



# Invesco High Yield Fund

## Quarterly Performance Commentary

Nasdaq: A: AMHYX C: AHYCX Investor: HYINX Y: AHHYX

### Investment objective

The fund seeks total return through growth of capital and current income.

### Portfolio management

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### Portfolio information

Total Net Assets	\$1,148,856,324
Total Number of Holdings	314

### Fund characteristics

WAM (years)	4.13
Effective Duration	3.22

### Investment categories (%)

U.S. Corporate Bonds	77.20
Foreign Corporate Bonds	19.50
Cash	3.30

May not equal 100% due to rounding.

### Credit quality breakdown (% total)<sup>1</sup>

Cash	3.30
BBB	2.00
BB	31.90
B	46.00
CCC and below	16.20
Not Rated	0.70

### Market overview

- In the second quarter of 2019, the high-yield market continued to perform well as the Federal Reserve pivoted toward easier monetary policy, trade tensions between the US and China calmed, and corporate earnings were solid.
- The high-yield market, as represented by Bloomberg Barclays US Corporate High Yield 2% Issuer Cap Index, returned 2.5% in the second quarter.
- Most sectors posted positive returns, led by cable & satellite (4.7%) and retail (4.3%). By rating, the highest quality issuers had the strongest return.
- During the second quarter, there were six defaults in the high-yield market, amounting to \$7.7 billion. The trailing 12-month default rate ended the quarter at 1.5%, which is well below its historic average of about 3.0%. High-yield mutual fund flows reversed course with \$600 million in outflows during the second quarter following \$13 billion of inflows in the first three months of 2019. The new issue market recorded \$75 billion in new deals, which was about the same as the first quarter.

### Performance highlights

- Invesco High Yield Fund Class A shares at net asset value (NAV) posted a return of 1.9% for the second quarter of 2019, compared to its benchmark index, which returned 2.5%. (Please see the investment results table on page 2 for fund and index performance.)

### Contributors to performance

- During the quarter, the fund's underweight in the oil field services sector aided relative performance.
- Security selection in the midstream and environmental sectors positively affected relative results as the fund's holdings outperformed those in the index.
- In terms of individual issuers, **Weatherford International**, **EP Energy** and **GFL Environmental** added to relative performance (0.00%, 0.21% and 0.94% of total net assets, respectively).

### Detractors from performance

- During the quarter, the largest allocation-related detractor was the fund's underweight in the finance company sector.
- Security selection in the health care and oil field services sectors detracted from relative results as the fund's holdings underperformed those in the benchmark.
- In terms of individual issuers, holdings in **Sesi**, **PetsMart** and **Rayonier AM Products** (0.29%, 0.00% and 0.47% of total net assets, respectively) detracted.

### Positioning and outlook

- During the quarter, the high-yield market's robust rally appeared at risk of stalling as trade talks weighed on the macro environment. However, signs of a potential near-term resolution of the US/China trade conflict following the G20 economic meeting reignited confidence in risk assets, including high-yield bonds.
- Volatility tied to trade talks spurred cautious earnings guidance from many companies. However, the Federal Reserve has telegraphed to the market its willingness to step in when necessary to support economic growth, which could drive further tightening of yield spreads between Treasury and non-Treasury securities. With this in mind, we expect defaults to remain low through 2020. In our view, the main risk for the market continues to be slowing global growth. A US growth deceleration that settles into the 2% range should still be sufficient to preserve the favorable fundamental backdrop the high-yield market has been experiencing. An added benefit of slower growth is that management teams tend to focus more on their balance sheets, which is positive for creditors. Additional concerns include the risk of a Fed policy error and China's growth-related challenges.
- At the sector level, we expect to see positive catalysts for the wireless, and cable and satellite companies as they benefit from the rollout of 5G cellular networks. We also favor certain energy companies with low to moderately leveraged balance sheets coupled with strong assets.

Investment results						
Average annual total returns (%) as of June 30, 2019						
	Class A Shares		Class C Shares		Investor Class Shares	Class Y Shares
	Inception: 07/11/78		Inception: 08/04/97		Inception: 09/30/03	Inception: 10/03/08
Period	Max Load 4.25%	NAV	Max CDSC 1.00%	NAV	NAV	NAV
Inception	7.36	7.47	3.47	3.47	6.80	8.26
10 Years	7.57	8.03	7.20	7.20	8.02	8.29
5 Years	2.25	3.13	2.35	2.35	3.12	3.39
3 Years	4.17	5.69	4.91	4.91	5.73	5.87
1 Year	1.72	6.23	4.45	5.45	6.27	6.50
Quarter	-2.43	1.88	0.70	1.70	1.89	1.95

Expense ratios	% net	% total
Class A Shares	1.17	1.17
Class C Shares	1.92	1.92
Investor Class Shares	1.17	1.17
Class Y Shares	0.92	0.92

Per the current prospectus

Style-Specific Index  
Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Cap Index

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. Visit [invesco.com/performance](http://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. The Investor Class shares have no sales charge; therefore, performance is at NAV. 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: Lipper, Inc.

#### For more information you can visit us at [www.invesco.com/us](http://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](http://www.standardandpoors.com) and select 'Understanding Ratings' under Rating Resources on the homepage.

Class Y shares and Investor Class 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. Corporate High Yield 2% Issuer Cap Index is an unmanaged index that covers U.S. corporate, fixed-rate, non-investment grade debt with at least one year to maturity and \$150 million in par outstanding. Index weights for each issuer are capped at 2%. 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.

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## 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 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.

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NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

***Before investing, investors should carefully read the prospectus and/or summary prospectus and carefully consider the investment objectives, risks, charges and expenses. For this and more complete information about the fund(s), investors should ask their advisors for a prospectus/summary prospectus or visit [invesco.com/fundprospectus](https://www.invesco.com/fundprospectus).***

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. Advisors, please contact your home office.

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. Holdings are subject to change and are not buy/sell recommendations.

All data provided by Invesco unless otherwise noted.