

# Invesco Balanced-Risk Commodity Strategy Fund

## Q1 2024

## Key takeaways

- 1 The fund outperformed its benchmark**  
Outperformance was driven by strategic and tactical positioning in energy and agriculture.
- 2 Energy led absolute and relative results**  
The fund's underweight in natural gas and overweight in refined products drove the fund's energy position to outperform the benchmark's energy exposure.
- 3 The fund's strong run of relative outperformance continued**  
The fund extended its streak of benchmark outperformance due to timely strategic and tactical positioning.

### Investment objective

The fund seeks to provide total return.

### Fund facts

Fund AUM (\$M)	748.76
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### Portfolio managers

Christian Ulrich, Christopher Devine, Mark Ahnrud, Scott Hixon, Scott Wolle

## Manager perspective and outlook

- Underinvestment in the asset class has remained a positive long-term catalyst for commodities. Meanwhile, short-term strength in energy and metals may signal an emerging recovery from the multi-year correction and limited trading range that has persisted since the Bloomberg Commodity Index reached a cyclical peak in June 2022. Forward guidance from central banks collectively signals easier monetary policy just as economic data in China and Europe have shown signs of incremental improvement. Gold has reached an all-time high price fueled by central bank buying and anticipation of the US Federal Reserve following through with interest rate cuts. Geopolitical risks have remained heightened as Ukraine's drone attacks on Russian petroleum infrastructure and Houthi attacks on Red Sea shipping lanes have put upward pressure on prices of oil and refined products. Green energy has remained a primary long-term driver of demand for metals while underinvestment and mature geology have restrained supply. Copper is the key metal in the green transition. In the agriculture segment, the El Nino weather pattern has continued to propel tropical soft commodities higher as cocoa prices have remained at a 45-year high and sugar has remained at a 12-year high. Multi-decade lows in natural gas prices have been the largest headwind to the commodity benchmark's returns, followed by oversupply of grains. Though rising oil and gasoline prices have been an early warning indicator of potentially higher future inflation, suppressed prices for natural gas have been constraining electricity prices just as lower grain prices have been keeping a lid on food inflation.



## Gross performance attribution (%)

	Quarter	Year to date	Since inception (annualized)
Agriculture	-0.22	-0.22	0.29
Energy	2.35	2.35	-0.28
Industrial Metals	-0.08	-0.08	-0.55
Precious Metals	1.00	1.00	-0.01
Tactical Positioning	2.03	2.03	0.34
Cash	1.32	1.32	1.08
Total	6.40	6.40	0.87

Returns are gross of fund expenses; net returns will be lower. Cash represents fund collateral used to support derivative positions.

## Performance highlights

Energy was the largest contributor to the fund's absolute and relative returns due to gains in refined products, including gasoline, gasoil and heating oil. Refined products were supported by rising oil prices, along with supply disruptions as Houthi attacks in the Red Sea led to costly rerouting. Meanwhile, Ukraine's attacks on Russian refineries have disrupted up to 600,000 barrels per day of gasoline output alone. The fund's underweight in natural gas and overweight in refined products contributed to its outperformance of the benchmark's energy exposure.

Precious metals also added to absolute and relative returns with gold outperforming silver. Gold recorded multiple all-time price highs in March on the tail of Chairman Powell's comments favoring easier monetary policy. Gold's resilience has remained notable, especially considering that the stronger-than-expected US inflation data reported in March puts US interest rate cuts at risk. Silver initially rose with gold and then gained further strength from its industrial properties as industrial metals rallied. The fund's strategic overweight in silver led to outperformance of the benchmark's precious metals exposure.

Industrial metals fell just short of breaking even for the quarter despite a March rally. Copper and aluminum have continued to trade in a choppy, range-bound pattern. The

ongoing global manufacturing malaise has been fortified by China's tight fiscal policy, along with tight US monetary policy. However, industrial metal prices rebounded in March amid apparently growing optimism about a budding resurgence of manufacturing activity in China and Europe. The fund outperformed the benchmark's industrial metals exposure due to a strategic exclusion of zinc.

Despite gains in January and March, agriculture was held back by a large decline in February. A global oversupply of grains, including corn, wheat and soybeans, has continued to hamper the sub-complex. The outlook for grain supply has become increasingly positive over the past several months in part because Ukraine's exports of agricultural goods have recovered despite the end of the Black Sea Grain Deal. Sugar and cotton were large individual contributors to commodity results. Sugar rallied on indications of falling production in India, the world's second-largest producer. Cotton prices reached 18-month highs as a result of global weather stress in India, China and, most recently, the Texas Panhandle, due to fires. The fund outperformed the benchmark's agriculture exposure due to strategic overweights in cotton and sugar, along with strategic underweights in corn and wheat.

