

# Invesco Corporate Bond Fund

## Q2 2024

## Key takeaways

- 1 Potential to lock in yields**

Bond yields, while down from their highs, in our view, are still at attractive levels compared to the last 10 years. 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 overweights in cash and money markets (Source: St. Louis Fed. Data as of 12/31/23). When the US Federal Reserve (Fed) cuts interest rates, we believe a “wall of cash” will likely move to risk assets, pushing bond prices up and yields down. Timing a move is hard, but for now, in our view, investors are being paid to wait in fixed income.

### Investment objective

The fund seeks to provide current income with preservation of capital. Capital appreciation is a secondary objective that is sought only when consistent with the fund's primary investment objective.

### Fund facts

Fund AUM (\$M)	3,485.52
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### Portfolio managers

Michael Hyman, Chuck Burge, Matthew Brill, Niklas Nordenfelt, Todd Schomberg

## Manager perspective and outlook

- Fixed income performance was mixed in the second quarter. Some major government bond indexes posted losses, while some major high-yield indexes posted gains. The 10-year US Treasury yield remained volatile, swinging up and down in a wide range over the course of the quarter. These yield moves have been still largely driven by the market's changing expectations for Fed monetary policy.
- Inflation remained sticky throughout the quarter. Global economies appear to be at different stages of taming inflation, with central banks responding to respective economic conditions in the timing of their interest rate cuts. The Fed left interest rates unchanged. However, upcoming months will likely be a time of significant divergence among the world's central banks, with potential for rate cuts in the second half of the year.
- The yield spread between investment grade bonds and Treasuries moved tighter and may narrow further as supply/demand balance appears positive. Measured rate cuts by global central banks are likely to create a favorable environment for credit and should, we believe, bolster demand for investment grade bonds. Tension between industrial credits, whose valuations appear rich to us, and financials, whose valuations appear cheap to us, remained in place even after a rally in the investment grade sector and the broader bond market late in the quarter.



## Portfolio characteristics\*

	Fund	Index
Effective duration (yrs)	6.86	6.60
Coupon (%)	5.72	4.18
30-day SEC yield (Class A shares)	4.90	-
30-day SEC unsubsidized yields (Class A shares)	4.90	-

## Investment categories (%)

	Portfolio	Index
<b>Corporate Bonds</b>	<b>70.40</b>	<b>73.62</b>
US Investment Grade Bonds	60.97	73.57
US High Yield Bonds	9.43	0.05
<b>Non-US Debt</b>	<b>21.69</b>	<b>23.80</b>
Non-US Investment Grade Bonds	12.95	11.77
Emerging Market Debt	4.21	4.12
Non-US High Yield Bonds	2.93	0.00
Sovereign Debt	1.60	7.91
<b>Government Bonds</b>	<b>3.01</b>	<b>0.00</b>
US Treasuries	3.01	0.00
<b>Securitized</b>	<b>2.03</b>	<b>0.00</b>
ABS	2.03	0.00
<b>Convertible Bonds</b>	<b>0.49</b>	<b>0.00</b>
<b>Municipal Bonds</b>	<b>0.10</b>	<b>2.58</b>
<b>Cash &amp; Cash Equivalent</b>	<b>1.35</b>	<b>0.00</b>
<b>Derivatives &amp; FX</b>	<b>0.04</b>	<b>0.00</b>
<b>Others</b>	<b>0.89</b>	<b>0.00</b>

