Invesco Emerging Markets Local Debt Fund

Q4 2023

Key takeaways

1 The fund outperformed the benchmark for the quarter.

The fund outperformed its benchmark for the quarter. The fund's interest rate positioning added to relative return while foreign currency positioning detracted.

2 Emerging market debt has the potential to provide high income

Disinflation has been underway and in some countries even ahead of forecasts. We expect volatility in developed and emerging sovereign bond markets to decline, potentially letting investors benefit from high nominal and real interest rates.

3 Favorable outlook for emerging market debt

Our forecast is for global economies to experience a soft landing, where inflation falls and stays around 2-3%. In this scenario, the US dollar could weaken as the US Federal Reserve (Fed) could normalize interest rates without a recession.

Investment objective

The fund seeks total return.

Fund facts	
Fund AUM ($M)	100.62

Portfolio managers

Hemant Baijal, Wim Vandenhoeck

Manager perspective and outlook

- In the fourth quarter of 2023, developed economies continued to demonstrate economic resilience despite the past two years of interest rate hikes. Falling inflation and a shift in Fed rhetoric in the fourth quarter appeared to reinforce market expectations that the US rate hiking cycle is complete and the Fed will move toward cuts in 2024.
- The Fed, European Central Bank and the Bank of England all kept their policy rates unchanged over the course of the quarter. While the Fed shifted its tone toward easier monetary policy in December, the others have remained in wait and see mode for now.
- In emerging markets, Asian central banks held rates steady over the course of the quarter while central banks in Latin America and Central and Eastern Europe continued to lower rates.
- The US dollar fell by 4.6% during the quarter as the Fed's pivot toward rate cuts weighed on the currency.
- Ultimately, we believe the global monetary policy cycle has peaked and macroeconomic conditions are aligning for emerging market fixed income as inflation likely continues to decline.

For more information, including prospectus and factsheet, please visit Invesco.com/OEMAX

Portfolio characteristics*

Effective duration (years)	5.24
Weighted avg. effective maturity (years)	6.25
30-day SEC yield (Class A shares)	5.76
30-day SEC unsubsidized yield (Class A shares)	5.49

Quality breakdown

	(% total)
AAA	0.5
AA	5.6
A	23.9
BBB	46.9
BB	19.3
B	0.3
Cash and Cash equivalent	1.0
Derivatives	2.5

Investment categories

	(% total)
Emerging Market Debt	**90.4**
Emerging Market Sovereign Bonds	88.9
Emerging Market Corporate Bonds	1.4
Non-US Debt	**5.5**
Non-US Sovereign Bonds	5.5
US Debt	**0.1**
US Agencies	0.1
Cash & Cash Equivalent	**1.0**
Derivatives & FX	**2.5**
Others	**0.5**

Portfolio positioning

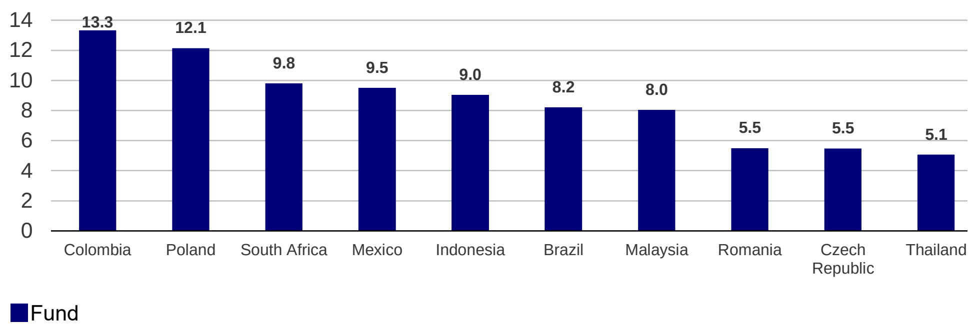
We increased the fund's overall foreign currency exposure during the quarter, primarily by increasing allocations in the Polish Zloty, the Brazilian Real and the Thai Bhat. We increased the fund's overweight duration positioning, increasing exposure in Mexico, South Africa and Hungary.

For the full year 2023, the emerging market debt asset class delivered on our expectations from one year ago: as inflation started to decline, countries that were early to raise rates – primarily in Latin America – initiated rate cutting cycles while maintaining a healthy real rate differential compared to developed markets, particularly the US. When the US market narrative appeared to shift toward a "higher-for-longer" environment in late summer/early fall, emerging market central banks seemed to maintain a conservative approach, either delaying rate cuts or slowing their pace. Following the Fed pivot in December, we still expect a conservative approach from emerging market central banks until US rate cuts actually materialize. As such, it should in our view be no surprise that within the emerging debt asset class, the majority of the return came from income and declining interest rates, particularly in Latin America, followed by the Central Eastern Europe, Middle East and Africa region. Latin America dominated currency returns as well, with the Colombian Peso, Mexican Peso and Brazilian Real having the largest gains in 2023.

