Invesco High Yield Fund

Q1 2025

Key takeaways

1 **Policy uncertainty has increased market volatility**

Risk assets were down in the first quarter amid tariff uncertainty. The yield spread between high yield and Treasuries widened. Global growth outlooks generally fell and fear of tariff impacts boosted Treasury performance.

2 **Yields appear attractive**

The yield spread between high-yield bonds and US Treasuries widened by 0.59% during the quarter, but we believe the spreads are justified by a constructive economic outlook, low default rates and healthy balance sheets across most high-yield issuers.

3 **Low bond defaults**

First quarter defaults were concentrated in a few issuers. We believe the high-yield segment should benefit if the economy is buoyed by further interest rate cuts in 2025. Higher inflation expectations, fueled by tariffs and deficit spending, could pressure longer term rates and dampen risk appetites.

Investment objective

The fund seeks total return through growth of capital and current income.

Fund facts

Fund AUM ($M)	1,162.46

Portfolio managers

Niklas Nordenfelt, Philip Susser, Rahim Shad

Manager perspective and outlook

- Global growth was positive in the last quarter of 2024. As the Trump administration started its second term, markets saw heightened volatility that extended through the first quarter. Tariff news caused most economic growth forecasts to be lowered. US inflation was flat for January and February, with a decline in March. Though volatility appears to have negatively affected sentiment, growth forecasts could rise in the second half of 2025 due to potential deregulation, tax policies and greater tariff clarity.
- The US Federal Reserve (Fed) left the federal funds rate unchanged during the quarter and seems to want to hold off on further rate cuts to assess tariff effects. Unemployment data was strong through the quarter, and, despite headlines, the first quarter market correction was orderly. Therefore, it currently seems unlikely the Fed will intervene in the near term.
- The structure of the high-yield market has changed. Compared to its past, the universe has better overall quality and a shorter duration. More than 50% of the market is rated BB, historically 40% was the norm, and 35% is senior secured debt compared to 20% historically. Meanwhile, duration is 2.9 years, which typically had been 4.5 years.
- We have a constructive outlook for high yield due to a slow, but growing economy, strong fundamentals, solid leverage and coverage metrics, and upgrades that have continued to exceed downgrades.

Portfolio characteristics*

	Fund	Index
Effective duration (yrs)	3.17	3.19
Coupon (%)	6.52	6.44
30-day SEC yield (Class A shares)	5.70	-
30-day SEC unsubsidized yield (Class A shares)	5.60	-

Investment categories (%)

	Portfolio	Index
Corporate Bonds	**72.38**	**86.42**
US High Yield Bonds	70.38	86.01
US Investment Grade Bonds	1.99	0.42
Non-US Debt	**17.41**	**13.58**
Non-US High Yield Bonds	14.04	13.03
Non-US Investment Grade Bonds	1.66	0.00
Emerging Market Debt	1.65	0.52
Others	0.05	0.02
Convertible Bonds	**0.00**	**0.00**
Cash & Cash Equivalent	**4.49**	**0.00**
Derivatives & FX	**0.20**	**0.00**
Others	**5.53**	**0.00**

Portfolio positioning

Fixed income returns were positive across most asset classes for the quarter and the Bloomberg US Corporate High Yield 2% Issuer Capped Index returned 1.00%. Defaults/distressed transactions for the quarter included a total of $4.6 billion in bonds and loans (Source: High Yield Bond and Leveraged Loan Market Monitor - Research - J.P. Morgan Markets (jpmorgan.com)). The 12-month trailing par-weighted US high-yield default rate, including distressed exchanges, was 1.20% at quarter end (Source: High Yield Chartbook), down from 1.50% at the end of the fourth quarter. High-yield funds had inflows of $7.6 billion for the quarter, while year-to-date high-yield issuance totaled $66.4 billion (Source: High Yield Bond and Leveraged Loan Market Monitor - Research - J.P. Morgan Markets (jpmorgan.com)).

