Invesco Floating Rate Fund

Quarterly Performance Commentary

Nasdaq: A: AFRAX C: AFRCX Y: AFRYX

Investment objective

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

Portfolio management

Thomas Ewald, Scott Baskind, Phillip Yarrow

Portfolio information

Total Net Assets	$2,257,941,712
Weighted Average Price	96.78
Weighted Average Time to Reset (days)	40.98
Total Number of Holdings	795

Top holdings	% of total net assets
Fieldwood Energy LLC	2.06
CSC Holdings, LLC	2.05
Vistra Operations Company LLC	1.83
Transdigm Inc.	1.71
Sprint Communications Inc.	1.55
Asurion, LLC (fka Asurion Corporation)	1.48
First Data Corporation	1.35
Berry Global, Inc	1.35
Numericable-SFR S.A.	1.35
Calpine Corporation	1.33

Investment categories (%)	
Senior Secured Loans	85.88
Corporate Debt	7.91
Domestic Common Stock	1.66
Structured Products	0.60
Preferred Securities	0.04
Warrants	0.18
Senior Unsecured Loans	0.33
Int'l Common Stock	0.29
Cash and Cash equivalents	3.12

May not equal 100% due to rounding.

Market overview

- Risk assets rode a rollercoaster through the second quarter, as varying economic data, trade conflicts and a shift in central bank policy stances affected returns. Loans performed in line with broader market sentiment, albeit with more muted results, gaining 1.58% for the second quarter and bringing the year-to-date return to 5.42%. So far in 2019, the asset class has delivered its best first half performance since 2009.[2]
- Loans underperformed high-yield bonds (2.53%)[3] and high grade corporates (4.32%)[4] during the quarter. A narrow focus on interest rate expectations – rather than the full spectrum of characteristics that define the loan asset class – has driven a reallocation of capital from senior secured risk to unsecured risk even though investors are not receiving incremental yield for moving down in quality. As a result, loans now offer equivalent yields to bonds despite being ranked higher in the capital structure.
- Through the first half of 2019, new issue loan supply was generally light due to a dearth of merger and acquisition activity and easier financing conditions in the bond market. Overall, second quarter issuance net of refinancings/repricings was $49.7 billion, down 45% from last year.[5] From a demand standpoint, retail accounts continued to withdraw assets, while collateralized loan obligation (CLO) issuance remained steady and was able to absorb the supply that came to market.
- Fundamentals for loans remained favorable. Quarter-over-quarter, the US economy grew 3.1% in the first quarter, although growth is expected to slow in the second quarter as the effect of 2018 fiscal stimulus fades and trade tensions weigh on investment. Against this backdrop, the Federal Reserve's shift toward more accommodative monetary policy should help maintain the economic momentum that has powered consistent earnings improvement for US corporations. Year-over-year EBITDA (earnings before interest, tax, depreciation and amortization) growth for loan issuers was solid in the first quarter at 3%,[6] which suggests companies' debt service burdens should remain manageable and bodes well for a prolonged low default rate.

Performance highlights

- The fund's Class A shares at net asset value returned 1.35% for the second quarter of 2019, outperforming the 1.31% return of the Lipper Loan Participation Funds Classification Average.

Contributors to performance

- The largest contributor to relative return was credit selection.
- Industry sector weightings also added to relative return.
- Among issuers, the top three contributors to relative return were **Monitronics, Dell International** and **CSC Holdings** (0.41%, 0.96% and 1.97% of total net assets, respectively.)

Detractors from performance

- Overall, the fund's equity positions detracted from relative return.
- Among issuers, **Seadrill, Transocean** and **Ascena Retail** were the largest detractors from relative return (0.62%, 0.14% and 0.20% of total net assets, respectively).
- Positioning in the health care sector detracted.

Positioning and outlook

- The unpredictable ebb and flow of trade tensions has disrupted global business investment and industrial production, prompting central banks to revert to monetary easing. The resulting reflexive preference for fixed rates over floating rates undervalues two critical return drivers: i) the relatively high absolute coupon rates, which are composed of LIBOR plus a credit spread and ii) the advantageous position loans have within the capital structure, which mitigates risk of credit loss. Both features have historically contributed to loans' lower price volatility relative to other credit sectors. Even as interest rates decline, loans' overall coupon typically remains favorable relative to other fixed income asset classes. The income provided by loans also tends to be relatively stable when rates decline (typically during periods of economic weakness) as this often coincides with the widening of yield spreads to compensate investors for perceived increases in risk. This dynamic works to stabilize the level of coupon income regardless of the interest rate environment.

