Invesco Core Plus Bond Fund

Quarterly Performance Commentary

Nasdaq: A: ACPSX C: CPCFX Y: CPBYX

Investment objective

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

Portfolio management

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Portfolio information

Total Net Assets	$3,899,024,371
Total Number of Holdings	654

Fund characteristics

Effective Duration	5.61
Distribution Frequency	Monthly

Credit quality breakdown (% total)[1]

Cash	0.53
AAA	42.32
AA	4.52
A	9.69
BBB	29.62
BB	12.97
Not Rated	0.36

Market overview

- US bond returns were quite robust for the quarter as decelerating global growth pushed interest rates lower, which boosted valuations. Despite economic uncertainties and trade disputes, credit investors enthusiastically returned to chasing yield after the dismal fourth quarter. Global demand for US-based yield escalated as the Fed paused its rate hikes for 2019.
- The 2-year Treasury yield fell 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 differential between 2- and 30-Treasuries, was unchanged at 0.54 percentage points, despite the notable rally. At quarter end, the yield curve suggested an interest rate cut on the horizon.
- The yield spread between US investment grade credit and comparable duration US Treasuries narrowed, with the segment significantly outperforming for the quarter. Investors' demand for risk assets was strong, with a bias toward lower rated investment grade and high-yield credits.
- Corporate leverage remained at high levels for this late in the market cycle. The fundamental environment was supportive, highlighted by free cash flow and interest coverage ratios in key sectors. BBB-rated bonds remained under scrutiny but fared well given higher risk appetites. Structured credit outperformed Treasuries during the quarter.
- The commercial mortgage-backed (CMBS) and asset-backed (ABS) securities sectors showed solid collateral quality, but slumping auto activity and subprime lending were growing concerns. The Agency mortgage-backed securities (MBS) sector also performed well, despite the sharp interest rate decline and competition from other sectors.

Performance highlights

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

Contributors to performance

- Security selection in banking, energy and consumer cyclical added significantly to relative return, especially among securities of lower credit quality.
- An underweight in MBS and the fund's coupon positioning also added to relative return

Detractors from performance

- Allocations to Agency residential MBS and US Treasuries dampened relative return.
- A modestly shorter duration than the benchmark and the fund's yield curve positioning also 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 bank policy 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

Period	Class A Shares Inception: 06/03/09 Max Load 4.25%	Class A Shares NAV	Class C Shares Inception: 06/03/09 Max CDSC 1.00%	Class C Shares NAV	Class Y Shares Inception: 06/03/09 NAV	Style-Specific Index Bloomberg Barclays U.S. Aggregate Bond Index
Inception	4.03	4.49	3.71	3.71	4.75	-
5 Years	2.25	3.15	2.38	2.38	3.41	2.74
3 Years	1.45	2.92	2.18	2.18	3.21	2.03
1 Year	-1.37	2.97	1.21	2.20	3.23	4.48
Quarter	-0.27	4.20	3.01	4.01	4.26	2.94

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. 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	0.76	0.84
Class C Shares	1.51	1.59
Class Y Shares	0.51	0.59

Per the current prospectus

Net = Total annual operating expenses less any contractual fee waivers and/or expense reimbursements by the adviser in effect through at least Dec. 31, 2019 and contractual management fee waivers in effect through at least June 30, 2020. See current prospectus for more information.

Investment categories (%)	
Government Bonds	
US Treasuries	16.44
US Agencies	2.28
Corporate Bonds	
US Investment Grade Bonds	25.09
US High Yield Bonds	6.22
Securitized Debt	
US Residential Mortgages	17.97
US CMBS	11.28
US Asset-Backed Securities	3.79
Municipal Bonds	0.02
US Dollar Denominated Foreign Debt	
Non-US Investment Grade Bonds	5.64
Non-US High Yield Bonds	1.92
Emerging Markets Debt	5.59
Sovereign Debt	2.21
Convertible Bonds	1.03
Foreign Currency	0.01
Cash	0.53

May not equal 100% due to rounding.

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 Bloomberg Barclays U.S. Aggregate Bond Index is an unmanaged index considered representative of the US investment-grade, fixed-rate bond market. 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.

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.

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.

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.

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.