

# Invesco International Bond Fund

## Quarterly Performance Commentary

Mutual Fund Retail Share Classes  
Data as of Sept. 30, 2022



### Investment objective

The fund seeks total return.

### Portfolio management

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### Fund facts

Total Net Assets	\$1,309,850,206
Total Number of Holdings	610

### Fund characteristics

Effective Duration	5.86
WAM (years)	8.41

### Investment categories (%)

#### Securitized Debt

Mortgage TBAs/Other	8.43
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#### Corporate Bonds

US Investment Grade Bonds	0.48
US High Yield Bonds	0.52

#### Non-US Debt

Non-US Government Bonds	2.35
Non-US Investment Grade Bonds	4.31
Non-US High Yield Bonds	7.77

#### Emerging Markets Debt

Emerging Market Sovereign Bonds	46.20
Emerging Market Corporate Bonds	8.03

#### Derivatives & FX

	12.80
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#### Cash

	6.88
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#### Other

	2.22
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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 third quarter began with a relief rally in July as markets anticipated slowing inflation and possible Federal Reserve rate cuts in 2023. This narrative reversed course in August and September amid continued geopolitical uncertainty, rising concerns about a global economic slowdown and persistently high inflation. As a result, central banks continued their aggressive interest rate hikes, with the Federal Reserve raising the federal funds rate by 1.5%, the European Central Bank raising its benchmark rate by 1.25% and the Bank of England raising by 1%. Within emerging markets, central banks in Asia,

Central and Eastern Europe, and Latin America all raised interest rates. However, it seems as though some central banks, such as Brazil and Hungary, may be reaching the end of their hiking cycles. Even though global growth indicators continue to slow, Europe faces a potential energy crisis this winter and China is exhibiting lackluster re-opening dynamics, we still anticipate that central banks will prioritize reducing inflation over supporting growth. This backdrop has contributed to the rapid rise of the US dollar, which rose in July before reaching 20-year highs in August and September and eventually ending the quarter 7.1% higher.

### Positioning and outlook

+ During the quarter, we increased currency exposure and reduced credit exposure, primarily by increasing exposure to the Hungarian Forint and the Euro, while decreasing exposure to European investment grade credit. We also increased duration exposure, mainly by decreasing the fund's underweight positioning in developed markets.

+ One year ago, monetary policy rates in emerging markets were approximately 3.25% on average. Currently, average policy rates are well over 6.5%, with significant differences among countries and regions. Additionally, markets have priced in more interest rate hikes in general and the yield curves of most emerging market countries have flattened.

+ Emerging market central banks are well ahead of their developed market peers in terms of their tightening cycles, meaning that emerging market interest rates may be approaching their peaks. We expect the growth picture for emerging markets to

remain stronger than that of the US and Europe, where a growth revival could take some time. Uncertainty surrounding the path of US interest rates has so far prevented markets from unlocking the value we see in emerging markets. However, we believe the path of US interest rates may soon become clearer and we will start to see inflation expectations in emerging markets become more anchored. Returns over the next few months may be volatile; however, based on our outlooks for growth, inflation and monetary policy, we believe conditions are aligning for international fixed income to outperform over the next two to three years, led by emerging markets. Furthermore, idiosyncratic country dynamics are starting to reassert themselves as inflation stabilizes, offering greater differentiation among opportunities. We are focused on extracting alpha as these dynamics play out.

### 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, foreign currency exposure and credit exposure added to relative return. The top contributors to relative return were interest rate positioning in Germany and Brazil and positioning in the Japanese Yen. The fund's interest rate positioning in the European Union and the UK, as well as its positioning in the Argentinean Peso, detracted from relative return.

Expense ratios	% net	% total
Class A Shares	1.02	1.08
Class C Shares	1.77	1.83
Class Y Shares	0.77	0.83

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 28, 2023. See current prospectus for more information.

Top countries	% of total net assets
Brazil	11.80
United Kingdom	8.40
South Africa	7.57
India	7.39
Colombia	6.36
Mexico	6.32
Spain	3.65
Argentina	2.63
Switzerland	2.26
Poland	1.99

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

## Investment results

Average annual total returns (%) as of Sept. 30, 2022

Period	Class A Shares		Class C Shares		Class Y Shares	Style-Specific Index
	Inception: 06/15/95	NAV	Inception: 06/15/95	NAV	Inception: 09/27/04	
Inception	5.05	5.22	4.98	4.98	3.11	-
10 Years	-1.73	-1.30	-1.87	-1.87	-1.06	-1.98
5 Years	-5.22	-4.40	-5.12	-5.12	-4.18	-4.17
3 Years	-8.55	-7.21	-7.96	-7.96	-7.05	-8.40
1 Year	-25.88	-22.63	-23.92	-23.17	-22.47	-25.16
Quarter	-7.98	-3.96	-5.12	-4.17	-4.14	-7.32

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. Visit [invesco.com/performance](https://www.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. No contingent deferred sales charge (CDSC) will be imposed on redemptions of Class C shares following one year from the date shares were purchased. Performance shown at NAV does not include applicable CDSC or front-end sales charges, which would have reduced the performance. Class Y shares have no sales charge; therefore, performance is at NAV. Returns less than one year are cumulative; all others are annualized. 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., RIMES Technologies Corp.

For more information you can visit us at [www.invesco.com/us](https://www.invesco.com/us)

Class Y shares are available only to certain investors. See the prospectus for more information.

The Custom Invesco International Bond Index is composed of 50% FTSE Non-U.S. Dollar World Government Bond Index, 30% JP Morgan Government Bond Index - Emerging Markets Global Diversified and 20% JP Morgan Emerging Markets Bond Index Global Diversified. From Jan. 1, 2003, through Dec. 31, 2011, the underlying index weights were 70% FTSE Non-U.S. Dollar World Government Bond Index, 20% JP Morgan Government Bond Index - Emerging Markets Global Diversified and 10% JP Morgan Emerging Markets Bond Index Global Diversified. The FTSE Non-U.S. Dollar World Government Bond Index is a broad benchmark providing exposure to the global sovereign fixed income market, excluding the US. The JP Morgan Government Bond Index - Emerging Markets Global Diversified is composed of regularly traded, liquid fixed-rate, domestic currency government bonds. The JP Morgan Emerging Markets Bond Index Global Diversified tracks the traded market for US dollar-denominated Brady bonds, Eurobonds, traded loans and local market debt instruments issued by sovereign and quasi-sovereign entities. 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.

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## 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.

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.

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.

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.

Stocks of small and mid-sized companies tend to be more vulnerable to adverse developments, may be more volatile, and may be illiquid or restricted as to resale.

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.

***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](https://www.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.