Invesco Corporate Bond Fund

Quarterly Performance Commentary

Nasdaq: A: ACCBX C: ACCEX Y: ACCHX

Investment objective

The fund seeks to provide current income with preservation of capital. Capital appreciation is a secondary objective that is sought only when consistent with the fund's primary investment objective.

Portfolio management

Matthew Brill, Chuck Burge, Michael Hyman, Scott Roberts

Portfolio information

Total Net Assets	$1,529,707,090
Total Number of Holdings	641

Fund characteristics

WAM (years)	14.11
Effective Duration	6.63
Distribution Frequency	Monthly

Investment categories (%)

Government Bonds	
US Treasuries	5.88
Corporate Bonds	
US Investment Grade Bonds	60.30
US High Yield Bonds	9.42
US Dollar Denominated Foreign Debt	
Non-US Investment Grade Bonds	10.01
Non-US High Yield Bonds	3.49
Emerging Markets Debt	6.86
Sovereign Debt	1.86
Non-US Dollar Denominated Foreign Debt	
Convertible Bonds	1.30
Cash	0.89

May not equal 100% due to rounding.

Credit quality breakdown (% total)[1]

Cash	0.89
AAA	5.87
AA	2.73
A	14.23
BBB	58.92
BB	12.66
B	3.72
CCC and below	0.82
Not Rated	0.15

Market overview

- The US credit segment had a robust return for the quarter, its best since the mid-1990s. Though decelerating global growth pushed interest rates lower, which boosted valuations, credit investors clamored for yield and showed less concern about growing risk factors. The Bloomberg Barclays US Credit Index returned 4.87%.
- Global demand for US-based yield escalated as the Fed's paused its 2019 rate hikes.
- The 2-year Treasury yield declined from 2.48% to 2.27%, the 10-year from 2.69% to 2.41% and the 30-year from 3.02% to 2.81%. The yield curve, as measured by the yield differential between 2- and 30-year Treasuries, was unchanged at 0.54 percentage points, despite the notable rally. At quarter end, the yield curve suggested a rate cut on the horizon.
- US investment grade credit outperformed US Treasuries during the quarter. Industrials were the primary driver of outperformance, led by energy, communication and basic materials sub-sectors. Financials also fared well. The utility sector had less of a bounce, given its relative outperformance during the fourth quarter selloff.
- Technical conditions in the corporate segment benefited from slightly less new issue compared to the first quarter of 2018. Nevertheless, bourgeoning demand for corporate credit pushed yield spreads tighter. Compelling yields, near a seven-year high, and reduced interest rate volatility attracted many large institutional buyers, especially from Asia.
- Fundamentals remained supportive, even though concern about BBB-rated bonds persisted. Corporate leverage remained high, but was counterbalanced by free cash flow and interest coverage ratios in key sectors.

Performance highlights

- Invesco Corporate Bond Fund Class A shares at net asset value (NAV) had a positive return for the first quarter, outperforming its benchmark index, the Bloomberg Barclays US Credit Index. (Please see the investment results table on page 2 for fund and index performance.)

Contributors to performance

- Security selection within the banking, energy, consumer cyclical and consumer non-cyclical sub-sectors was the primary contributor to relative results.
- Sector overweights in energy and communication added to relative return.

Detractors from performance

- Yield curve positioning was the primary detractor, due to an underweight in the 7- to 10-year duration bucket.
- Overweights in the consumer non-cyclical and utility sub-sectors detracted from relative return.

Positioning and outlook

- **Growth** – We expect 2.3% US growth for 2019. We anticipate European growth in the low 1% range as political uncertainties are a risk, but the services sector is steady despite industrial weakness. We are watching global trade data for evidence supporting our stabilization view. We see low 6% growth for China in 2019. Data has stabilized and we expect stability but no upside surprises. We expect overall global growth to benefit from stability in China's growth.
- **Inflation** – US core prices may rise a bit in 2019 (ending about 2.3% higher), but we see little evidence of a sharp rise in inflation, although wages may creep up later this year. We expect Europe's core inflation to rise to about 1.3% and its headline inflation (including food and energy) to decline to 1.4% due to lower oil prices. We expect China's inflation to come in at mid-to-low 2%, with oil prices and food supply stabilization possibly pushing it lower. Overall, inflation remains benign, giving central banks flexibility.
- **Policy** – The US Fed's rate increases should remain on hold for the medium term and the end of its balance sheet normalization further eases monetary conditions. We no longer expect the European Central Bank to raise rates in 2019. We also expect China's monetary policy to remain easy over the next few months, but we would grow cautious if financial conditions become too easy. Though only China is outright easing, we expect central banks to lean toward easy monetary policy as they have demonstrated a willingness to combat concerns about growth and inflation.

Investment results

Average annual total returns (%) as of March 31, 2019

	Class A Shares Inception: 09/23/71		Class C Shares Inception: 08/30/93		Class Y Shares Inception: 08/12/05	Style-Specific Index
Period	Max Load 4.25%	NAV	Max CDSC 1.00%	NAV	NAV	Bloomberg Barclays U.S. Credit Index
Inception	6.93	7.03	5.03	5.03	5.29	-
10 Years	6.64	7.10	6.38	6.38	7.41	6.22
5 Years	2.94	3.84	3.12	3.12	4.10	3.61
3 Years	2.88	4.36	3.70	3.70	4.67	3.48
1 Year	-0.59	3.84	2.23	3.22	4.11	4.89
Quarter	1.64	6.12	5.19	6.19	6.33	4.87

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. Visit invesco.com/performance 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, and you may have a gain or a loss when you sell shares. No contingent deferred sales charge (CDSC) will be imposed on redemptions of Class C shares following one year from the date shares were purchased. Performance shown at NAV does not include applicable CDSC or front-end sales charges, which would have reduced the performance. Class Y shares have no sales charge; therefore, performance is at NAV. Performance includes litigation proceeds. Had these proceeds not been received, total return would have been lower. Returns less than one year are cumulative; all others are annualized. Fund performance reflects any applicable fee waivers and/or expense reimbursements. Had the adviser not waived fees and/or reimbursed expenses currently or in the past, returns would have been lower. See current prospectus for more information. Index returns do not reflect any fees, expenses, or sales charges.

Index source: FactSet Research Systems Inc.

Expense ratios	% net	% total
Class A Shares	0.85	0.85
Class C Shares	1.58	1.58
Class Y Shares	0.60	0.60

Per the current prospectus

For more information you can visit us at www.invesco.com/us

1 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. If securities are rated differently by the rating agencies, the higher rating is applied. 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 the rating methodology, please visit www.standardandpoors.com and select 'Understanding Ratings' under Rating Resources on the homepage; www.moodys.com and select 'Rating Methodologies' under Research and Ratings on the homepage; www.fitchratings.com and select 'Ratings Definitions' on the homepage.

Class Y shares are available only to certain investors. See the prospectus for more information.

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.

The Bloomberg Barclays U.S. Credit Index is an unmanaged index considered representative of publicly issued, SEC-registered U.S. corporate and specified foreign debentures and secured notes. An investment cannot be made directly in an index.

Effective duration is a modified duration calculation which incorporates the expected duration-shortening effect of an issuer's embedded call provision. **Weighted average effective maturity (WAM)** 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.

About risk

Convertible securities may be affected by market interest rates, the risk of issuer default, the value of the underlying stock or the issuer's right to buy back the convertible securities.

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.

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.

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.

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

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.