Invesco Floating Rate ESG Fund

Q4 2023

Key takeaways

1 **ESG integration**
The fund actively uses an environmental, social and governance (ESG) overlay in its investment process.

2 **Full cycle view**
We position the fund for the long term, a full market cycle. We augment our long-term perspective with an active management approach and the application of several proprietary models that are built to help us exploit shorter term relative value opportunities.

3 **Hedging interest rate volatility**
Due to their floating rate nature, loans effectively have no interest rate risk, a potential diversification benefit when paired with a portfolio of longer duration, interest rate sensitive assets.

Investment objective
The fund seeks total return, comprised of current income and capital appreciation.

Fund facts

Fund AUM ($M)	2,737.16

Portfolio managers
Thomas Ewald, Philip Yarrow, Scott Baskind

Manager perspective and outlook

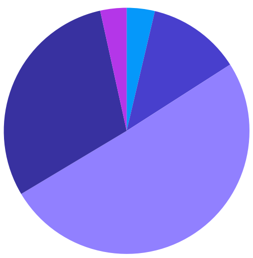
- Loans, as represented by the Credit Suisse Leveraged Loan Index, returned 2.85% in the fourth quarter.[1] The percentage of loans trading below $80 fell from 5.1% to 4.5%[2], reflecting a manageable docket of medium-term expected restructurings.
- During the fourth quarter, the par-weighted loan default rate edged up from 1.34% to 1.53%, with limited new default activity.[2] What we consider reasonably healthy balance sheets and limited near-term maturities continued to limit restructuring activity in the syndicated loan market. With default activity presumably rising, we believe it is worth noting the loan market's spotty track record in accurately discounting default risk. In our experience, loans reliably discount higher likelihood of defaults (particularly in periods of market turbulence) than what ultimately occurs. This is not to suggest the market cannot or will not trade lower but highlights one reason we believe loans often offer compelling value.
- Robust economic data and falling core inflation have fueled expectations that policymakers will pivot to interest rate cuts in 2024, but policy rates are likely to follow a gradual path downward and remain relatively high compared to historical levels.
- Default rates for the loan asset class as a whole, though increasing, have been below long-term averages[2] and current forecasts do not expect default rates to increase beyond these long-term averages. [3]

Investment categories (%)

Senior Secured Loans	85.2
Corporate Debt	9.4
Domestic Common Stock	2.5
Cash and Cash equivalents	1.7
Senior Unsecured Loans	0.4
Warrants	0.4
Preferred Securities	0.4
Structured Products	0.0
Int'l Common Stock	0.0

May not equal 100% due to rounding.

ESG rating distribution (%)



Average ESG rating: 2.93

Rate	Percent
1.0 to 1.5	0.00
1.5 to 2.0	3.70
2.0 to 2.5	12.25
2.5 to 3.0	50.48
3.0 to 3.5	30.11
3.5 to 4.0	3.46
4.0 to 4.5	0.00

ESG risk:
1 - Negligible
2 - Low
3 - Average
4 - Above average
5 - High

Portfolio positioning

The fund's core investment process is grounded in a fundamental bottom-up risk assessment of each issuer/issue that it invests in, coupled with top-down risk positioning tied to broader macroeconomic trends.

At quarter end, the fund's largest overweights were in chemicals, manufacturing and telecommunications. During the quarter, the telecommunications sector replaced transportation as one of the fund's top three sector overweights.

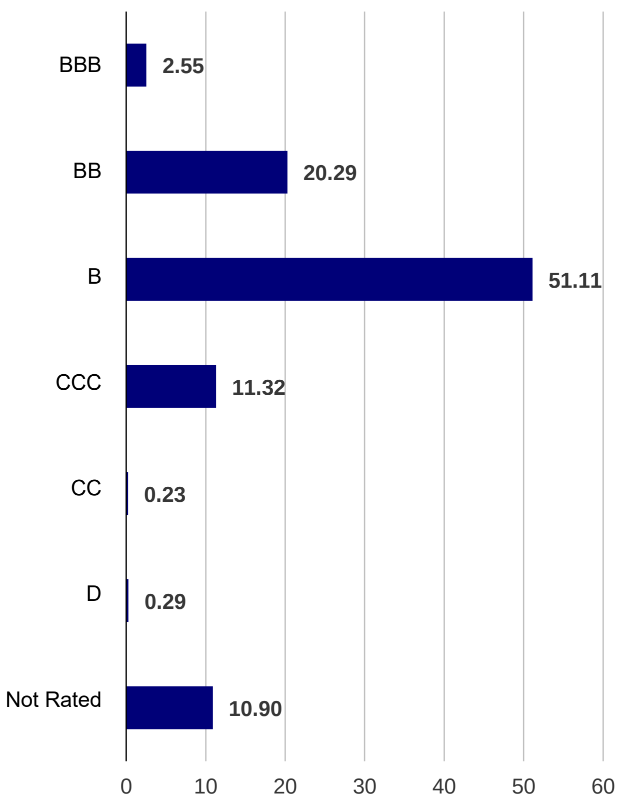
The fund's overweight in chemicals continued to increase during the quarter. The exposure to information technology (IT) continued to decrease, which increased the fund's underweight in the sector. The largest underweights were in the health care, IT and financial sectors, positioning that did not change during the quarter.