Looking ahead to 2024, our outlook for local rates markets within the emerging debt universe remains favorable. Our base case is for global interest rates to move lower as inflation worries have seemingly subsided. A Fed rate cutting cycle would likely allow Asian central banks to begin cutting rates as well. Income in emerging market debt has remained robust, so even without a decline in the US dollar, emerging market currencies may produce positive returns for investors. If the Fed rate cutting cycle is more aggressive than expected, it could cause a steeper decline in dollar strength and allow for upside appreciation in emerging market currencies.

We believe growth and interest rate differentials between emerging markets and developed market countries are attractive and may be a catalyst for investors to reallocate funds to emerging market debt.

Top countries (% of total net assets)



Top/bottom rates relative returns

	bps
Colombia	26
Brazil	25
South Africa	12
Mexico	-12
Hungary	-13
Czech Republic	-69

Top/bottom FX rates relative returns

	bps
MXN	19
HUF	15
BRL	13
CNH	-15
COP	-17
PLN	-18

Top/bottom credit relative returns

	bps
Egypt	6
Thailand	2
Indonesia	2
Dominican Republic	0
United States	-1
Colombia	-16

Performance highlights

The fund outperformed its benchmark for the quarter. The fund's interest rate positioning added to relative return while foreign currency positioning detracted. The top contributors to relative return were interest rate positioning in Colombia and Brazil and positioning in the Mexican Peso. The largest detractors from relative return were interest rate positioning in the Czech Republic and positioning in the Colombian Peso and the Polish Zloty.

Contributors to performance

Interest Rate Positioning in Colombia: Overweight duration positioning relative to benchmark

Interest Rate Positioning in Brazil: Overweight duration positioning relative to benchmark

Positioning in the Mexican Peso: Overweight positioning relative to benchmark

Detractors from performance

Interest Rate Positioning in the Czech Republic: Overweight duration positioning relative to benchmark

Positioning in the Colombian Peso: Overweight positioning relative to benchmark

Positioning in the Polish Zloty: Underweight positioning relative to benchmark

Standardized performance (%) as of December 31, 2023

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 06/30/10	NAV	8.42	13.87	13.87	-2.48	1.78	0.82	1.51
	Max. Load 4.25%	3.91	9.10	9.10	-3.86	0.91	0.38	1.18
Class R6 shares inception: 09/28/12	NAV	8.49	14.19	14.19	-2.15	2.14	1.17	0.54
Class Y shares inception: 06/30/10	NAV	8.49	13.94	13.94	-2.25	2.01	1.07	1.77
JP Morgan GBI-EM Global Diversified Composite		8.07	12.70	12.70	-3.16	1.14	0.09	-
Total return ranking vs. Morningstar Emerging-Markets Local-Currency Bond category (Class A shares at NAV)		-	-	17% (16 of 74)	54% (43 of 71)	37% (34 of 67)	13% (10 of 59)	-

Expense ratios per the current prospectus: Class A**: Net: 1.30%, Total: 1.46%; Class R6**: Net: 1.05%, Total: 1.06%; Class Y**: Net: 1.05%, Total: 1.22%.

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 Composite	-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 29, 2024.

Unless otherwise specified, all information is as of 12/31/23. Unless stated otherwise, Index refers to JP Morgan GBI-EM Global Diversified Composite.

The JP Morgan Government Bond Index—Emerging Markets 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 invests in financial instruments that use the London Interbank Offered Rate ("LIBOR") as a reference or benchmark rate for variable interest rate calculations. LIBOR will be phased out by the end of 2021, and it's anticipated that LIBOR will cease to be published after that time. To assist with the transition, US dollar LIBOR rates will continue to be published until June 2023. There is uncertainty on the effects of the LIBOR transition process, therefore any impact of the LIBOR transition on the Fund or its investments cannot yet be determined. There is no assurance an alternative rate will be similar to, produce the same value or economic equivalence or instruments using the rate will have the same volume or liquidity as LIBOR. Any effects of LIBOR transition and the adoption of alternative rates could result in losses to the Fund.

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

 Past performance is no guarantee of future results. Open-end mutual funds and exchange-traded funds are considered a single population for comparison purposes. Had fees not been waived and/or expenses reimbursed currently or in the past, the ranking would have been lower. Rankings for other share classes may differ due to different performance characteristics.

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.