Invesco Balanced-Risk Allocation Fund

Q2 2025

Key takeaways

1. **The fund underperformed its benchmark**
The fund had a positive return in the second quarter as gains in the growth and defensive macro factors outweighed losses in the real return macro factors.

2. **Growth assets were the top contributor to results**
In terms of macro factors, the growth macro factor was the top contributor, with all six sub-complexes contributing to results.

3. **Tactical positioning detracted**
The adaptive monthly tactical positioning detracted from relative return largely due to month-over-month price reversals in bonds that made tactical positioning challenging.

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)	947.42

Portfolio managers
Alessio de Longis, Christopher Devine, John Burrello, Scott Hixon, Scott Wolle

Manager perspective and outlook

- It was a wild ride for markets in the second quarter. President Trump's tariff announcement on April 2nd rattled investors, triggering an equity selloff and a surge in US bond yields. Tensions eased in May, however, sparking a "relief rally" across risk assets.
- Equities ended the quarter higher, while government bonds delivered muted results. Government bond yields, particularly 30-year US Treasuries, generally rose amid growing fiscal concerns in several developed economies.
- The US dollar weakened, pressured by a credit downgrade for the US Treasury and doubts about the dollar's perceived safe-haven status. The weaker dollar benefited non-US markets.
- Commodities declined due to tariff-driven volatility. Only precious metals had a positive return as investors turned to gold amid the turbulence.

Gross performance attribution (%)

	Quarter	Year to date	Since inception (annual-ized)
Growth	1.61	0.43	2.38
Defensive	0.83	0.67	1.56
Real Return	-0.93	1.65	0.57
Tactical Positioning	-1.22	-1.77	0.80
Cash	1.05	2.11	1.33
Total	1.34	3.10	6.65

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: Strategic exposure to the growth macro factor added to relative return as seemingly improved sentiment prompted a rotation back to US equities. Japanese equities were the top contributor; the yen's appreciation versus the dollar helped the export-heavy region. US equities (large-cap and small-cap) added to results due to an impressive second quarter comeback. US large-caps (as measured by the S&P 500) hit an all-time high after nearing bear market territory in April. Apparent optimism about proposed tax and regulatory reforms fueled small-cap gains. Emerging market equities added to results, supported by a weaker dollar and easing of US/China trade tensions. UK equities added to results but lagged other developed markets. European equities added to results as investors diversified away from the US. Defensive long put options detracted as broad equity gains reduced the need for downside protection.

Defensive: Strategic exposure to the defensive macro factor added to return, with mixed results across markets. Australian government bonds added to return due to May's unexpected dip in employment and the Reserve Bank of Australia's rate cut. UK gilts added to results as a softening labor market let the Bank of England consider easing policy rates. German bunds added to results as bunds were seen as a potential safe-haven alternative for US Treasuries and easing inflation let the European Central Bank cut rates in April and June. Japanese government bonds had a positive effect but were pressured by reduced demand after the Bank of Japan said it would begin tapering bond purchases. US Treasuries detracted as the 30-year yield rose, driven by growing fiscal concerns, particularly US debt sustainability and the recent reconciliation bill that is expected to significantly raise federal borrowing. Canadian government bonds detracted as concern about potential fallout from US policy uncertainty drove yields higher. Defensive factor exposure added to results as factors outperformed their base indexes.

Real Return: Strategic exposure to the real return macro factor detracted. Only precious metals added to performance as gold hit a record high in April before stabilizing as tariff tensions eased. Industrial metals detracted as early quarter losses in copper outweighed gains in May and June. Agriculture detracted due to losses in coffee, sugar, corn, soymeal, wheat and cotton. Energy detracted, mainly due to declines in oil, natural gas and fuel products (except heating oil).

Tactical positioning detracted, largely due to month-over-month price reversals in bonds that made tactical positioning challenging. An energy overweight in April and an underweight in June were also disadvantageous.

Standardized performance (%) as of June 30, 2025

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 06/02/09	NAV	1.01	2.44	0.75	2.30	3.55	3.43	5.32
	Max. Load 5.5%	-4.54	-3.15	-4.77	0.40	2.38	2.85	4.95
Class R6 shares inception: 09/24/12	NAV	1.10	2.60	1.14	2.66	3.92	3.81	3.71
Class Y shares inception: 06/02/09	NAV	1.10	2.62	1.02	2.55	3.83	3.69	5.58
Invesco Balanced-Risk Allocation Fund Custom Style Index		7.42	7.50	12.44	12.02	8.47	7.35	-
Total return ranking vs. Morningstar Tactical Allocation category (Class A shares at NAV)		-	-	84% (208 of 246)	93% (213 of 225)	87% (178 of 200)	71% (92 of 136)	-

Calendar year total returns (%)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Class A shares at NAV	-4.68	10.97	9.78	-7.01	14.66	9.20	9.19	-14.96	5.96	3.19
Class R6 shares at NAV	-4.34	11.40	10.14	-6.72	15.12	9.72	9.46	-14.77	6.45	3.61
Class Y shares at NAV	-4.51	11.35	9.95	-6.73	14.91	9.50	9.46	-14.82	6.34	3.38
Invesco Balanced-Risk Allocation Fund Custom Style Index	-0.05	5.79	14.54	-5.10	19.93	13.72	12.07	-15.72	16.35	11.54

Expense ratios per the current prospectus: Class A**: Net: 1.38%, Total: 1.43%; Class R6**: Net: 1.03%, Total: 1.08%; 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	2.14	20.46
Growth	5.22	49.99
Real Return	3.08	29.55
Total (as of 06/30/25)	10.44	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

As we enter the second half of 2025, markets and investment portfolios appear at a crossroads. Foundational forces that led US equities to dominate global markets – including globalization, record-low interest rates, subdued inflation and a strong US dollar – have begun to reverse. The first quarter offered early evidence of this. The current US administration's trade policies have been laying the groundwork for what could be a multigenerational transformation of global trade and the financial order. Historically, such structural changes have coincided with significant moves in asset markets. In this evolving landscape, we continue to emphasize the importance of broad diversification, as a shift from underlying fundamentals, including a weaker dollar, may drive a rotation away from US equities.

Positioning for July remains overweight equities, although decreased from the maximum overweight (50%) in June. Underweights in both bonds and commodities decreased, with commodities moving closer to neutral. Total portfolio risk increased in July from June.

****** 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 Aug 31, 2026 See current prospectus for more information.

Unless otherwise specified, all information is as of 06/30/25. 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. Developing markets may especially be volatile.

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.