The chemical sector at large weathered the inflationary environment of late 2021 through 2022 remarkably well in our view despite exposure to commodity prices, proving it had the ability to pass through price increases to maintain profit margins. 2023 started off as a more challenging year due to inventory destocking, end market softness and profit margin compression as higher cost inventory was sold into a deflationary environment. However, many issuers saw sequential improvements in the second half of the year and we expect earnings trends to broadly stabilize going forward. We maintain a positive outlook for the chemical sector and see potentially attractive risk-adjusted return opportunities.

The fund's underweight in the health care sector reflects our belief that investors are not being adequately compensated for risks facing health care providers in the current operating environment. The sector has been under pressure from the shift toward health care consumerism and lower reimbursement rates from Medicare and other payors. At the same time, health care issuers have been negatively affected by rising wages and labor shortages. In our view, the highly politicized and unpredictable nature of the health care sector adds meaningful downside risk and we have been highly selective in the sector.

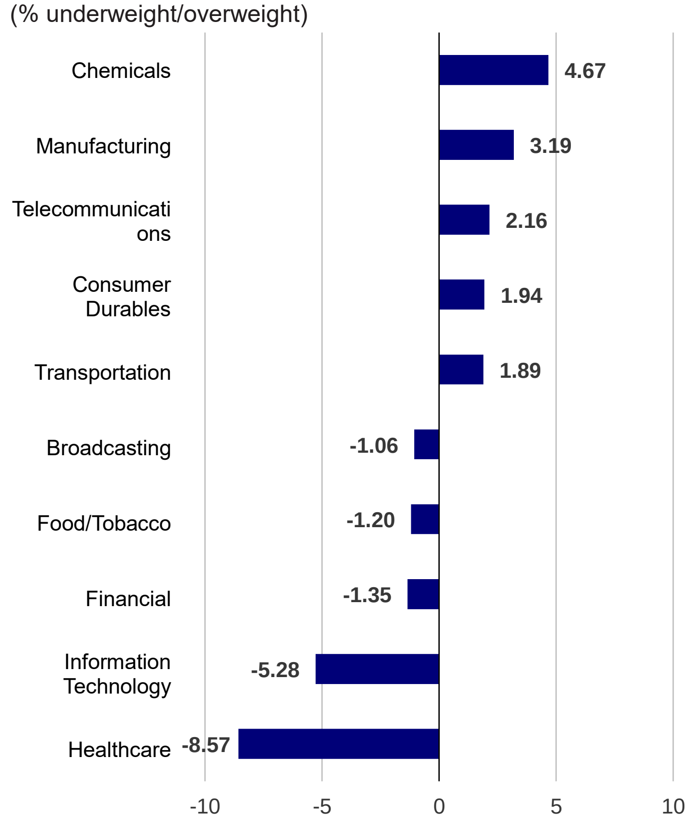
Underweights in financials and technology stem from a lack of what we consider attractive relative value opportunities in each sector. Specific to the financials sector, credit quality is skewed toward the lower end of the credit quality spectrum. Broadly speaking, we have not found the risk-adjusted returns appealing. That said, within each of the sectors we believe there are some opportunities in specific companies with solid business models, modest leverage and attractive sponsors.

Quality breakdown (% total)



The fund's positioning versus Index

(% underweight/overweight)



Portfolio characteristics*

	Fund	Index
Weighted average price	93.05	95.32
Average maturity (years)	4.27	4.13
Weighted average coupon (%)	9.21	9.36
30 day SEC yield (%)	8.89	-
No.of holdings	535	1,632

Performance highlights

The fund's Class A shares at net asset value returned 2.07% for the fourth quarter, underperforming the 2.79% return of the Lipper Loan Participation Funds Classification Average.

During the quarter, the fund's underperformance was primarily driven by holdings of non-benchmark assets. Credit selection (effects of over- and underweights in individual credits relative to the benchmark) also detracted from relative return.

Specific to non-benchmark assets, the fund's holdings of reorganized equities detracted from relative return, while bond holdings added to relative results.

Loan selection within the chemicals, telecommunications and service sectors added the most to relative return. Selection in gaming/leisure, IT and health care had the largest negative effect on relative return.

Contributors to performance

The following issuers were the largest individual contributors to absolute return:

Virgin Media 02 - LG is a quadruple-play provider of broadband internet, television, mobile telephone and fixed line telephone services that offers a variety of entertainment and communications services to residential and commercial customers throughout the UK.

Global Medical Response provides end-to-end transportation and other medical services in the US. Its services primarily span air transportation, ground (ambulance), national emergency response and fire response.

Sigma is a leading global manufacturer of branded margarine/spreading products. The company operates in 69 countries across both developed and emerging markets.

These issuers represent 1.44%, 0.47% and 0.91% of total net assets, respectively.