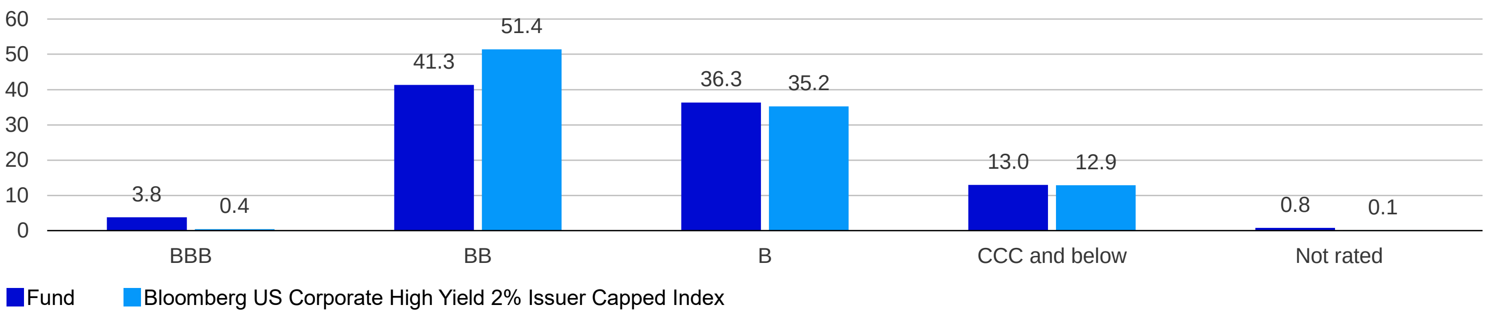
We have been lengthening the fund's duration through active participation in the new issue market. Moderation across macroeconomic factors (economic growth, inflation and monetary policy) has in our view created a favorable backdrop for high-yield credit. A Fed that is open to making more aggressive rate cuts, if necessary, would likely provide a better floor for downside risk. We anticipate continued demand for the asset class as investors appear to seek yield and appreciate the benign default environment. Currently, we intend to buy/add risk on dips in the high-yield market, based on our view that the downside risk profile is below typical levels due to the macroeconomic environment and potentially accommodative Fed.

A soft economic landing is in our view a very favorable backdrop for high-yield credit. Within the fund, we are emphasizing high-quality bonds and keeping exposure to lower-quality bonds similar to that of the index.

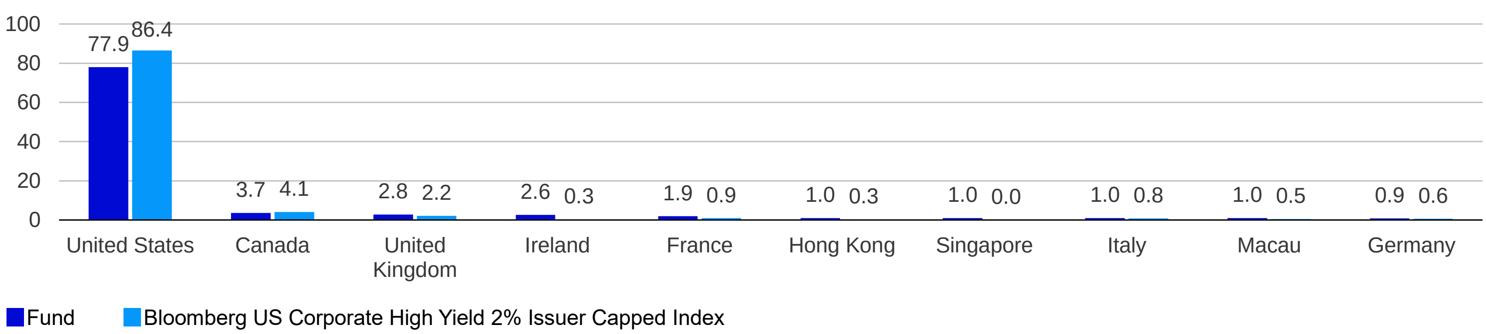
The fund is overweight financials where we can buy subordinated bonds of large, well-capitalized banks at reasonable yields. The incoming US administration's emphasis on deregulation may also support this position. The fund remains underweight in the broadcasting and satellite sectors given shifts in technology, consumption trends and a heightened competitive environment. We maintained the underweight in technology where we find many issuers have been either trading at high valuations or have been exhibiting over-leveraged capital structures. We recently moved the energy position to a relatively even weight compared to the index.

We favor the fund being income-driven in this environment, which in our view has an abundance of well-underwritten high-yield credits and bank loans. We have moved the fund's non-benchmark loan exposure to our internal maximum in an effort to complement the high-yield bond holdings.

