

Invesco Global Strategic Income Fund

Q4 2023

Key takeaways

- 1 Opportunity to benefit from high income**
 Disinflation has been underway, and we anticipate that interest rate hikes are behind us. We expect volatility in developed and emerging sovereign bond markets to eventually decline, potentially letting investors benefit from high nominal and real interest rates.
- 2 Macroeconomic conditions aligning for global fixed income**
 Our forecast is for global economies to have 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.
- 3 Emerging market central banks have begun to cut rates**
 Our base case is for global interest rates to fall as inflation worries have seemingly subsided. Fed rate cuts would likely allow Asian central banks to cut as well. Income in EM debt has remained robust, so even without a weaker US dollar, EM currencies may produce positive returns.

Investment objective

The fund seeks total return.

Fund facts

Fund AUM (\$M) 1,642.49

Portfolio managers

Hemant Baijal, Christopher Kelly, Kristina Campmany, Michael Block, 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 mostly 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 global fixed income as inflation likely continues to decline.



Portfolio characteristics*

Effective duration (years)	3.47
Weighted avg. effective maturity (years)	6.55
30-day SEC yield (Class A shares)	4.85
30-day SEC unsubsidized yield (Class A shares)	4.85

Quality breakdown

(% total)

AAA	2.0
AA	12.6
A	5.9
BBB	29.1
BB	29.5
B	6.1
CCC and below	0.9
Not rated	3.4
Cash and Cash equivalent	6.9
Derivatives & FX	3.6

Investment categories

(% total)

Emerging Market Debt	26.8
Emerging Market Sovereign Bonds	22.4
Emerging Market Corporate Bonds	4.4
Non-US Debt	20.3
Non-US High Yield Bonds	8.3
Non-US Investment Grade Bonds	7.3
Non-US Sovereign Bonds	4.7
Securitized	19.2
MBS	12.8
ABS	4.9
CMBS	1.5
Corporate Bonds	16.8
US Investment Grade Bonds	8.7
US High Yield Bonds	7.5
US Loans	0.6
Government Bonds	3.2
US Treasuries	3.2
Equities	1.0
Cash & Cash Equivalent	6.9
Derivatives & FX	3.6
Others	2.2

Portfolio positioning

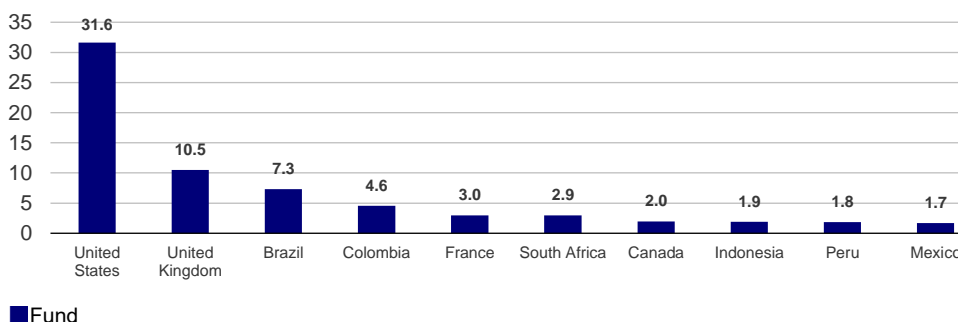
Over the course of the quarter, we left the fund's foreign currency exposure relatively unchanged, increasing its allocation to the Euro, while decreasing exposure to the Chilean Peso and the Mexican Peso. We increased the underweight duration positioning, primarily reducing exposure to developed markets, specifically the US and the European Union. We left credit exposure unchanged during the quarter.

For the full year 2023, the global fixed income asset class delivered on our expectations from one year ago: as inflation started to decline, countries that were early to raise interest 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 emerging market debt, the majority of return came from income and interest rate declines, 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 global fixed income 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 into the emerging market asset class.