Investment results

Average annual total returns (%) as of June 30, 2019

	Class A Shares Inception: 05/01/97		Class C Shares Inception: 03/31/00		Class Y Shares Inception: 10/03/08	Style-Specific Index
Period	Max Load 2.50%	NAV	Max CDSC 1.00%	NAV	NAV	Credit Suisse Leveraged Loan Index
Inception	3.98	4.10	3.61	3.61	5.35	-
10 Years	5.48	5.74	5.22	5.22	6.00	6.29
5 Years	2.60	3.11	2.62	2.62	3.39	3.85
3 Years	4.19	5.09	4.62	4.62	5.40	5.43
1 Year	0.59	3.12	1.61	2.60	3.37	4.15
Quarter	-1.18	1.35	0.22	1.22	1.41	1.58

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. On April 13, 2006, the fund reorganized from a closed-end fund to an open-end fund. Class A and C share returns prior to that date are the historical performance of the closed-end fund's Class B and C shares, respectively, and include the management and 12b-1 fees applicable to B and C shares. 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: Bloomberg L.P.

30-day SEC yields

Class A Shares	4.14
Class C Shares	3.75
Class Y Shares	4.50

Had fees not been waived and/or expenses reimbursed, the SEC yields would have been 4.13% for Class A shares, 3.74% for Class C shares and 4.49% for Class Y shares.

Expense ratios

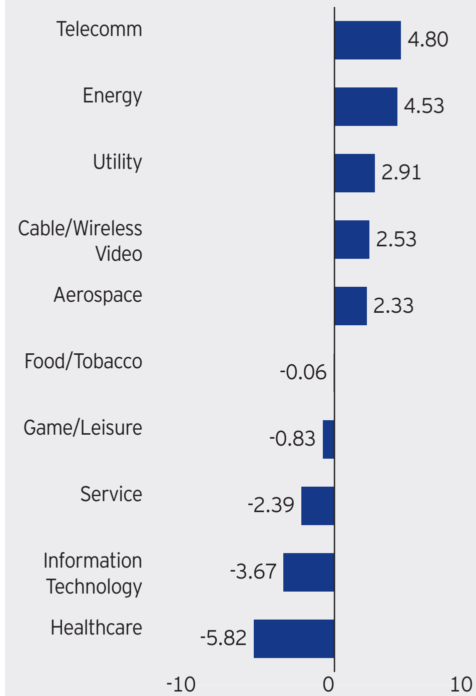
	% net	% total
Class A Shares	1.08	1.09
Class C Shares	1.58	1.59
Class Y Shares	0.83	0.84

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 June 30, 2020. See current prospectus for more information.

The fund's positioning versus the Credit Suisse Leveraged Loan Index

(% underweight/overweight)



Portfolio composition

	(% of total net assets)[1]
AA	0.16
A	0.15
BBB	8.87
BB	31.53
B	43.51
CCC	4.59
CC	0.43
D	0.08
Not Rated	8.45
Equity	2.25

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

1 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 Ratings' under Rating Resources on the homepage.
2 Credit Suisse Leveraged Loan Index, total returns in USD, as of June. 30, 2018.
3 BAML High Grade Corporate Index, total returns in USD, as of June 30, 2019.
4 BAML High Yields Bond Index, total returns in USD, as of June 30, 2019.
5 JP Morgan, as of June 30, 2019.
6 S&P/LTSA as of June 30, 2019. Class Y shares are available only to certain investors. See the prospectus for more information.

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

Duration is a measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years. As interest rates rise, the price of bonds fall, conversely as interest rates fall bond prices rise.

Correlation indicates the degree to which two investments have historically moved in the same direction and magnitude.

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.

Weighted average time to reset is the amount of time required for the base interest rate (usually LIBOR) of all loans in the portfolio to reset or adjust to a new base interest rate. **Weighted average price** is the average of prices of all loan and bond holdings in the portfolio weighted by par value.

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.

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.

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.

Leverage created from borrowing or certain types of transactions or instruments may impair the fund's liquidity, cause it to liquidate positions at an unfavorable time or lose more than it invested, increase volatility or otherwise not achieve its intended objective.

An issuer's ability to prepay principal on a loan or debt security prior to maturity can limit the fund's potential gains. Prepayments may require the fund to replace the loan or debt security with a lower yielding security, adversely affecting the fund's yield.

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.