Credit quality breakdown (% total)



Top countries (% of total net assets)



Top contributors (bps)

Issuer	Return	Contrib. to return
ISHARES HIGH YIELD CORPORATE BOND	0.00	13.32
DUN & BRADSTREET HOLDINGS INC	686.83	6.82
BAUSCH HEALTH COMPANIES INC	704.74	5.42
VISTRA CORP	244.81	4.53
NEW FORTRESS ENERGY INC	-321.56	4.33

Top detractors (bps)

Issuer	Return	Contrib. to return
VENTURE GLOBAL PARTNERS II LLC	-426.63	-6.65
MATIV HOLDINGS INC	-868.33	-4.68
WALGREENS BOOTS ALLIANCE INC	82.07	-4.64
SAKS GLOBAL ENTERPRISES LLC	-1323.15	-4.12
AVATION PLC	-766.89	-3.61

Performance highlights

Invesco High Yield Fund Class A shares had a positive return for the quarter but underperformed its benchmark.

Contributors to performance

During the quarter, the primary contributors to relative performance included:

Security selection within technology and consumer non-cyclicals

An overweight allocation in financial institutions

Security selection among BB-rated securities

Detractors from performance

During the quarter, the primary detractors from relative performance included:

Security selection within consumer cyclicals and basic industry

An underweight allocation in cable and satellite

Standardized performance (%) as of March 31, 2025

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
Class A shares inception: 07/11/78	NAV	0.48	0.48	6.80	3.85	6.63	3.49	6.93
	Max. Load 4.25%	-3.85	-3.85	2.15	2.33	5.71	3.05	6.83
Class R6 shares inception: 09/24/12	NAV	0.86	0.86	7.21	4.24	7.10	3.91	4.34
Class Y shares inception: 10/03/08	NAV	0.83	0.83	7.07	4.11	6.89	3.73	6.54
Bloomberg US Corporate High Yield 2% Issuer Capped Index		1.00	1.00	7.69	4.98	7.28	5.01	-
Total return ranking vs. Morningstar High Yield Bond category (Class A shares at NAV)		-	-	46% (270 of 623)	75% (412 of 592)	54% (280 of 543)	84% (352 of 429)	-

Expense ratios per the current prospectus: Class A: Net: 1.05%, Total: 1.05%; Class R6: Net: 0.66%, Total: 0.66%; Class Y: Net: 0.80%, Total: 0.80%.

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. 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 (%)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Class A shares at NAV	-3.09	11.28	6.32	-3.30	12.68	3.62	4.15	-9.83	9.89	7.74
Class R6 shares at NAV	-2.67	11.74	6.52	-2.93	13.44	4.04	4.29	-9.26	9.99	8.15
Class Y shares at NAV	-2.82	11.52	6.33	-3.04	12.94	3.88	4.41	-9.56	9.84	8.01
Bloomberg US Corporate High Yield 2% Issuer Capped Index	-4.43	17.13	7.50	-2.08	14.32	7.05	5.26	-11.18	13.44	8.19

Unless otherwise specified, all information is as of 03/31/25. Unless stated otherwise, Index refers to Bloomberg US Corporate High Yield 2% Issuer Capped Index.

The Bloomberg US Corporate High Yield 2% Issuer Cap Index is an unmanaged index that covers U.S. corporate, fixed-rate, non-investment grade debt with at least one year to maturity and $150 million in par outstanding. Index weights for each issuer are capped at 2%. 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 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.

Mortgage- and asset-backed securities are subject to prepayment or call risk, which is the risk that the borrower's payments may be received earlier or later than expected due to changes in prepayment rates on underlying loans. Securities may be prepaid at a price less than the original purchase value.

Municipal securities are subject to the risk that legislative or economic conditions could affect an issuer's ability to make principal and/or interest payments.

Preferred securities may include provisions that permit the issuer to defer or omit distributions for a certain period of time, and reporting the distribution for tax purposes may be required, even though the income may not have been received. Further, preferred securities may lose substantial value due to the omission or deferment of dividend payments.

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; https://ratings.moodys.io/ratings and select 'Understanding 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.
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.

* **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. **Contribution to Return** measures the performance impact from portfolio holdings over a defined time period. It takes into account both weight and performance of the portfolio holdings. Contribution to Return is calculated at security level.

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.