

# Invesco Core Plus Bond Fund

## Q1 2025

## Key takeaways

- 1 Potential to lock in yields**

Bond yields, though down from their highs, are still at attractive levels compared to the last 10 years, in our view. Investors can lock in these yields for years to come by investing in high grade bonds before interest rates come down further.
- 2 Picking your spots**

We believe numerous important factors enhance the attractiveness of investment grade credit. We observe that yield spreads between Treasuries and non-Treasury sectors have been tight, which makes our credit underwriting and security selection even more important.
- 3 Beating the crowd**

Investors have amassed large amounts in cash and money markets (Source: St. Louis Fed. Data as of 12/31/24). As US Federal Reserve (Fed) rate cutting resumes and interest rates fall, cash will likely move to risk assets, pushing bond prices up and yields down. Timing a move is hard, but for now, investors are in our view being paid to wait in fixed income.

### Investment objective

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

### Fund facts

Fund AUM (\$M) 5,397.91

### Portfolio managers

Michael Hyman, Chuck Burge,  
Matthew Brill, Todd Schomberg

## Manager perspective and outlook

- Global economic outlooks shifted markedly in the first quarter. Positive outlooks after the November election have been challenged by Trump administration policies on immigration, spending cuts and tariffs, lowering US and global growth forecasts. The velocity of tariff announcements and reversals, along with broader policy uncertainty, has heightened anxiety, provoking market corrections and sell-offs. Dampened business sentiment and weakening consumption are both unfavorable for growth.
- Yields generally fell during the quarter due to mixed economic data and expectations for fewer interest rate cuts in 2025. At February's meeting, the Fed paused rate cutting and held monetary policy steady, citing the possibility that the tariff impact on consumer prices might be "transitory." The Fed's projections, detailed by its dot plot, reflected lower growth expectations and higher expectations for inflation and unemployment.
- Nevertheless, we maintain a constructive outlook for bonds. Potentially slower, though still positive, global growth and uncertainty about aggressive US policy changes generally in our view support bonds globally. The Trump administration has stated its intent to contain government spending and lower bond yields. There is room for yields to decline if economic momentum slows sharply, and bonds should in our view benefit if recession fears grow.



## Portfolio characteristics\*

	Fund	Index
Effective duration (yrs)	6.26	5.83
Coupon (%)	5.00	3.53
30-day SEC yield (Class A shares)	4.16	-
30-day SEC unsubsidized yield (Class A shares)	4.10	-

## Investment categories (%)

	Portfolio	Index
<b>Securitized</b>	<b>57.52</b>	<b>26.95</b>
MBS	40.57	24.99
ABS	10.66	0.46
CMBS	6.29	1.50
<b>Corporate Bonds</b>	<b>28.24</b>	<b>20.65</b>
US Investment Grade Bonds	21.71	20.64
US High Yield Bonds	6.53	0.01
<b>Non-US Debt</b>	<b>13.99</b>	<b>6.49</b>
Non-US Investment Grade Bonds	5.53	3.23
Emerging Market Debt	4.24	1.19
Non-US High Yield Bonds	2.25	0.00
Sovereign Debt	1.97	2.07
<b>Government Bonds</b>	<b>11.56</b>	<b>44.54</b>
US Treasuries	11.56	44.54
<b>Convertible Bonds</b>	<b>0.56</b>	<b>0.00</b>
<b>Municipal Bonds</b>	<b>0.13</b>	<b>0.69</b>
<b>Derivatives &amp; FX</b>	<b>0.03</b>	<b>0.00</b>
<b>Others</b>	<b>0.76</b>	<b>0.68</b>

## Portfolio positioning

Although we still favored investment grade corporates, we decreased the fund's overweight during the quarter because we believe near-term uncertainty warrants a more neutral allocation. Yield spreads between Treasuries and investment grade credit have widened, breaking out of the decade-high tightness of 2024 due to the elevated risk environment. Despite recent widening of yield spreads, the credit quality of the US Investment Grade Credit Index has further improved, and overall duration has decreased from highs in 2021. Based on the segment's health, we believe investment grade corporates remain attractive on a risk-adjusted basis. In our view, corporate fundamentals remain firm, the yield backdrop appears attractive, and a lower average dollar price of bonds across the index presents discounted buying opportunities, potentially enhancing downside mitigation for bondholders.

