Invesco Balanced-Risk Commodity Strategy Fund

Q2 2024

Key takeaways

1. **The fund underperformed its benchmark**
   Underperformance was driven by a strategic overweight in cotton and a strategic underweight in natural gas.

2. **Industrial metals led absolute and relative results**
   The fund's overweights in aluminum and copper proved timely as prices of both assets advanced due to higher demand.

3. **The fund has outperformed its benchmark year-to-date**
   The fund maintained a lead over the benchmark in the first half of 2024, benefiting from effective strategic and tactical positioning.

Investment objective
The fund seeks to provide total return.

Fund facts

Fund AUM ($M)	749.23

Portfolio managers
Christian Ulrich, Christopher Devine, Mark Ahnrud, Scott Hixon, Scott Wolle

Manager perspective and outlook

- Commodities appear to be attracting more investor attention after their recent upturn and good performance relative to stock and bond markets. Supply, demand and monetary policy underpin what we see as a bullish outlook for the asset class.
- Commodity supply, particularly in the metals sub-complexes, has still been limited by underinvestment and extended lead times before new discoveries can produce cash flow. Investment has also been curbed by apparent uncertainty about policy and regulations, as well as shareholder pushback over poor capital discipline during the last cycle. Catalysts for higher commodity prices include a population increase of 800 million people over the last 10 years, green energy production and infrastructure needs, including refurbishing and build-out of the electric grid, and more recently, rapidly rising demand for cloud and AI computing data centers. Monetary and fiscal policy have been supportive. High levels of spending will likely be needed to complete the green energy transition and US fiscal policy, in our view, is as robust as it has ever been outside of wartime or post-recession recoveries.
- Finally, resource shortages, in addition to driving prices higher, may encourage protectionist measures by key producing countries and may lead to geopolitical conflict.
- We believe all of these forces may lead to higher prices for commodities, which will likely play an increasingly important role in investor portfolios going forward.

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

Not a Deposit Not FDIC Insured Not Guaranteed by the Bank May Lose Value
Not Insured by any Federal Government Agency

Gross performance attribution (%)

	Quarter	Year to date	Since inception (annualized)
Agriculture	-2.31	-2.60	0.11
Energy	-0.28	2.08	-0.30
Industrial Metals	1.52	1.48	-0.42
Precious Metals	1.41	2.46	0.09
Tactical Positioning	-0.29	1.74	0.31
Cash	1.33	2.71	1.16
Total	1.38	7.87	0.96

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

Performance highlights

The fund underperformed the Bloomberg Commodity Index for the second quarter, a period that saw large price reversals across and within the four primary commodity sub-complexes. A strategic overweight in cotton and a strategic underweight in natural gas were largely responsible for the fund's underperformance of the benchmark. Tactical allocation also detracted from results due to underweight positions across industrial metals in April and underweights in silver, gold and natural gas, three of the top performing commodity assets during the quarter.

In terms of absolute performance, the industrial metals sub-complex was the largest contributor within the strategic allocation due to gains in both copper and aluminum. Copper prices hit a record high in May on reports of rising manufacturing activity in China and Europe and were further boosted by greater recognition of copper's green energy applications. Aluminum prices rose amid apparent concerns about supply shortages. Strategic positioning in precious metals also added to absolute return. Silver outperformed gold amid a gold rally and prospects for silver's crossover use in industrial applications. Gold's gains were concentrated in the early weeks of April, capping off a move that had raised the price over $400 per ounce since mid-February. For the remainder of the quarter, gold was generally range-bound – despite reaching a record high in May – as geopolitical tensions appeared to ease, China announced a pause in gold purchases, and apparent uncertainty about the timing and magnitude of US interest rate cuts increased.

Strategic positioning in agriculture was the largest detractor from absolute return due to declines in cotton and sugar. Cotton was the largest detractor as it was the worst performing commodity in the fund's universe during the quarter. Good weather and reports of higher planted acreage have caused cotton to plunge to a 44-month low after it reached an 18-month high in February, apparently driven by concern about weather stress in India, China and Texas. Sugar prices declined due to early-quarter reports of higher production in Brazil and expectations for higher production in Thailand. Despite gains in oil and natural gas, energy was a detractor from absolute return, due to losses in refined products, including gasoline, heating oil and gas oil, which sold off in response to easing geopolitical tensions, softer demand and rising global stockpiles as US and European refinery maintenance seasons ended. Natural gas was a notable contributor to absolute return as its double-digit gain led all energy commodities. The fund's tactical positioning was a net detractor from absolute return due to losses in metals and energy that outweighed notable gains from its agriculture positioning.

Standardized performance (%) as of June 30, 2024

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 11/30/10	NAV	1.05	7.17	9.31	4.75	7.77	0.36	-0.38
	Max. Load 5.5%	-4.54	1.20	3.33	2.78	6.57	-0.21	-0.80
Class R6 shares inception: 09/24/12	NAV	1.15	7.48	9.59	5.04	8.05	0.71	-0.92
Class Y shares inception: 11/30/10	NAV	1.16	7.38	9.51	5.02	8.04	0.62	-0.11
Bloomberg Commodity Index		2.89	5.14	5.00	5.65	7.25	-1.29	-
Total return ranking vs. Morningstar Commodities Broad Basket category (Class A shares at NAV)		-	-	26% (23 of 106)	78% (71 of 98)	49% (44 of 95)	26% (19 of 62)	-

Calendar year total returns (%)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Class A shares at NAV	-16.04	-16.80	11.59	4.49	-12.18	4.20	7.75	18.87	7.84	-3.44
Class R6 shares at NAV	-15.77	-16.44	12.02	5.04	-11.87	4.45	8.00	19.10	8.13	-3.27
Class Y shares at NAV	-15.88	-16.60	11.79	4.88	-12.02	4.48	7.89	19.23	8.01	-3.15
Bloomberg Commodity Index	-17.01	-24.66	11.77	1.70	-11.25	7.69	-3.12	27.11	16.09	-7.91

Expense ratios per the current prospectus: Class A**: Net: 1.40%, Total: 1.64%; Class R6**: Net: 1.14%, Total: 1.19%; Class Y**: Net: 1.15%, Total: 1.39%.

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.

Sector weights vs the Bloomberg Commodity Index (%)

	Fund	BCOM
Agriculture	30.47	34.05
Energy	33.97	28.45
Industrial Metals	22.96	16.81
Precious Metals	17.14	20.69

Portfolio positioning

The fund entered July with total net exposure at 96%. Tactical overweights in energy and industrial metals remained in place, as did underweights in agriculture and precious metals. Within tactical energy, the net overweight declined due to an expanded underweight in natural gas as well as decreased overweights in heating oil and gas oil that offset increased overweights in Brent and WTI. The tactical net underweight in agriculture increased, with coffee and sugar as the lone overweight exposures. In industrial metals, tactical overweights in aluminum and copper decreased. The overweight in zinc remained, but to a reduced degree, while nickel transitioned from net long to net short. The tactical underweight in precious metals remained. We reduced the underweight in gold and increased the underweight in silver.

We will rebalance the fund strategically and tactically again next month per our usual monthly cadence. Unlike more passive or index-based strategies, this once-a-month rebalancing increases our flexibility to position the fund according to prevailing market conditions and avoid concentrating risk in any one asset.

****** 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 and contractual management fee waivers in effect through at least Jun 30, 2025.

Unless otherwise specified, all information is as of 06/30/24. Unless stated otherwise, Index refers to Bloomberg Commodity Index.

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 ReturnSM 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.

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

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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.