Invesco Balanced-Risk Allocation Fund

Q4 2023

Key takeaways

1 **The fund underperformed its benchmark**
Performance was driven by a relative underweight in equities and exposure to commodities.

2 **Defensive assets led fund results**
All six government bond markets produced positive results, as did exposure to defensive equity factors.

3 **Tactical positioning detracted from absolute and relative performance**
The adaptive monthly tactical positioning detracted from results for the quarter, primarily due to losses from positioning in bonds 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)	1,364.67

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

Manager perspective and outlook

- Unlike the previous year, 2023 ended strong as market sentiment appeared to improve and investors seemingly abandoned the expectation that rates would stay “higher for longer.” Amid continued disinflation and signs of slowing economic growth in several major developed markets, central banks signaled a potential shift in monetary policy, which fueled expectations for interest rate cuts in 2024. Most surprisingly, Federal Reserve Chairman Powell signaled the possibility of three interest rate cuts in the coming year. Stock and bond markets appeared to celebrate the possible end of tight monetary policy, with both asset classes rising in November and December. Commodities gave back their third quarter gains as slumping energy prices weighed on the asset class.

For more information, including prospectus and factsheet, please visit Invesco.com/ABRZX

Gross performance attribution (%)

	Quarter	Year to date	Since inception (annualized)
Growth	2.39	3.68	2.48
Defensive	4.03	1.60	1.81
Real Return	-1.14	-2.13	0.56
Tactical Positioning	-1.17	-1.08	1.00
Cash	1.40	5.20	0.95
Total	5.53	7.28	6.81

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 contributed to results, with all six underlying equity markets posting gains and many closing the year at or near all-time highs. US small-cap equities were the top contributor, closing the year with their highest monthly return in three years on expectations of lower interest rates in 2024. US large-cap stocks also rose, with the S&P 500 Index delivering a nine-week streak of gains during the period and its best fourth quarter in 20 years. European equities rose as anticipation of a decline in short-term interest rates and positive economic data appeared to boost investor optimism. UK equities also rose as inflation fell by more than expected and growth increased. Japanese equities benefited from the country's lower relative interest rates and a weaker yen. The fund's exposure to defensive put options detracted from results as global equity markets broadly rose.

Defensive: Strategic exposure to the defensive macro factor was the top contributor to results as all six underlying government bond markets provided gains. After peaking in late October, yields declined through November and December and have been nearing levels from before the 2008 global financial crisis. Government bonds benefited from continued signs of easing inflation and growing expectations for a lower interest rate environment in 2024. The fund's exposure to defensive factor premia added to results as factors outperformed their base indexes.

Real Return: Strategic exposure to the real return macro factor was a net detractor from results, with losses in energy and agriculture outweighing gains in metals. Precious metals were the top contributor, with gold outperforming silver. Gold's price gains were triggered by the Hamas attacks on Israel and further supported by declines in interest rates and the US dollar. Copper drove industrial metals to a gain as the commodity hit an eight-month high amid speculation that demand will increase if central banks reduce interest rates next year. Exposure to energy was the largest detractor due to declines in all six underlying assets. Refined products such as gasoil, heating oil and gasoline suffered as refining margins decreased with lower seasonal demand and supply increased as many refineries completed planned maintenance. Agriculture also detracted mostly due to losses in sugar, soybean oil and cotton.

Tactical positioning had a negative return for the quarter, primarily due to losses from positioning in bonds and commodities, which offset gains from overweight positions across global equity markets.

Standardized performance (%) as of December 31, 2023

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 06/02/09	NAV	5.20	5.96	5.96	-0.54	4.26	3.45	5.48
	Max. Load 5.5%	-0.55	0.13	0.13	-2.39	3.08	2.86	5.07
Class R6 shares inception: 09/24/12	NAV	5.21	6.45	6.45	-0.23	4.64	3.82	3.65
Class Y shares inception: 06/02/09	NAV	5.22	6.34	6.34	-0.28	4.52	3.71	5.75
Invesco Balanced-Risk Allocation Fund Custom Style Index		9.59	16.35	16.35	3.20	8.43	6.16	-
Total return ranking vs. Morningstar Tactical Allocation category (Class A shares at NAV)		-	-	76% (182 of 237)	81% (195 of 231)	74% (160 of 213)	69% (91 of 140)	-

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: 1.42%; Class R6**: Net: 1.04%, Total: 1.08%; Class Y**: Net: 1.13%, Total: 1.17%.

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	2.51	22.96
Growth	4.87	44.52
Real Return	3.56	32.52
Total (as of 12/31/23)	10.93	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

2023 concluded without the highly anticipated recession. As 2024 begins, the global economy is showing in our view signs of slowing, although deceleration varies by country. For example, we believe the US has shown remarkable resilience to the effects of tight monetary policy and credit conditions, compared to the eurozone, UK and Canada, where economic growth has been under more pressure. The shift in monetary policy may mitigate economic slowing as inflation further subsides. However, divergence in growth among countries and regions, along with changing correlations across asset classes, have bolstered the case for diversification. Recession risk has remained as the lagged effects of high interest rate policies are still not fully known, while equity valuations have appeared high, especially for US equities.

The fund begins the new year with an increased tactical overweight in equities as US small caps moved from underweight to overweight and UK equities moved from neutral to overweight. We reduced overweights in the remaining four equity markets. The fund moved from an aggregate underweight in fixed income to an aggregate overweight. The fund remains underweight in commodities, with only the energy sub-complex being an aggregate overweight.

****** 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, 2024 See current prospectus for more information.

Unless otherwise specified, all information is as of 12/31/23. 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.

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.

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

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.