## Portfolio positioning

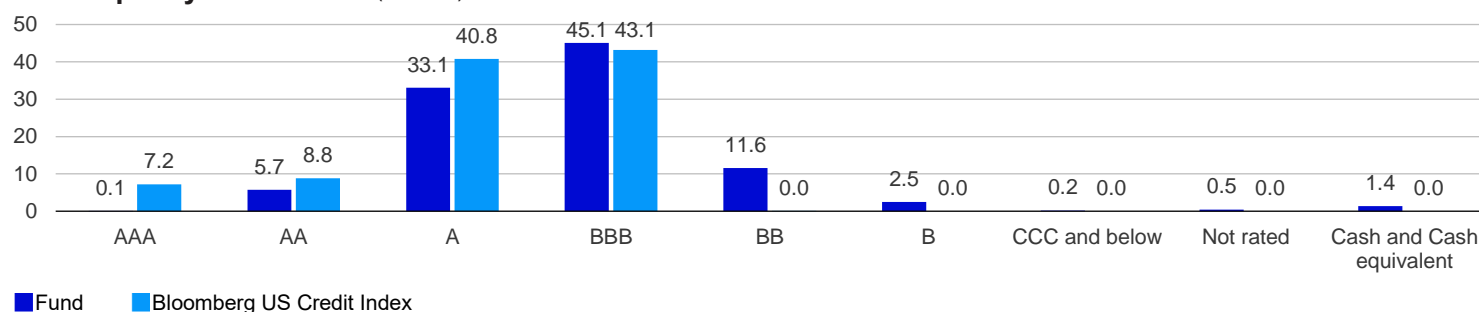
During the quarter, we maintained the fund's overweight in investment grade corporates. Yield spreads between Treasuries and investment grade credits remained tight in our view. However, based on key nuances, we believe the asset class remains attractive on a risk-adjusted basis: Strong corporate fundamentals anchor US investment grade credits, the yield backdrop appears attractive, and a lower average dollar price of bonds across the index presents discounted buying opportunities, enhancing downside risk mitigation for bondholders.

Additionally, we believe investment grade corporates should perform well in either a soft landing or recession scenario. In a soft landing, interest rates would come down more slowly and bond investors would continue to earn high yields for longer. In a recession, the Fed is likely to cut rates faster thus accelerating bond returns via duration exposure. Plus, investment grade bonds should outperform growth-sensitive assets like equities in a recession scenario. We also believe the credit market seems "under-invested," with significant cash on the sidelines or in money markets. As investors turn positive, we believe entrance of this cash into the market will boost demand, providing a technical tailwind for credit assets over coming quarters

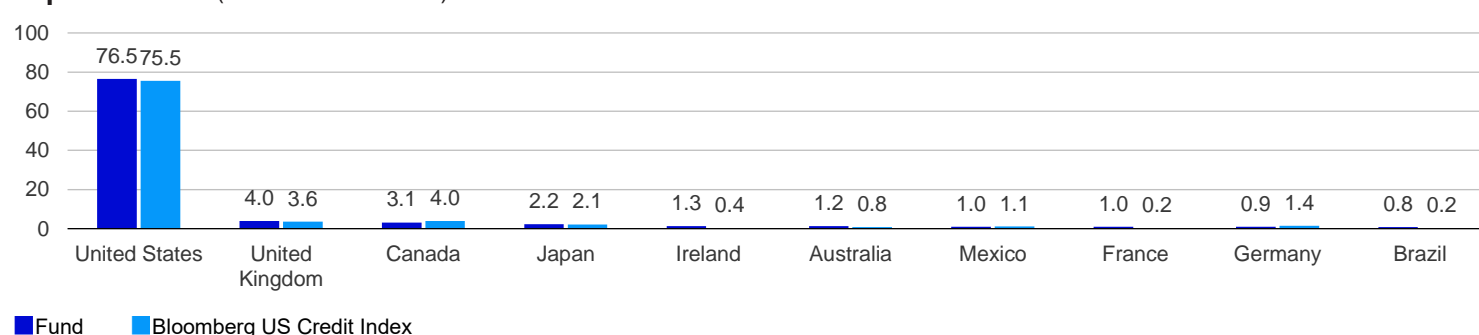
Within the investment grade corporate segment, we maintained an overweight in financials, particularly in the banking sector. We maintained an overweight in high-yield corporates and decreased the overweight in emerging market debt, favoring reduced risk exposure due to potential downside, particularly at the macroeconomic level.

We kept the fund's duration neutral compared to the benchmark, extending duration due to the anticipation of interest rate cuts in the near future and given the supportive economic backdrop.