Tactical positioning boosted fund performance due to favorable results in energy and agriculture.

## Standardized performance (%) as of March 31, 2024

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 11/30/10	NAV	6.05	6.05	4.73	7.13	7.10	0.44	-0.47
	Max. Load 5.5%	0.15	0.15	-0.97	5.15	5.91	-0.13	-0.89
Class R6 shares inception: 09/24/12	NAV	6.26	6.26	4.88	7.41	7.38	0.78	-1.03
Class Y shares inception: 11/30/10	NAV	6.15	6.15	4.92	7.40	7.36	0.68	-0.20
Bloomberg Commodity Index		2.19	2.19	-0.56	9.11	6.38	-1.56	-
Total return ranking vs. Morningstar Commodities Broad Basket category (Class A shares at NAV)		-	-	25% (22 of 106)	94% (92 of 100)	48% (45 of 96)	22% (17 of 63)	-

## Calendar year total returns (%)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Class A shares at NAV	-16.04	-16.80	11.59	4.49	-12.18	4.20	7.75	18.87	7.84	-3.44
Class R6 shares at NAV	-15.77	-16.44	12.02	5.04	-11.87	4.45	8.00	19.10	8.13	-3.27
Class Y shares at NAV	-15.88	-16.60	11.79	4.88	-12.02	4.48	7.89	19.23	8.01	-3.15
Bloomberg Commodity Index	-17.01	-24.66	11.77	1.70	-11.25	7.69	-3.12	27.11	16.09	-7.91

Expense ratios per the current prospectus: Class A\*\*: Net: 1.40%, Total: 1.64%; Class R6\*\*: Net: 1.14%, Total: 1.19%; Class Y\*\*: Net: 1.15%, Total: 1.39%.

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. Visit [invesco.com](https://www.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.

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## Sector weights vs the Bloomberg Commodity Index (%)

	Fund	BCOM
Agriculture	28.95	35.52
Energy	33.65	29.88
Industrial Metals	14.11	15.60
Precious Metals	16.60	19.00

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## Portfolio positioning

The fund enters April with total net exposure at 93%. A tactical overweight in energy remains, as do underweights in agriculture, industrial metals and precious metals. Within agriculture, grain exposures include a net short in wheat and an underweight in corn, while the underweight in the soy complex has increased with soybeans transitioning from an overweight to an underweight. Soymeal and soybean oil remain underweight. Among tropical soft commodities, we reduced overweights in sugar and cotton and increased the overweight in coffee. Within livestock exposure, we reduced the net short in lean hogs while transitioning live cattle from neutral to an overweight. In tactical energy, the net overweight has increased due to expanded overweights in Brent and WTI crude, while refined products remain overweight and natural gas remains underweight. In tactical industrial metals the underweight expanded due to increased underweights in aluminum and copper and an increased net short in zinc. The fund's tactical net short in nickel remains but at a reduced level. Tactical precious metals remain underweight, in line with the net positioning at the beginning of 2024. We increased the tactical underweight in gold while the underweight in silver decreased.

We will rebalance the fund both strategically and tactically again at the beginning of May as per our usual monthly cadence. Unlike more passive or index-based strategies, this once-a-month rebalancing gives us more flexibility to position the fund according to prevailing market conditions.

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**\*\* Net** = Total annual operating expenses less any contractual fee waivers and/or expense reimbursements by the adviser in effect through at least Feb 29, 2025 and contractual management fee waivers in effect through at least Jun 30, 2025.

Unless otherwise specified, all information is as of 03/31/24. Unless stated otherwise, Index refers to Bloomberg Commodity Index.

Asset allocation/diversification does not guarantee a profit or eliminate the risk of loss.

The Bloomberg Commodity Index is designed to be a liquid and diversified benchmark for the commodity futures market. It is a rolling index composed of futures contracts on 19 physical commodities traded on US exchanges. The index was known as the Dow Jones UBS Commodity Index Total Return<sup>SM</sup> prior to July 1, 2014. An investment cannot be made directly in an index.

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### 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.

Changes in the value of two investments or asset classes may not track or offset each other in the manner anticipated by the portfolio managers, which may inhibit their risk allocation process from achieving its investment objective.

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.

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.

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.

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**Before investing, consider the Fund's investment objectives, risks, charges and expenses. Visit [invesco.com/fundprospectus](https://www.invesco.com/fundprospectus) for a prospectus/summary prospectus containing this information. Read it carefully before investing.**