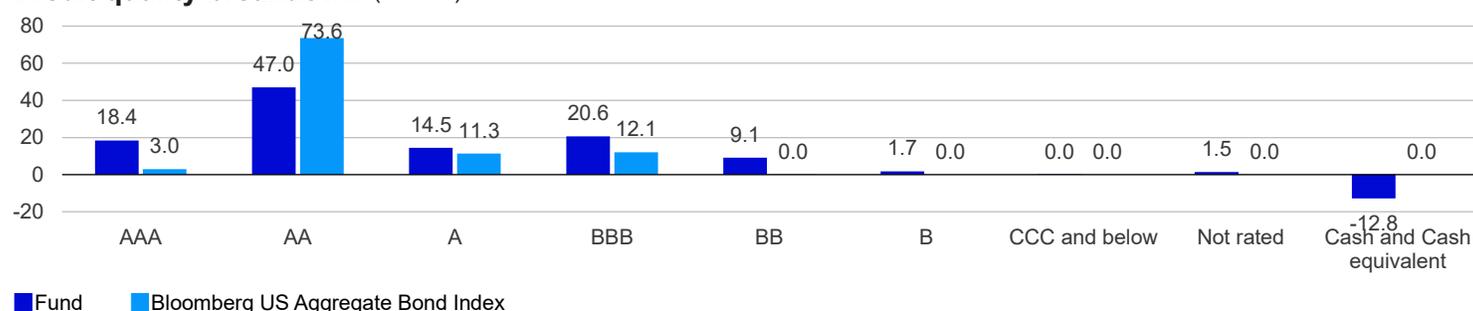
Additionally, we believe investment grade corporates should perform well in our base case of an economic soft landing or in a recession scenario. In a soft landing, interest rates would come down more slowly and investors would continue to earn higher yields for longer. In a recession, the Fed would likely cut rates faster thus accelerating bond returns via duration exposure. We also believe the credit market seems "under-invested," with significant cash on the sidelines or in money markets as investors remain cautious amid elevated policy risk. As policy becomes clearer, we believe cash could flow into bond markets, boosting demand and providing a technical tailwind for credit assets.

Within the investment grade corporate segment, we maintain an overweight in financials, particularly in the banking sector. When yield spreads in the banking and financial sector are compared to both industrial credits and the broader US investment grade credit segment, we see that spreads remain wider than their long-term median level. Despite relative performance this quarter, we still believe banking and finance remain attractively valued, with fundamentals still improving.

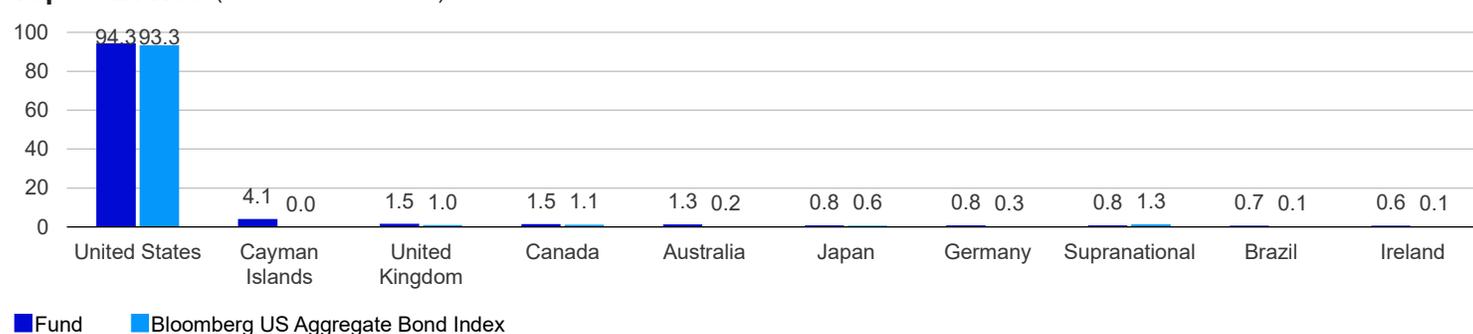
As the quarter began, we increased overweights in high-yield corporate and emerging market debt, which are not in the benchmark, based on a more supportive economic environment. However, as the outlook appeared to dim and volatility increased, we trimmed this exposure.

We kept the fund's duration fairly neutral compared to the benchmark, lengthening it due to potential slowing of US growth and as a hedge to credit risk.

