Invesco Emerging Markets Local Debt Fund

Quarterly Performance Commentary

Mutual Fund Retirement Share Classes
Data as of June 30, 2023

Invesco

Investment objective
The fund seeks total return.

Portfolio management
Hemant Baijal, Wim Vandenhoeck

Fund facts

Total Net Assets	$104,476,042
Total Number of Holdings	349

Fund characteristics

WAM (years)	7.02
Effective Duration	5.36

Investment categories (%)

Emerging Market Sovereign Bonds	93.63
Other	0.69
Derivatives & FX	0.93
Cash	4.75

May not equal 100% due to rounding.

Not a deposit; Not FDIC insured; Not guaranteed by the bank; May lose value; Not insured by any federal agency

Market overview

+ The second quarter saw a decrease in market volatility as the threat of an imminent US recession receded amid better-than-expected economic data. Inflation generally eased in developed economies, largely driven by moderation in the goods component. However, core inflation remained more stubborn, leading most developed central banks to continue their monetary tightening. The European Central Bank and Bank of England each raised their policy rate by 0.50%. The US Federal Reserve (Fed) raised its rate by 0.25% in May before pausing in June and then signaling that rates may remain elevated for some time. Most central banks in emerging markets have reached their terminal rate for the current cycle, and with disinflation materializing, may have room to begin cutting interest rates in the second half of the year. The US dollar continued its sideways trend as investors seemed to anticipate the Fed is nearing the end of its rate hikes.

Positioning and outlook

+ During the quarter, foreign currency exposure was unchanged, while the fund's duration position increased, driven mainly by adding to positioning in Latin America.
+ At the end of last year, we were cautious about growth expectations for emerging markets in 2023 because the effects of interest rate hikes had started to affect domestic economies, particularly in Latin America. We have, however, been surprised by more robust economic data globally. At this point, some emerging market central banks are now in a position to cut rates later this year. While growth data previously allowed them to raise rates and keep them at peak levels, continued solid domestic data should not prevent them from cutting.
+ In contrast, developed markets central banks are likely to keep rates higher for longer because although inflation in developed markets is also declining from very elevated levels, core inflation is likely to remain high as real wages and high savings fuel inflation in the services sector. We, therefore, expect that disinflation over the next couple of quarters will allow developed market central banks to pause their hiking cycles and keep rates stable rather than cut. In our view, investors seem to believe that emerging markets can stomach one, even two, more rate hikes by the Fed. The risk remains that even more hikes may be needed, which would temporarily halt or reverse some of the emerging market valuation gains.
+ With the rate hiking cycle largely behind us, we expect volatility in sovereign bond markets in both emerging and developed market countries will slowly decline. This declining volatility will likely allow investors to capitalize on the high levels of nominal and real interest rates in emerging market sovereign bonds to capture high levels of income. We also anticipate that the US dollar's weakening trend could continue as the Fed reaches peak interest rates and looks to ease its monetary policy over time. High interest rate differentials compared to developed markets have benefited emerging market currencies this year and a weaker US dollar could mean that their currencies can continue to offer an additional source of return for investors.

Performance highlights

+ The fund's Class A shares at net asset value (NAV) outperformed its benchmark. (Please see the investment results table on page 2 for fund and index performance.) The fund's interest rate positioning and foreign currency exposure added to relative return. The top contributors to relative return were interest rate positioning in Colombia and Brazil and positioning in the Turkish Lira. The top detractors were interest rate positioning in Hungary, positioning in the Thai Bhat and interest rate positioning in China.

Expense ratios	% net	% total
Class A Shares	1.30	1.46
Class Y Shares	1.05	1.22
Class R Shares	1.55	1.72
Class R6 Shares	1.05	1.06
Class R5 Shares	1.05	1.06

Per the current prospectus
Net = Total annual operating expenses less any contractual fee waivers and/or expense reimbursements by the adviser in effect through at least February 29, 2024. See current prospectus for more information.

Top countries	% of total net assets
South Africa	11.12
Colombia	11.08
Indonesia	9.17
Mexico	9.05
Malaysia	8.97
Brazil	8.79
Poland	7.58
Peru	6.20
Thailand	4.71
Czech Republic	4.37

Holdings are subject to change and are not buy/sell recommendations.

Investment results

Average annual total returns (%) as of June 30, 2023

	Class A Shares	Class Y Shares	Class R Shares	Class R6 Shares	Class R5 Shares	
	Inception: 06/30/10	Inception: 06/30/10	Inception: 06/30/10	Inception: 09/28/12	Inception: 05/24/19	Style-Specific Index
Period	**NAV**	**NAV**	**NAV**	**NAV**	**NAV**	**JPMorgan Gov't Bond Index-Emerging Markets**
Inception	1.25	1.51	0.96	0.18	-	-
10 Years	0.20	0.45	-0.10	0.55	0.32	-0.56
5 Years	1.04	1.26	0.72	1.40	1.28	0.29
3 Years	-0.73	-0.55	-1.02	-0.39	-0.40	-1.42
1 Year	12.39	12.45	12.10	12.80	12.59	11.38
Quarter	3.10	3.16	3.03	3.16	3.16	2.51

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. Visit invesco.com/performance 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, and you may have a gain or a loss when you sell shares. Class A shares at NAV are available only to certain investors and have no sales charge; therefore, performance is at NAV. Class Y shares have no sales charge; therefore, performance is at NAV. Class R shares have no sales charge; therefore, performance is at NAV. Class R6 shares have no sales charge; therefore, performance is at NAV. Returns less than one year are cumulative; all others are annualized. Performance shown prior to the inception date of Class R5 shares is that of Class A shares and includes the 12b-1 fees applicable to Class A shares. Class R5 shares have no sales charge; therefore, performance is at NAV. Fund performance reflects any applicable fee waivers and/or expense reimbursements. Had the adviser not waived fees and/or reimbursed expenses currently or in the past, returns would have been lower. See current prospectus for more information. Index returns do not reflect any fees, expenses, or sales charges. 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 sources: Invesco, FactSet Research Systems Inc.

For more information you can visit us at www.invesco.com/us

1 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. If securities are rated differently by the rating agencies, the higher rating is applied. 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 the rating methodology, please visit www.standardandpoors.com and select 'Understanding Ratings' under Rating Resources on the homepage; www.moodys.com and select 'Rating Methodologies' under Research and Ratings on the homepage; www.fitchratings.com and select 'Ratings Definitions' on the homepage.
Class A shares at NAV and Class Y shares are available only to certain investors. Class R shares are generally available only to employee benefit plans. Class R6 shares and Class R5 shares are primarily intended for retirement plans that meet certain standards and for institutional investors. See the prospectus for more information.
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.
Effective duration is a modified duration calculation which incorporates the expected duration-shortening effect of an issuer's embedded call provision. **Weighted average effective maturity (WAM)** 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.

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.

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.

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.

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

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.

Before investing, investors should carefully read the prospectus and/or summary prospectus and carefully consider the investment objectives, risks, charges and expenses. For this and more complete information about the fund(s), investors should ask their financial professionals for a prospectus/summary prospectus or visit invesco.com/fundprospectus.

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 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. Holdings are subject to change and are not buy/sell recommendations.

All data provided by Invesco unless otherwise noted.