Invesco Short Term Bond Fund

Quarterly Performance Commentary

Mutual Fund Retail Share Classes
Data as of Sept. 30, 2022

Investment objective

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

Portfolio management

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Fund facts

Total Net Assets	$2,435,993,483
Total Number of Holdings	778

Fund characteristics

Effective Duration	2.07
WAM (years)	3.82

Investment categories (%)

Government Bonds	
US Treasuries	0.20
Corporate Bonds	
US Investment Grade Bonds	47.22
US High Yield Bonds	4.62
Securitized Debt	
US Residential Mortgages	12.89
US CMBS	6.54
US Asset-Backed Securities	9.09
Municipal Bonds	0.42
US Dollar Denominated Foreign Debt	
Non-US Investment Grade Bonds	13.83
Non-US High Yield Bonds	0.65
Emerging Markets Debt	3.54
Sovereign Debt	0.16
Other	0.01
Cash	0.83

May not equal 100% due to rounding.

Credit quality breakdown (% total)[1]

Cash	0.83
AAA	24.20
AA	5.12
A	20.87
BBB	42.14
BB	6.41
B	0.30
CCC and below	0.07
Not Rated	0.07

Market overview

+ US bonds, as measured by the Bloomberg US Aggregate Bond Index, had a negative return for the third quarter.
+ Changes in US interest rates and inflation risk significantly affected fixed income valuations during the quarter. Yields on 2-year and 10-year Treasuries rose from 2.92% to 4.22% and from 2.98% to 3.83%, respectively. The yield curve, as measured by the yield differential between 2- and 10-year Treasuries, inverted during the quarter as short-term rates were higher than long-term rates.
+ The asset-backed securities (ABS) sector outperformed duration-matched Treasuries for the quarter, while commercial mortgage-backed (CMBS) and Agency residential mortgage-backed (RMBS) securities sectors underperformed for the quarter.

Positioning and outlook

Our short-term outlook for bond markets is cautiously optimistic:

+ The macroeconomic backdrop of tightening financial conditions, interest rate volatility and slowing economic growth is negative for credit asset classes. However, valuations and yields for credit assets have improved. Corporate credit issuance is relatively low because companies have no need to refinance debt into a weak market, which signals the strength of corporate balance sheets.
+ The Federal Reserve is expected to continue its rapid tightening of monetary policy in an effort to control inflation and slow the economy. The Fed's projected target for the federal funds rate at the end of 2022 has increased to 4.25-4.5%, up from June's expectation of 3.4%. Additionally, the Fed continues to shrink its balance sheet. Overall, the Fed's policy going forward will largely dictate how significant and long-lasting an economic downturn will be.
+ Geopolitical and economic tensions continue to bubble in Eastern Europe. If Russia cuts off energy to Europe, we would anticipate higher inflation, weaker growth and less monetary tightening globally. If tensions with Russia ease, that could lead to decreased inflation, higher growth and more aggressive monetary tightening.
+ In terms of positioning, the fund remains overweight in investment grade issues, based on valuations and a supportive technical environment (supply/demand balance). In the high-yield segment, the fund is positioned mainly in higher quality issues with potential for ratings upgrades, though the slowing economy will likely limit upgrade opportunities. In emerging market debt, the fund is focused on US dollar-denominated issuers. The fund remains underweight in Agency mortgages due to concerns about how the Fed's unwinding of its balance sheet may reduce demand. We have kept the fund's duration neutral relative to its benchmark due to interest rate volatility.

Performance highlights

+ Invesco Short Term Bond Fund Class A shares at net asset value (NAV) declined for the quarter but outperformed its benchmark, the Bloomberg US Govt/Credit 1-3Yr Index. (Please see the investment results table on page 2 for fund and index performance).

Contributors to performance

+ The fund benefited from security selection in the banking and consumer cyclical sub-sectors.
+ An overweight in securitized assets such as ABS and CMBS positively affected relative performance.

Detractors from performance

+ Security selection in the REITs and insurance sub-sectors detracted from relative performance.
+ A shorter duration than the benchmark, particularly within the 0 to 3-year maturity segment, detracted from relative performance.

Expense ratios	% net	% total
Class A Shares	0.62	0.62
Class C Shares	0.97	1.12
Class Y Shares	0.47	0.47

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, 2023. See current prospectus for more information.

Investment results

Average annual total returns (%) as of Sept. 30, 2022

	Class A Shares		Class C Shares	Class Y Shares	Style-Specific Index
	Inception: 04/30/04		Inception: 08/30/02	Inception: 10/03/08	
Period	**Max Load 2.50%**	**NAV**	**NAV**	**NAV**	**Bloomberg 1-3 Year Government / Credit Index**
Inception	1.45	1.59	1.59	1.73	-
10 Years	0.74	0.99	0.72	1.14	0.81
5 Years	-0.07	0.44	0.08	0.59	0.70
3 Years	-1.72	-0.89	-1.24	-0.73	-0.41
1 Year	-9.17	-6.85	-7.17	-6.71	-5.07
Quarter	-3.72	-1.21	-1.30	-1.30	-1.48

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. Performance shown at NAV does not include applicable contingent deferred sales charges (CDSC) or front-end sales charges, which would have reduced the performance. Class C shares are sold without initial sales charge and are not subject to a CDSC; however, they are subject to other fees and expenses described in the fund prospectus. Because Class C shares have no sales charge; 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: FactSet Research Systems Inc.

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

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.
The Bloomberg Barclays 1-3 Year Government/Credit Index is an unmanaged index that is considered representative of performance of short-term U.S. corporate bonds and U.S. government bonds with maturities from one to three years. 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.

About risk

Risks of collateralized loan obligations include the possibility that the collateral securities' distributions won't be adequate to make interest or other payments, the collateral quality may decline in value or default, the collateralized loan obligations may be subordinate to other classes, values may be volatile, and issuer disputes may produce unexpected investment results.

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, 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.

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

The fund invests in financial instruments that use the London Interbank Offered Rate (''LIBOR'') as a reference or benchmark rate for variable interest rate calculations. LIBOR will be phased out by the end of 2021, and it's anticipated that LIBOR will cease to be published after that time. To assist with the transition, US dollar LIBOR rates will continue to be published until June 2023. There is uncertainty on the effects of the LIBOR transition process, therefore any impact of the LIBOR transition on the fund or its investments cannot yet be determined. There is no assurance an alternative rate will be similar to, produce the same value or economic equivalence or instruments using the rate will have the same volume or liquidity as LIBOR. Any effects of LIBOR transition and the adoption of alternative rates could result in losses to the fund.

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.

Municipal securities have the risk that legislative or economic conditions could affect an issuer's ability to make principal and/or interest payments.

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.