Invesco Emerging Markets Local Debt Fund

Q1 2024

Key takeaways

1. **Emerging markets local debt offers income, diversification, and total return potential**
EM local bonds offer an attractive opportunity to invest in a high yielding asset class with low correlation to both US stocks and bonds and potentially high total returns.

2. **Emerging market debt has the potential to provide high income**
Nominal and real interest rates have remained elevated while disinflation has generally continued. Emerging market income is attractive, in our view, and individual country dynamics offer compelling total return opportunities.

3. **Favorable outlook for emerging market debt**
While expectations for the US Federal Reserve's (Fed) next steps remain the prime driver for emerging market debt, improving global economic growth has been beneficial and we still expect a soft landing in the US (and globally), in which inflation falls and stays around 2-3%.

Investment objective
The fund seeks total return.

Fund facts	
Fund AUM ($M)	95.87

Portfolio managers
Hemant Baijal, Wim Vandenhoeck

Manager perspective and outlook

- The first quarter of 2024 saw continuation of 2023's global economic resilience. While US growth has stood out, emerging markets have also shown in our view remarkable resilience, despite individual emerging countries having interest rates above their respective neutral levels and China's economic wobbles.
- The Fed, the European Central Bank and the Bank of England kept policy rates unchanged for the quarter, while noting progress on disinflation and signaling varying levels of confidence regarding easier monetary policy.
- In contrast, the Bank of Japan raised its policy rate for the first time in 17 years and ceased yield curve control, ending the era of negative interest rates.
- In emerging markets, disinflation generally continued, as central banks in Latin America and Central and Eastern Europe continued to lower rates while maintaining a restrictive monetary stance. Meanwhile, Asian central banks largely remained on hold.
- The US dollar was rangebound for the quarter, ending 3.1% higher as markets await more clarity on the Fed's path for reducing interest rates.
- The Fed remains the prime driver for emerging markets, and we believe the start of US interest rate cuts will be the primary catalyst for unlocking further emerging market performance.
- In the meantime, emerging market income is attractive, in our view, and individual country dynamics offer compelling total return opportunities.

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

Portfolio characteristics*

Effective duration (years)	5.42
Weighted avg. effective maturity (years)	6.12
30-day SEC yield (Class A shares)	6.10
30-day SEC unsubsidized yield (Class A shares)	5.87

Quality breakdown

	(% total)
AAA	3.8
AA	4.5
A	21.4
BBB	44.2
BB	18.8
Not rated	1.5
Cash and Cash equivalent	3.8
Derivatives & FX	1.9

Investment categories

	(% total)
Emerging Market Debt	**84.1**
Emerging Market Sovereign Bonds	82.6
Emerging Market Corporate Bonds	1.5
Non-US Debt	**5.5**
Non-US Sovereign Bonds	5.5
Cash & Cash Equivalent	**3.8**
Derivatives & FX	**1.9**
Others	**4.7**

Portfolio positioning

We decreased the fund's overall foreign currency exposure during the quarter, primarily by decreasing allocations in the Chinese Yuan, Thai Bhat and Mexican Peso. We increased the fund's overweight duration positioning, raising exposure in Poland and India.

Growth resilience, ongoing general disinflation and conservative monetary policy continued in the first quarter of 2024. Though there has been some stickiness in services inflation, we expect monetary policy to remain appropriate for the last step of the disinflation process. In other words, emerging market central banks can continue to lower interest rates while keeping monetary policy restrictive in order to guide inflation toward their respective targets.

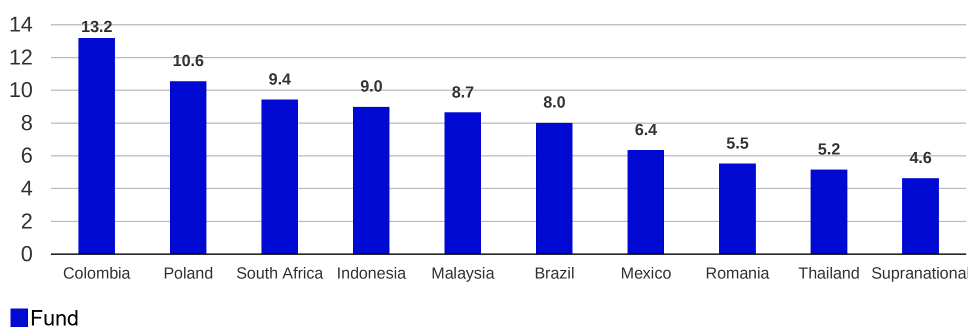
Ultimately, we believe differences between various emerging economies will drive the opportunity set. Considering the disinflation in Central and Eastern Europe over the last few months, we believe individual country dynamics can drive returns, regardless of external outcomes, such as Fed actions. For example, while growth in Poland and Romania is strong, growth in the Czech Republic and Hungary will likely be challenged. In those countries, we expect domestic growth considerations to take precedence in central bank rate decisions.

