Invesco Short Term Bond Fund

Quarterly Performance Commentary

Mutual Fund Retail Share Classes
Data as of June 30, 2020

Invesco

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	$2,949,325,763
Total Number of Holdings	961

Fund characteristics

WAM (years)	2.98
Effective Duration	1.97

Investment categories (%)

Government Bonds	
US Treasuries	5.60
Corporate Bonds	
US Investment Grade Bonds	43.47
US High Yield Bonds	5.71
Securitized Debt	
US Residential Mortgages	9.19
US CMBS	4.39
US Asset-Backed Securities	13.09
US Dollar Denominated Foreign Debt	
Non-US Investment Grade Bonds	8.37
Non-US High Yield Bonds	0.44
Emerging Markets Debt	4.08
Sovereign Debt	1.05
Other	0.16
Cash	4.45

May not equal 100% due to rounding.

Credit quality breakdown (% total)[1]

Cash	4.45
AAA	21.42
AA	3.76
A	18.43
BBB	44.83
BB	5.96
B	0.98
CCC	0.22
Not Rated	-0.04

Market overview

+ US short duration bonds, as measured by the Bloomberg Barclays 1-3 Year Government/Credit Index, had a positive return for the second quarter as investors migrated to the safety of high quality fixed income assets in an effort to thwart the COVID-19 virus' financial impacts. Bonds rebounded for most of the quarter, bolstered by improving economic data and Federal Reserve support, but optimism faded as states began to reopen following COVID-19 restrictions.
+ The Fed committed to keep interest rates low until at least 2022, but anticipates lasting negative implications for the US labor market. The Fed also released details of its Secondary Market Corporate Credit Facility (SMCCF) plan, which included the largest sectors and issuers in its custom corporate bond index.
+ On the fiscal front, a $3 trillion coronavirus relief bill passed by the House of Representatives met Senate resistance, leaving the next aid package unlikely to be finalized until July or August.
+ US interest rate moves boosted fixed income valuations during the quarter. The 2-year Treasury yield fell from 0.23% to 0.16%.
+ Fed interest rate cuts and purchase programs sparked the largest credit rally since the trough of the 2008 global financial crisis. Credit issuance rose sharply from March to May. The investment grade segment alone produced $834 billion in new issuance amid an attractive funding environment with fewer lender safeguards and covenants. Market demand for credit rose, largely due to central bank action and government stimulus, as well as improving economic signals.
+ The asset-backed (ABS) and commercial mortgage-backed (CMBS) sectors outperformed duration-matched Treasuries. Agency mortgage-backed (MBS) securities slightly outperformed as the Fed's purchase program for Agency MBS stoked investor demand and thus supported valuations.

Positioning and outlook

+ Medical outcomes suggest a bearish outlook, with emerging market and US infections not fully controlled and evidence of a second US wave. Economic outcomes have largely tracked to the Invesco fixed income team's base case scenario as policymakers have been willing to reopen economies while infections are not fully under control. That said, rising infections may slow the growth recovery, adding uncertainty, particularly in the US.
+ US inflation is likely to decline sharply in the near term. In Europe, we expect headline inflation to fall to 0.2 and core inflation to 0.8% due to reduced demand. In China, higher inflation in late 2019 and slowing economic growth are expected to gradually drive down headline CPI through 2020.
+ Capital markets have tracked to the bullish side, buoyed by substantial fiscal and monetary policy response. We expect central banks to maintain easy monetary policy; however, we think the bulk of their easing has already occurred. The Fed will keep policy easy for the foreseeable future and support liquidity when needed. The European Central Bank is expected to maintain its quantitative easing program until the end of 2021. Several European countries have provided fiscal stimulus in the order of 2-4% of GDP, as well as large loan guarantees. Conversely, recent comments from the People's Bank of China seem to indicate a possible pause in its monetary easing.

Performance highlights

+ Invesco Short Term Bond Fund Class A shares at net asset value (NAV) had a positive return for the second quarter and outperformed its benchmark, the Bloomberg Barclays 1-3 Year Government/Credit Index. (Please see the investment results table on page 2 for fund and index performance).

Contributors to performance

+ Allocations to investment grade and short duration high-yield corporate debt aided relative return.
+ Security selection within the consumer cyclicals, basic industry and technology sectors added to relative return.

Detractors from performance

+ Security selection within the consumer non-cyclicals, communications and transportation sectors detracted from relative return.
+ Overweights in consumer non-cyclicals, basic industry and financial institutions dampened results.

Expense ratios	% net	% total
Class A Shares	0.65	0.65
Class C Shares	1.00	1.15
Class Y Shares	0.50	0.50

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, 2021. See current prospectus for more information.

Investment results

Average annual total returns (%) as of June 30, 2020

	Class A Shares		Class C Shares	Class Y Shares	
	Inception: 04/30/04		Inception: 08/30/02	Inception: 10/03/08	Style-Specific Index
Period	**Max Load 2.50%**	**NAV**	**NAV**	**NAV**	**Bloomberg Barclays 1-3 Year Government / Credit Index**
Inception	1.93	2.09	2.02	2.42	-
10 Years	1.78	2.04	1.70	2.21	1.63
5 Years	1.67	2.18	1.85	2.36	2.11
3 Years	1.51	2.36	2.08	2.56	2.87
1 Year	0.00	2.56	2.31	2.84	4.20
Quarter	2.17	4.77	4.92	4.93	1.17

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

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.

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.