## Credit quality breakdown (% total)



## Top countries (% of total net assets)



## Top contributors (bps)

Issuer	Return	Contrib. to return
BRANDYWINE OPERATING PARTNERSHIP L	547.17	2.10
PANAMA INFRASTRUCTURE RECEIVABLE P	849.94	1.87
NGPL PIPECO LLC	495.48	1.49
MAG MUTUAL HOLDING COMPANY	227.16	1.06
VISTRA CORP	198.95	1.06

## Top detractors (bps)

Issuer	Return	Contrib. to return
OFFICE PROPERTIES INCOME TRUST	-1278.27	-2.10
COCA-COLA CO	69.33	-1.62
NGL ENERGY PARTNERS LP	143.12	-1.04
SOCIETE GENERALE SA	-366.79	-0.94
DIAMONDBACK ENERGY INC	-161.85	-0.54

## Performance highlights

Invesco Corporate Bond Fund Class A shares at net asset value (NAV) had a positive return for the quarter and outperformed its benchmark, the Bloomberg US Credit Index.

### Contributors to performance

**Security selection:** The fund benefited from security selection in the energy and insurance sub-sectors.

**Sector allocation:** Underweights in the technology and consumer non-cyclical sub-sectors positively affected relative performance.

**Securitized assets:** An overweight in securitized assets, particularly asset-backed

securities (ABS), positively affected relative performance.

### Detractors from performance

**Security selection:** Security selection in the communications sub-sector detracted from relative performance.

**Treasuries:** An overweight in Treasuries negatively affected relative performance.

**Government-related assets:** An underweight in government-related assets, particularly supranational bonds, negatively affected relative performance.

## Standardized performance (%) as of June 30, 2024

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 09/23/71	NAV	0.12	0.40	5.73	-3.44	1.09	2.55	6.50
	<b>Max. Load 4.25%</b>	-4.18	-3.88	1.26	-4.83	0.21	2.10	6.41
Class R6 shares inception: 09/24/12	NAV	0.22	0.59	6.30	-3.05	1.49	2.97	3.35
Class Y shares inception: 08/12/05	NAV	0.19	0.37	5.99	-3.23	1.32	2.79	4.38
Bloomberg US Credit Index		-0.05	-0.46	4.42	-2.94	0.54	2.21	-
Total return ranking vs. Morningstar Corporate Bond category (Class A shares at NAV)		-	-	24% (42 of 191)	80% (126 of 179)	23% (31 of 161)	16% (19 of 99)	-

Expense ratios per the current prospectus: Class A: Net: 0.75%, Total: 0.75%; Class R6: Net: 0.37%, Total: 0.37%; Class Y: Net: 0.50%, Total: 0.50%.

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. Visit [invesco.com](https://www.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. Performance includes litigation proceeds. Had these proceeds not been received, total return would have been lower. 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 (%)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Class A shares at NAV	8.00	-1.62	8.05	7.26	-4.15	15.76	11.41	0.31	-16.73	7.89
Class R6 shares at NAV	8.32	-1.19	8.66	7.85	-3.87	16.30	11.81	0.69	-16.48	8.46
Class Y shares at NAV	8.26	-1.37	8.46	7.51	-4.02	16.19	11.66	0.56	-16.60	8.32
Bloomberg US Credit Index	7.53	-0.77	5.63	6.18	-2.11	13.80	9.35	-1.08	-15.26	8.18

Unless otherwise specified, all information is as of 06/30/24. Unless stated otherwise, Index refers to Bloomberg US Credit Index.

The Bloomberg Barclays U.S. Credit Index is an unmanaged index considered representative of publicly issued, SEC-registered U.S. corporate and specified foreign debentures and secured notes. An investment cannot be made directly in an index.

#### About risk

The fund may invest in privately issued securities, including 144A securities which are restricted (i.e. not publicly traded). The liquidity market for Rule 144A securities may vary, as a result, delay or difficulty in selling such securities may result in a loss to the fund.

Convertible securities may be affected by market interest rates, the risk of issuer default, the value of the underlying stock, or the issuer's right to buy back the convertible securities.

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.

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.

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.

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 and select 'Understanding Credit Ratings' under Rating Resources 'About Ratings' on the homepage; www.ratings.moody's.com and select 'Rating Methodologies' under Research and Ratings on the homepage; 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](https://www.invesco.com/fundprospectus) for a prospectus/summary prospectus containing this information. Read it carefully before investing.**