methodologies' under Research and Ratings on the homepage; www.fitchratings.com and select 'Ratings Definitions Criteria' under 'Resources' on the homepage. Then select 'Rating Definitions' under 'Resources' on the 'Contents' menu.

*** 30-day SEC yield** is based on a 30-day period and is computed by dividing the net investment income per share earned during the period by the maximum offering price per share on the last day of the period. **30-day SEC unsubsidized yield** reflects the 30-day yield if the investment adviser were not waiving all or part of its fee or reimbursing the fund for part of its expenses. Total return would have also been lower in the absence of these temporary reimbursements or waivers. **Effective duration** is the managers' estimate of a bond fund's price sensitivity to changes in interest rates. This measure takes into account mortgage prepayments, puts, adjustable coupons and potential call dates. **Weighted average maturity** is a measure, as estimated by the fund's portfolio managers, of the length of time the average security in a bond fund will mature or be redeemed by its issuer. It takes into account mortgage prepayments, puts, adjustable coupons and potential call dates.

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.