Top countries (% of total net assets)



Top/bottom rates relative returns

	bps
Brazil	51
European Union	38
Colombia	21
Czech Republic	-18
Germany	-25
United States	-94

Top/bottom FX rates relative returns

	bps
MXN	35
BRL	22
COP	19
ARS	-41
JPY	-71
EUR	-89

Top/bottom credit relative returns

	bps
United Kingdom	25
Greece	4
Mexico	4
Zambia	-3
European Union	-15
United States	-16

Performance highlights

The fund's Class A shares at net asset value (NAV) underperformed its benchmark. The fund's credit exposure added to relative return, while interest rate positioning and foreign currency exposure detracted from relative return. The top contributors to relative return were interest rate positioning in Brazil and the European Union and positioning in the Mexican Peso. The largest detractors from relative return were positioning in the Argentinian Peso, overall yield curve positioning and positioning in the Euro.

Contributors to performance

Interest Rate Positioning in Brazil:

Overweight positioning relative to benchmark

Interest Rate Positioning in the European Union: Overweight positioning relative to benchmark

Positioning in the Mexican Peso:

Overweight positioning relative to benchmark

Detractors from performance

Positioning in Argentinian Peso:

Overweight positioning relative to benchmark

Yield Curve Positioning: Underweight positioning relative to benchmark

Positioning in the Euro: 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: 10/16/89	NAV	6.82	8.65	8.65	-2.49	1.20	1.37	5.80
	Max. Load 4.25%	2.37	3.88	3.88	-3.90	0.32	0.94	5.66
Class R6 shares inception: 01/27/12	NAV	6.93	9.04	9.04	-2.06	1.56	1.76	2.31
Class Y shares inception: 01/26/98	NAV	6.90	8.93	8.93	-2.35	1.38	1.58	4.48
Bloomberg Global Aggregate Index		8.10	5.72	5.72	-5.51	-0.32	0.38	-
Total return ranking vs. Morningstar Global Bond category (Class A shares at NAV)		-	-	17% (22 of 190)	27% (42 of 185)	17% (21 of 168)	12% (16 of 133)	-

Expense ratios per the current prospectus: Class A**: Net: 1.10%, Total: 1.12%; Class R6**: Net: 0.75%, Total: 0.77%; Class Y**: Net: 0.86%, Total: 0.88%.

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. Visit [invesco.com](https://www.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.

Performance highlights (cont'd)

Calendar year total returns (%)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Class A shares at NAV	2.63	-2.35	6.36	6.22	-4.69	10.58	3.51	-3.24	-11.79	8.65
Class R6 shares at NAV	3.07	-2.20	7.11	6.66	-4.36	10.72	3.88	-2.91	-11.27	9.04
Class Y shares at NAV	2.90	-2.11	6.62	6.47	-4.46	10.84	3.76	-3.28	-11.62	8.93
Bloomberg Global Aggregate Index	0.59	-3.15	2.09	7.39	-1.20	6.84	9.20	-4.71	-16.25	5.72

** Net = Total annual operating expenses less any contractual fee waivers and/or expense reimbursements by contractual management fee waivers in effect through at least Jun 30, 2024. See current prospectus for more information.

Unless otherwise specified, all information is as of 12/31/23. Unless stated otherwise, Index refers to Bloomberg Global Aggregate Index.

The Bloomberg Barclays Global Aggregate Index is an unmanaged index considered representative of global investment-grade, fixed-income markets. 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.

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.

Many countries in the European Union are susceptible to high economic risks associated with high levels of debt, notably due to investments in sovereign debts of European countries such as Greece, Italy, and Spain.

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.

Most senior loans are made to corporations with below investment-grade credit ratings and are subject to significant credit, valuation, and liquidity risk. The value of the collateral securing a loan may not be sufficient to cover the amount owed, may be found invalid or may be used to pay other outstanding obligations of the borrower under applicable law. There is also the risk that the collateral may be difficult to liquidate, or that a majority of the collateral may be illiquid.

Issuers of sovereign debt or the governmental authorities that control repayment may be unable or unwilling to repay principal or interest when due, and the Fund may have limited recourse in the event of default. Without debt holder approval, some governmental debtors may be able to reschedule or restructure their debt payments or declare moratoria on payments.

Because the Subsidiary is not registered under the Investment Company Act of 1940, as amended (1940 Act), the Fund, as the sole investor in the Subsidiary, will not have the protections offered to investors in U.S. 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.

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

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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.