

Invesco Balanced-Risk Allocation Fund

Q1 2024

Key takeaways

- 1 The fund outperformed its benchmark**
The fund's favorable performance was driven by exposure to commodities, which have rallied due to improved economic conditions and lingering inflationary pressures.
- 2 Growth assets led fund results**
All six equity markets produced positive results, led by Japanese and European equities.
- 3 Tactical positioning contributed to absolute and relative performance**
The adaptive monthly tactical positioning contributed to results for the quarter, primarily due to overweights in equities and positioning within 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)	1,383.53
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Portfolio managers

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

Manager perspective and outlook

- Global asset class performance diverged in the first quarter after the “everything rises” rally ended in 2023. Better-than-expected global economic growth, strong labor markets and higher-than-anticipated inflation apparently led investors to reassess the timing and magnitude of prospective interest rate cuts. Disinflation continued in most developed economies, with some showing more progress than others. Against this backdrop, equities rose and bonds declined. Very early signs of emerging economic recovery in China and Europe, along with central bank forward guidance favoring easier monetary policy, helped commodities deliver a positive return for the first quarter.
- At the start of the second quarter, all eyes appear to be on central banks as monetary policy has continued to have an outsized effect on markets. Developed economies have proven more resilient than expected, while disinflationary progress has continued, albeit imperfectly. The Swiss National Bank is the first developed market central bank to cut interest rates and investors appear eager to see whether the Swiss are an anomaly or a trendsetter and what the implications will be for markets this year. In 2022, the World Bank warned that “central banks around the world have been raising interest rates this year with a degree of synchronicity not seen over the past five decades.” Those rate hikes created an annus horribilis for many asset classes. Some investors seemingly expect that gentle rate cuts by a number of central banks could create a supportive environment for risk assets. Others appear to believe such cuts have already been priced into stock and bond markets. No matter the course of the world’s central banks, we believe it’s important to be prepared for any outcome and maintain a well-diversified portfolio.



Gross performance attribution (%)

	Quarter	Year to date	Since inception (annualized)
Growth	2.37	2.37	2.60
Defensive	-0.42	-0.42	1.76
Real Return	1.05	1.05	0.63
Tactical Positioning	1.75	1.75	1.11
Cash	1.32	1.32	1.02
Total	6.07	6.07	7.12

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) outperformed its balanced benchmark for the quarter.

Growth: Strategic exposure to the growth macro factor added to results, with gains in all equity markets in which the fund invests. Japanese equities were the top contributor as the Nikkei 225 Index surpassed its previous high set over 34 years ago. European equities rose as investors appeared to become increasingly optimistic that the European Central Bank might cut rates. US small-cap equities outperformed their large-cap counterparts as better-than-expected economic data appeared to bolster investors' risk appetites. UK equities advanced, with recent data suggesting to us that economic conditions have begun to stabilize. Emerging market equities produced gains as Chinese equities lost ground during the quarter. The fund's exposure to defensive put options detracted from results as equity markets rose.

Defensive: Strategic exposure to the defensive macro factor detracted from results due to the decreased likelihood of imminent interest rate cuts. German bunds were the top detractor as the European Central Bank delayed its monetary policy easing on concerns that recent inflation declines could reverse. Canadian government bonds detracted despite declining inflation as the Bank of Canada has remained hesitant to loosen monetary policy while its labor market

has still been near full employment. UK gilts declined and detracted from fund results as the Bank of England maintained its view that monetary policy would remain restrictive until inflation recedes to its target. US Treasuries declined in response to resilient economic data and a disappointing uptick in inflation. In Australia, economic data signaled that inflation may be more persistent than expected. Japanese government bonds detracted as the Bank of Japan raised interest rates in March for the first time in 17 years. Exposure to defensive factor premia contributed to fund performance as factors performed in line with their base indexes.

Real Return: Strategic exposure to the real return macro factor added to fund results. Energy exposure was the top contributor due to gains in refined products, including gasoline, gasoil and heating oil. Precious metals also provided gains as gold outperformed silver. Industrial metals fell just short of breaking even for the quarter despite a March rally. Agriculture delivered gains in January and March but not enough to offset a large decline in February. A global oversupply of grains, including corn, wheat and soybeans, continues to hamper the agriculture sub-complex.

Tactical positioning contributed to results as gains from overweights in equities and timely positioning in commodities outweighed minor losses in bonds.

Standardized performance (%) as of March 31, 2024

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 06/02/09	NAV	5.74	5.74	9.26	1.00	3.77	3.89	5.78
	Max. Load 5.5%	-0.11	-0.11	3.27	-0.89	2.62	3.30	5.38
Class R6 shares inception: 09/24/12	NAV	5.80	5.80	9.65	1.34	4.13	4.25	4.07
Class Y shares inception: 06/02/09	NAV	5.70	5.70	9.42	1.22	4.02	4.13	6.04
Invesco Balanced-Risk Allocation Fund Custom Style Index		4.94	4.94	15.31	4.32	7.69	6.51	-
Total return ranking vs. Morningstar Tactical Allocation category (Class A shares at NAV)		-	-	70% (155 of 235)	71% (173 of 231)	80% (168 of 211)	62% (85 of 141)	-

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](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.

Target risk allocation (%)

	Marginal risk*	Risk contribution
Defense	2.34	22.02
Growth	4.79	45.10
Real Return	3.49	32.88
Total (as of 03/31/24)	10.63	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

The fund’s strategic allocation targets equal risk contribution across Growth, Defensive and Real Return assets for better diversification than traditional approaches that allocate capital without explicitly accounting for risk and correlation effects. From this starting point, the team then applies a tactical allocation that deviates from the risk-balanced structure in an attempt to better match to prevailing market conditions.

With the latest monthly rebalance, the fund’s tactical positioning for April moved to an aggregate underweight position. The overweight in equities decreased with only UK equities receiving an increased overweight. The underweight in bonds increased with larger underweights in Canadian, German and US government bonds. The overweight in Japanese government bonds remains but has declined from March. We decreased the aggregate underweight in commodities with reduced underweights in agriculture and metals while the energy overweight decreased.

** 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 June 30, 2025. See current prospectus for more information.

Unless otherwise specified, all information is as of 03/31/24. 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

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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.