## Credit quality breakdown (% total)



## Top countries (% of total net assets)



## Top contributors (bps)

Issuer	Return	Contrib. to return
JPMORGAN CHASE & CO	312.12	0.70
FOUNDRY JV HOLDCO LLC	507.09	0.59
TRUST FIBRA UNO	368.61	0.58
RIO TINTO FINANCE (USA) PLC	141.49	0.51
RAISING CANES RESTAURANTS LLC	188.11	0.47

## Top detractors (bps)

Issuer	Return	Contrib. to return
SFA ISSUER LLC	-1288.78	-3.31
CITIGROUP INC	84.44	-2.35
GOLDMAN SACHS GROUP INC/THE	167.31	-1.87
SAN DIEGO GAS & ELECTRIC CO	-159.20	-1.56
HORIZON MUTUAL HOLDINGS INC	115.97	-1.32

## Performance highlights

Invesco Core Plus Bond Fund Class A shares at net asset value (NAV) had a positive return for the quarter but underperformed its benchmark, the Bloomberg US Aggregate Bond Index.

### Contributors to performance

**Security selection:** The fund benefited from security selection in the consumer non-cyclical and communications sub-sectors.

**Sector allocation:** Overweights in mortgage-backed security (MBS) pass-throughs and

commercial mortgage-backed securities (CMBS) positively affected relative performance.

### Detractors from performance

**Security selection:** Security selection within the banking sub-sector negatively affected relative return.

**Sector allocation:** Overweights within the consumer cyclical sub-sector negatively affected relative results.

## Standardized performance (%) as of March 31, 2025

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
Class A shares inception: 06/03/09	NAV	2.26	2.26	5.17	0.81	1.29	1.97	3.45
	Max. Load 4.25%	-2.03	-2.03	0.67	-0.62	0.41	1.53	3.17
Class R6 shares inception: 09/24/12	NAV	2.34	2.34	5.48	1.11	1.60	2.29	2.68
Class Y shares inception: 06/03/09	NAV	2.22	2.22	5.32	1.04	1.55	2.23	3.71
Bloomberg US Aggregate Bond Index		2.78	2.78	4.88	0.52	-0.40	1.46	-
Total return ranking vs. Morningstar Intermediate Core-Plus Bond category (Class A shares at NAV)		-	-	54% (295 of 574)	53% (235 of 533)	31% (140 of 481)	37% (109 of 346)	-

Expense ratios per the current prospectus: Class A\*\*: Net: 0.76%, Total: 0.85%; Class R6: Net: 0.47%, Total: 0.48%; Class Y\*\*: Net: 0.51%, Total: 0.60%.

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. Visit [invesco.com](http://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.

## Performance highlights (cont'd)

### Calendar year total returns (%)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Class A shares at NAV	0.28	5.02	5.01	-2.71	11.27	9.57	-0.59	-14.68	6.07	3.25
Class R6 shares at NAV	0.61	5.40	5.33	-2.32	11.50	10.01	-0.36	-14.44	6.39	3.54
Class Y shares at NAV	0.53	5.28	5.37	-2.46	11.54	9.84	-0.34	-14.44	6.34	3.51
Bloomberg US Aggregate Bond Index	0.55	2.65	3.54	0.01	8.72	7.51	-1.54	-13.01	5.53	1.25

\*\* Net = Total annual operating expenses less any contractual fee waivers and/or expense reimbursements by the adviser in effect through at least Dec 31, 2025 and contractual management fee waivers in effect through at least Jun 30, 2026.

Unless otherwise specified, all information is as of 03/31/25. Unless stated otherwise, Index refers to Bloomberg US Aggregate Bond Index.

The Bloomberg 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.

### 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, including emerging markets, can include fluctuations in foreign currencies, political and economic instability, and foreign taxation issues. Developing markets may especially be volatile.

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 investment techniques and risk analysis used by the portfolio managers may not produce the desired results.

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.

Obligations issued by US Government agencies and instrumentalities may receive varying levels of support from the government, which could affect the fund's ability to recover should they default.

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](http://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](http://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

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**Before investing, consider the Fund's investment objectives, risks, charges and expenses. Visit [invesco.com/fundprospectus](http://invesco.com/fundprospectus) for a prospectus/summary prospectus containing this information. Read it carefully before investing.**