Invesco Balanced-Risk Allocation Fund

Q2 2024

Key takeaways

1 **The fund underperformed its benchmark**
Both growth-oriented and defensive assets declined. Strategic exposure to the real return macro factor benefited results.

2 **Inflation assets were the top contributor to results**
Assets expected to perform well in inflationary environments had a positive effect on fund results for the quarter. Gains were led by industrial and precious metals.

3 **Tactical positioning detracted from both absolute and relative performance**
The adaptive monthly tactical positioning detracted from results due to positioning in stocks and commodities.

Investment objective
The fund seeks to provide total return with a low to moderate correlation to traditional financial market indices.

Fund facts

Fund AUM ($M)	1,229.07

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

Manager perspective and outlook

- Despite a pullback in April, equity momentum from the first quarter extended into the second, with several major equity indexes reaching new highs. However, looking under the hood, economic growth, disinflation trends and monetary policy diverged across developed economies.
- Global growth broadly accelerated but not uniformly across regions. For example, the European and UK economies experienced positive economic surprises, while US economic momentum began to slow. Disinflation data also varied, with some regions showing more progress than others.
- In terms of monetary policy, two G7 central banks - the Bank of Canada and the European Central Bank - cut interest rates, while others put rate cuts on hold.
- Despite the lowering of policy rates in some markets, government bond performance was negative in aggregate.
- Commodities advanced for the second consecutive quarter, with the Bloomberg Commodity Index reaching an 18-month high. Energy and metals posted gains, while agriculture declined.

Gross performance attribution (%)

	Quarter	Year to date	Since inception (annual-ized)
Growth	-0.25	2.10	2.54
Defensive	-1.34	-1.80	1.63
Real Return	0.13	1.18	0.62
Tactical Positioning	-0.32	1.42	1.07
Cash	1.32	2.68	1.10
Total	-0.46	5.59	6.96

Returns are gross of fund expenses; net returns will be lower. Cash represents fund collateral used to support derivative positions. Note: Growth represents cap-weighted equity beta and long put options, Defensive represents bonds and equity factor premia, and Real Return represents commodities.

Performance highlights

The fund's Class A shares at net asset value (NAV) underperformed its balanced benchmark for the quarter.

Growth: The fund's strategic exposure to the growth macro factor was a net detractor, with losses in three of the six markets. Japanese equities detracted as the yen faced downward pressure. European equities detracted as regional elections, most notably in France, elevated uncertainty and market volatility. US small-cap stocks were the fund's largest detractor as they struggled in the higher interest rate environment. Meanwhile, emerging market equities outpaced developed market equities, supported by a rebound in China. UK equities added to results as the FTSE 100 reached an all-time high on further UK economic improvement. US large-cap stocks continued to benefit from enthusiasm around AI. Exposure to defensive put options detracted from results as four of the five underlying markets rose during the quarter.

Defensive: Strategic exposure to the defensive macro factor was the largest detractor, with all six bond markets posting losses. Central bank policy decisions diverged during the quarter; the European Central Bank and Bank of Canada cut rates while others held steady. Australian government bonds were the largest detractor as expectations for rate cuts decreased after May's surprise inflation jump and hot labor data. UK gilts declined as the Bank of England held rates steady despite slowing growth and encouraging inflation trends. German and Canadian bonds fell despite central bank rate cuts. Japanese government bonds declined as the Bank of Japan paused its tightening. US Treasuries declined as the Federal Reserve seemed poised to keep rates higher for longer. Defensive factor premia outperformed their base indexes, adding to fund results.

Real Return: Strategic exposure to the real return macro factor benefited results as gains in metals outweighed losses in agriculture and energy. Industrial metals were the largest contributor due to advances in copper and aluminum. Among precious metals, silver surged, propelled by the gold rally and a supply profile linked to industrial metals mining. Gold reached a record high in May. Agriculture was the largest detractor due to declines in cotton, sugar and grains. Good weather and reports of higher planted acreage caused cotton prices to plunge. Soybeans and soybean oil were key detractors as Brazil expects a large soybean crop. Despite gains in oil and natural gas, energy detracted due to losses in refined products (gasoline, heating oil and gasoil), which sold off amid easing geopolitical tensions, softer demand and rising global stockpiles.

Tactical positioning detracted from results as early quarter underweights in bonds proved timely but were outweighed by losses in stocks and commodities.

