Invesco Strategic Real Return Fund

Quarterly Performance Commentary

Nasdaq: A: SRRAX C: SRRCX Y: SRRYX

LIPPER FUND AWARDS FROM REFINITIV

2019 WINNER
UNITED STATES

Class Y shares (SRRYX): Best among 48 Inflation-Protected Bond Funds for the 3-year period ending 11/30/18 based on risk-adjusted performance.

Investment objective

The fund seeks to mitigate the effects of unanticipated inflation and to provide current income.

Portfolio management

Thomas Ewald, Scott Roberts, Brian Schneider, Robert Young

Portfolio information

Total Net Assets	$45,551,904
Total Number of Holdings	337

Fund characteristics

WAM (years)	7.05
Effective Duration	4.42
Distribution Frequency	Monthly

Investment categories (%)

US Treasury TIPS	45.53
Senior Secured Loans	30.74
High Yield Corps	17.65
Investment Grade Corps	1.67
Emerging Markets	1.44
Convertibles	2.53
Cash Securities	0.44

May not equal 100% due to rounding.

Credit quality breakdown (% total)[1]

Cash	0.44
AAA	45.53
A	0.06
BBB	4.96
BB	16.59
B	26.82
CCC	4.02
CC	0.11
D	0.08
Not Rated	1.39

Market overview

- The first quarter of 2019 saw positive total returns across most global asset classes. Global bond market returns were positive, amid subdued expectations for economic growth, inflation and the likelihood of central banks raising interest rates. The Bloomberg Barclays US Aggregate Bond Index returned 2.20%.
- US Treasury Inflation-Protected Securities (TIPS) rose for the quarter, with the ICE BofA Merrill Lynch US Inflation-Linked Treasury Index gaining 3.36%. For the quarter, TIPS outperformed their nominal US Treasury bond counterparts on a maturity-matched basis. During the quarter, inflation expectations increased as real yields on TIPS decreased more than nominal yields on Treasuries, causing breakevens to increase. The difference between yields on maturity-matched nominal Treasuries and TIPS is a measure of inflation expectations, also known as breakeven inflation (the amount of inflation needed for TIPS to break even with nominal Treasuries).
- Bank loans, as represented by the S&P/LTSA Leveraged Loan Index, gained 3.96% for the quarter, marking the sector's best quarterly performance in nine years and reversing its fourth quarter losses.
- The high-yield market, as represented by Bloomberg Barclays US Corporate High Yield 2% Issuer Cap Index, gained 7.26% in the first quarter. Overall, credit fundamentals remained resilient in the US and Europe given the supportive macroeconomic environment.

Performance highlights

- The fund's Class A shares at net asset value (NAV) had a return of 4.57%, slightly underperforming the custom benchmark, which returned 4.69% for the quarter. (Please see the investment results table on page 2 for fund and index performance.)

Contributors to performance

- The fund's allocation to convertibles, which are not represented in the index, was the largest contributor to relative return.
- The fund's modest overweight in TIPS also added to relative return.

Detractors from performance

- The fund's underweight in the high-yield sector detracted from relative performance.

Positioning and outlook

- The annual inflation rate continued to decline in the first quarter of 2019, but monthly inflation rates showed signs of a pickup, mainly driven by rising energy prices. The US Federal Reserve paused its interest rate hikes and, at its March meeting, reiterated a commitment to patience as it awaits evidence of persistent inflation. Though we see no signs of a significant upsurge in inflation, we expect it to gradually increase over the course of 2019 and believe global growth will stabilize as China eases its monetary policy in order to stimulate the country's economy.
- Loan market fundamentals remain favorable. Despite changes in interest rate expectations, bank loans still appear attractive given their high yields, relatively high coupon levels and defensive positioning at the top of the capital structure.
- We believe a generally positive macroeconomic backdrop, solid fundamentals and lack of supply should support the high-yield credit market through the first half of 2019. However, these positives could be offset by market volatility if geopolitical concerns resurface.

Investment results

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

Period	Class A Shares Inception: 04/30/14 Max Load 2.50%	Class A Shares NAV	Class C Shares Inception: 04/30/14 Max CDSC 1.00%	Class C Shares NAV	Class Y Shares Inception: 04/30/14 NAV	Style-Specific Index Custom Invesco Strategic Real Return Index
Inception	1.87	2.41	1.63	1.63	2.66	-
3 Years	2.93	3.79	3.02	3.02	4.05	4.66
1 Year	0.46	3.09	1.33	2.32	3.34	3.62
Quarter	1.89	4.45	3.26	4.26	4.52	4.57

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 sources: Invesco, Bloomberg L.P., FactSet Research Systems Inc., S&P Dow Jones Indices LLC

Expense ratios	% net	% total
Class A Shares	0.82	1.88
Class C Shares	1.57	2.63
Class Y Shares	0.57	1.63

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.

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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.

Asset allocation/diversification does not guarantee a profit or eliminate the risk of loss.

The Custom Invesco Strategic Real Return Index consists of 45% The ICE BofA Merrill Lynch US Inflation-Linked Treasury Index, 30% S&P/LSTA Leveraged Loan Total Return Index and 25% The ICE BofA Merrill Lynch US High Yield Constrained Index. An investment cannot be made directly in an index.

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The ICE BofA Merrill Lynch US High Yield Constrained Index is a modified market capitalization–weighted index of US dollar denominated below investment grade corporate debt publicly issued in the US domestic market. Qualifying securities must have a below investment grade rating (based on an average of Moody's, S–P and Fitch). The country of risk of qualifying issuers must be an FX-G10 member, a Western European nation, or a territory of the US or a Western European nation. The FX-G10 includes all Euro members, the US, Japan, the UK, Canada, Australia, New Zealand, Switzerland, Norway and Sweden. In addition, qualifying securities must have at least one year remaining to final maturity, a fixed coupon schedule and at least $100 million in outstanding face value. Defaulted securities are excluded. The index contains all securities of The ICE BofA Merrill Lynch US High Yield Index but caps issuer exposure at 2%. An investment cannot be made directly in an index.

The S&P LSTA Leveraged Index is a broad index designed to reflect the performance of US dollar facilities in the leverage loan market. An investment cannot be made directly in an index.

The ICE BofA Merrill Lynch US Inflation-Linked Treasury Index is an unmanaged index composed of U.S. Treasury Inflation Protected Securities with at least $1 billion in outstanding face value and a remaining term to final maturity of greater than one year. An investment cannot be made directly in an index.

The Credit Suisse Leveraged Loan Index represents tradable, senior-secured, US-dollar-denominated, noninvestment-grade loans. An investment cannot be made directly in an index.

The Bloomberg Barclays US 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. **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. **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.

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, 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.

The risk that the value of an inflation-indexed security (such as TIPS) tends to decrease when real interest rates increase and increase when real interest rates decrease. Interest payments on inflation-indexed securities will vary along with changes in the Consumer Price Index.

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

The TIPS Portfolio's use of a representative sampling approach will result in its holding a smaller number of bonds than are in the Underlying Index. As a result, an adverse development respecting an issuer of bonds held by the TIPS Portfolio could result in a greater decline in NAV than would be the case if the Fund held all of the bonds in the Underlying Index. To the extent the assets in the TIPS Portfolio are smaller, these risks will be greater.

Short sales may cause an investor to repurchase a security at a higher price, causing a loss. As there is no limit on how much the price of the security can increase, exposure to potential loss is unlimited.

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.