We could see a similar dynamic in Asia. Thai and South Korean central banks may cut next, having signaled an increased willingness to diverge from developed market central banks. Nevertheless, their policies may be guided or limited by movements in their respective currencies, as currency stability remains a regional focus.

Overall, we expect a favorable market environment for emerging markets local debt in 2024. While bumpy US disinflation has called into question the exact path of US interest rates, we still expect a soft landing in the US and globally, with inflation falling and staying around 2-3%. In our view, even a shallower US interest rate cutting cycle (with fewer cuts this year than the Fed's initial forecast of three) would still benefit emerging markets while improving global growth cushions the effects of higher US rates in the meantime.

Healthy income, broadening economic growth and interest rate levels that are attractive compared to developed markets provide support for emerging market debt. Importantly, we believe diverging individual country dynamics offer compelling total return opportunities for active managers such as ourselves, and we remain committed to pursuing them.

Top countries (% of total net assets)



Top/bottom rates relative returns

	bps
Colombia	14
Poland	8
India	6
China	-13
Brazil	-23
Czech Republic	-40

Top/bottom FX rates relative returns

	bps
BRL	22
MXN	12
CNH	5
KRW	-3
IDR	-4
MYR	-5

Top/bottom credit relative returns

	bps
Colombia	14
South Africa	1
Indonesia	-1
China	-2
Thailand	-6

Performance highlights

The fund (Class A shares at NAV) underperformed its benchmark for the quarter. The fund's foreign currency exposure added to relative return while interest rate positioning detracted. The top contributors to relative return were interest rate positioning in Colombia and positioning in the Brazilian Real and the Mexican Peso. The largest detractors from relative return were interest rate positioning in Czech Republic, Brazil and China.

Contributors to performance

- Interest Rate Positioning in Colombia
- Positioning in the Brazilian Real
- Positioning in the Mexican Peso

Detractors from performance

- Interest Rate Positioning in Czech Republic
- Interest Rate Positioning in Brazil
- Interest Rate Positioning in China

Standardized performance (%) as of March 31, 2024

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 06/30/10	NAV	-2.41	-2.41	4.78	-0.69	0.62	0.60	1.30
	Max. Load 4.25%	-6.55	-6.55	0.40	-2.12	-0.25	0.16	0.98
Class R6 shares inception: 09/28/12	NAV	-2.35	-2.35	5.04	-0.36	0.95	0.94	0.32
Class Y shares inception: 06/30/10	NAV	-2.35	-2.35	5.04	-0.44	0.82	0.84	1.56
JP Morgan GBI-EM Global Diversified Composite		-2.12	-2.12	4.91	-1.60	0.13	-0.32	-
Total return ranking vs. Morningstar Emerging-Markets Local-Currency Bond category (Class A shares at NAV)		-	-	67% (55 of 73)	53% (45 of 71)	35% (36 of 66)	13% (10 of 59)	-

Expense ratios per the current prospectus: Class A**: Net: 1.24%, Total: 1.50%; Class R6**: Net: 0.99%, Total: 1.11%; Class Y**: Net: 0.99%, Total: 1.26%.

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. 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 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.

Calendar year total returns (%)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Class A shares at NAV	-5.46	-12.04	11.84	14.94	-7.05	13.50	3.77	-10.40	-9.10	13.87
Class R6 shares at NAV	-5.09	-11.69	12.12	15.32	-6.79	13.86	4.22	-10.10	-8.74	14.19
Class Y shares at NAV	-5.18	-11.78	12.17	15.19	-6.86	13.73	3.98	-10.19	-8.70	13.94
JP Morgan GBI-EM Global Diversified Composite	-5.72	-14.92	9.94	15.21	-6.21	13.47	2.69	-8.75	-11.69	12.70

****** Net = Total annual operating expenses less any contractual fee waivers and/or expense reimbursements by the adviser in effect through at least Feb 28, 2025 and June 30, 2025.

Unless otherwise specified, all information is as of 03/31/24. Unless stated otherwise, Index refers to JP Morgan GBI-EM Global Diversified Composite.
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.

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.

Environmental, Social and Governance (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.

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

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.

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.

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.
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. 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 rating methodologies, please visit the following NRSRO websites: www.standardandpoors.com and select 'Understanding Credit Ratings' under Rating Resources 'About Ratings' on the homepage; www.ratings.moodys.com and select 'Rating Methodologies' under Research and Ratings on the homepage; www.fitchratings.com and select 'Ratings Definitions Criteria' under 'Resources' on the homepage. Then select 'Rating Definitions' under 'Resources' on the 'Contents' menu.

*** 30-day SEC yield** is based on a 30-day period and is computed by dividing the net investment income per share earned during the period by the maximum offering price per share on the last day of the period. **30-day SEC unsubsidized yield** reflects the 30-day yield if the investment adviser were not waiving all or part of its fee or reimbursing the fund for part of its expenses. Total return would have also been lower in the absence of these temporary reimbursements or waivers. **Effective duration** is the managers' estimate of a bond fund's price sensitivity to changes in interest rates. This measure takes into account mortgage prepayments, puts, adjustable coupons and potential call dates. **Weighted average maturity** 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.

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.