Standardized performance (%) as of June 30, 2024

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 06/02/09	NAV	-0.78	4.92	9.06	-1.29	3.18	3.30	5.63
	Max. Load 5.5%	-6.28	-0.89	3.05	-3.13	2.02	2.71	5.24
Class R6 shares inception: 09/24/12	NAV	-0.64	5.11	9.44	-0.95	3.54	3.67	3.93
Class Y shares inception: 06/02/09	NAV	-0.65	5.02	9.34	-1.04	3.44	3.56	5.90
Invesco Balanced-Risk Allocation Fund Custom Style Index		1.62	6.64	12.95	3.07	7.26	6.29	-
Total return ranking vs. Morningstar Tactical Allocation category (Class A shares at NAV)		-	-	61% (139 of 229)	79% (187 of 224)	79% (161 of 206)	67% (89 of 134)	-

Calendar year total returns (%)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Class A shares at NAV	5.50	-4.68	10.97	9.78	-7.01	14.66	9.20	9.19	-14.96	5.96
Class R6 shares at NAV	5.96	-4.34	11.40	10.14	-6.72	15.12	9.72	9.46	-14.77	6.45
Class Y shares at NAV	5.83	-4.51	11.35	9.95	-6.73	14.91	9.50	9.46	-14.82	6.34
Invesco Balanced-Risk Allocation Fund Custom Style Index	5.48	-0.05	5.79	14.54	-5.10	19.93	13.72	12.07	-15.72	16.35

Expense ratios per the current prospectus: Class A**: Net: 1.38%, Total: 1.43%; Class R6**: Net: 1.02%, Total: 1.07%; Class Y**: Net: 1.13%, Total: 1.18%.

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.

Target risk allocation (%)

	Marginal risk*	Risk contribution
Defense	1.64	16.68
Growth	4.23	43.09
Real Return	3.95	40.23
Total (as of 06/30/24)	9.82	100.00

*Risk represents ex-ante standard deviation. Ex-ante standard deviation measures the range of total returns and identifies the spread of fluctuations over a defined, forward-looking, period of time. The risk level derived from each underlying asset determines how much the asset will contribute from a dollar-weight standpoint.

Note: The fund rebalances months to better adapt to prevailing market conditions. Growth represents cap-weighted equity beta and long-put options. Defensive represents bonds and equity factor premia. Real return represents commodities.

Portfolio positioning

Despite widespread expectations for a global economic slowdown in 2024, growth and inflation have performed above expectations across most major economies. Divergence has emerged as a key theme, with growth and inflation likely to vary across individual economies going forward. “Higher for longer” interest rates and the expansion of strong equity performance to non-US markets have also become major themes that we believe are likely to last through 2024. However, there is still potential for near-term volatility due to policy uncertainty and geopolitical risks in a year with major elections across the globe. Against this backdrop, we firmly believe in the importance of broad diversification over more concentrated exposures.

The fund’s strategic allocation balances risk equally across stocks, bonds and commodities. Following the July tactical allocation process, the fund’s total portfolio risk allocation includes overweights in equities and commodities and an underweight in bonds, which remain at the lowest allowable limit (16.67%). Within equities, we increased tactical overweights in all assets except for European and UK equities, which decreased. All bond exposures remain tactically underweight except for UK government bonds, which moved from underweight to neutral. The aggregate overweight in commodities decreased. The underweight in agriculture increased, the overweight in industrial metals decreased, the overweight in energy increased and there was no change to the underweight in precious metals.

****** Net = Total annual operating expenses less any contractual fee waivers and/or expense reimbursements by the adviser in effect through at least and contractual management fee waivers in effect through at least Jun 30, 2025. See current prospectus for more information.

Unless otherwise specified, all information is as of 06/30/24. Unless stated otherwise, Index refers to Invesco Balanced-Risk Allocation Fund Custom Style Index.

Under normal conditions, the strategy invests in derivatives and other financially-linked instruments whose performance is expected to correspond to US and international fixed income, equity and commodity markets. However, the performance of the asset classes cannot be guaranteed. The derivative investments and enhanced investment techniques (such as leverage) used by the portfolio are subject to greater risks than those associated with investing directly in securities or more traditional instruments.

The Custom Invesco Balanced Risk Allocation Style Index, created by Invesco as the fund's benchmark, is composed of the following indexes: MSCI World Index (60%) and Bloomberg U.S. Aggregate Index (40%). 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.

Should the Fund's asset classes or the selected countries and investments become correlated in a way not anticipated by the Adviser, the risk allocation process may result in magnified risks and loss instead of balancing(reducing) the risk of loss.

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.

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.

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.

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.

Underlying investments may appreciate or decrease significantly in value over short periods of time and cause share values to experience significant volatility over short periods of time.

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

 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.