Detractors from performance

The following issuers were the largest individual detractors from absolute return:

Robertshaw US is a leading manufacturer of gas valves, top burners, thermostats, electronic control panels, water valves and ignition controls that are integral to regulating larger electrical or mechanical equipment such as appliances and HVAC systems.

MLN US is a global provider of business communications and collaboration software, services and solutions focused on the small and medium-sized business (SMB)/small and medium-sized enterprise (SME) markets worldwide, with particular strength in North America and the UK.

Crown Finance ('Cineworld') is a leading global cinema operator.

These issuers represent 1.42%, 0.56% and 0.65% of total net assets, respectively.

Standardized performance (%) as of December 31, 2023

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 05/01/97	NAV	2.07	11.67	11.67	4.97	4.72	3.59	4.10
	Max. Load 2.5%	-0.54	8.89	8.89	4.11	4.18	3.33	4.00
Class R6 shares inception: 09/24/12	NAV	2.00	12.05	12.05	5.26	5.04	3.91	4.19
Class Y shares inception: 10/03/08	NAV	2.14	11.95	11.95	5.23	4.98	3.84	5.04
Credit Suisse Leveraged Loan Index		2.85	13.04	13.04	5.64	5.56	4.44	-
Total return ranking vs. Morningstar Bank Loan category (Class A shares at NAV)		-	-	63% (143 of 238)	33% (72 of 225)	40% (76 of 216)	38% (61 of 177)	-

Expense ratios per the current prospectus: Class A: Net: 1.10%, Total: 1.10%; Class R6: Net: 0.75%, Total: 0.75%; Class Y: Net: 0.85%, Total: 0.85%.

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. Performance shown prior to the inception date of Class R6 shares is that of Class A shares and includes the 12b-1 fees applicable to Class A shares. On April 13, 2006, the fund reorganized from a closed-end fund to an open-end fund. Class A share returns prior to that date are the historical performance of the closed-end fund's Class B and include the management and 12b-1 fees applicable to B shares. Index source: Bloomberg L.P. 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	0.86	-2.85	11.12	3.94	-0.20	7.22	1.53	6.23	-2.49	11.67
Class R6 shares at NAV	1.21	-2.50	11.36	4.30	0.13	7.61	1.88	6.41	-2.18	12.05
Class Y shares at NAV	1.10	-2.61	11.41	4.20	0.04	7.49	1.78	6.50	-2.26	11.95
Credit Suisse Leveraged Loan Index	2.06	-0.38	9.88	4.25	1.14	8.17	2.78	5.40	-1.06	13.04

Unless otherwise specified, all information is as of 12/31/23. Unless stated otherwise, Index refers to Credit Suisse Leveraged Loan Index.

The fund may invest all its assets in securities that are determined to be below investment grade quality.

• Effective August 19, 2020, the Invesco Floating Rate Fund was renamed Invesco Floating Rate ESG Fund. The Fund's strategy has also changed Please see the prospectus for additional information.

The Credit Suisse Leveraged Loan Index represents tradable, senior-secured, U.S.-dollar-denominated non-investment-grade loans. An investment cannot be made directly in an index.

About risk

Risks of collateralized loan obligations include the possibility that the collateral securities' distributions won't be adequate to make interest or other payments, the collateral quality may decline in value or default, the collateralized loan obligations may be subordinate to other classes, values may be volatile, and issuer disputes may produce unexpected investment results.

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.

In general, stock values fluctuate, sometimes widely, in response to activities specific to the company as well as general market, economic and political conditions.

There is a risk that the value of the collateral required on investments in senior secured floating rate loans and debt securities may not be sufficient to cover the amount owed, may be found invalid, may be used to pay other outstanding obligations of the borrower or may be difficult to liquidate.

The risks of investing in securities of foreign issuers 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 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.

Most senior loans are made to corporations with below investment-grade credit ratings and are subject to significant credit, valuation, and liquidity risk. The value of the collateral securing a loan may not be sufficient to cover the amount owed, may be found invalid or may be used to pay other outstanding obligations of the borrower under applicable law. There is also the risk that the collateral may be difficult to liquidate, or that a majority of the collateral may be illiquid.

The Fund uses an Environmental, Social and Governance (ESG) scoring methodology to evaluate securities and may forego some market opportunities available to funds that do not use ESG factors. As a result, the Fund may underperform funds that do not screen or score companies based on ESG factors or that use a different methodology. Information used by the Fund to evaluate ESG factors may not be readily available, complete or accurate, which could negatively impact the Fund's ability to apply its methodology, and in turn its performance. Companies eligible for inclusion in the Fund may not reflect the beliefs or values of certain investors or exhibit positive/favorable ESG factors if different metrics were used to evaluate them.

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. 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 Standard and Poor's rating methodology, please visit www.standardandpoors.com and select 'Understanding Credit Ratings' under 'About Ratings' on the homepage.
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.

*** 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. **Weighted Average Price** is the sum of each holding's price multiplied by its weight.

1. Source: Credit Suisse Leveraged Loan Index, total returns in USD, as of December 31, 2023.
2. Source: Pitchbook LCD as of December 31, 2023.
3. Source: JP Morgan as of December 31, 2023.

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.