Invesco Conservative Income Fund

Quarterly Performance Commentary

Mutual Fund Retail Share Classes
Data as of Sept. 30, 2019

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.

Portfolio management

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Fund facts

Total Net Assets	$2,577,102,278
Total Number of Holdings	243

Fund characteristics

Effective Duration	0.48
Spread Duration	0.95
Weighted Average Effective Life (years)	1.01

Credit quality breakdown (% total)[1]

A-1+ or A-1	15.57
A-2 or A3	15.59
AAA	14.20
AA	22.52
A	28.48
BBB	3.65

Market overview

+ The ultra-short maturity portion of the US bond market had a positive return as yields fell during the quarter. The ICE BofAML US Treasury Bill Index returned 0.56% for the quarter.
+ Falling US interest rates drove valuations as the 2-year Treasury yield fell from 1.75% to 1.63%. The market has priced in multiple rate cuts, which may hamper valuations going forward. At quarter end, the yield curve was nearly completely inverted with short-term yields near the 2.00% upper target of the federal funds rate.
+ US credit had a strong return for the quarter. Though decelerating global growth pushed interest rates lower, boosting valuations, credit investors clamored for yield and showed less concern about rising risk factors.
+ The yield spread between US investment grade credit and comparable duration US Treasuries narrowed, with the segment slightly outperforming for the quarter. Technical conditions benefited from slightly less new issuance than the third quarter of last year, while bourgeoning demand for corporate credit tightened yield spreads between corporates and Treasuries.
+ Structured credit outperformed on a relative basis for the quarter. The asset-backed (ABS) and commercial mortgage-backed securities (CMBS) sectors outperformed due to the fervor for yield, as these sectors are less affected by declining global growth given US underlying collateral.

Positioning and outlook

+ Growth in Europe and China has been disappointing. More recently, the European Union services sector has softened. US consumer data has also been disappointing. We expect downside momentum to continue. Though we see little evidence for a recession, we believe trade, political and consumer uncertainty will weigh on data in the near term. In Europe, where data have been weakest, many risks remain (Brexit, Italy and auto-tariffs). We expect US growth over the next three to six months will trend closer to potential GDP (1.5%), which would bring 2019 GDP to 2%. If tariffs are not delayed, we could see 1% GDP in the first quarter of 2020.
+ Tariffs have pushed core CPI inflation higher and softening demand is not likely to lower near-term inflation. Therefore, our call for 2019 inflation is around 2.5% and trending lower in 2020. The Fed will likely maintain its focus on inflation expectations rather than the transitory pick-up in inflation. We expect core European inflation to rise to around 1.3% and headline inflation (including food and energy) to decline to 1.2% due to lower oil prices. Overall, excluding tariffs, inflationary pressures will likely remain range bound but expect continued noise in the data.
+ Central banks have largely delivered what markets have expected, though the effectiveness of their easing is still in question (particularly in Europe where many risks loom). As US growth disappoints, we expect two more rate cuts in 2019, particularly if trade uncertainty persists and consumer sentiment weakens further. The bond market is currently pricing in three more Fed rate cuts in total, which is reasonable given slowing growth and inflation expectations.

Performance highlights

+ Invesco Conservative Income Fund Institutional shares at net asset value (NAV) returned 0.62% for the third quarter and outperformed its benchmark, the ICE BofAML US Treasury Bill Index.

Contributors to performance

+ The fund's allocation to investment grade corporate fixed income, particularly an emphasis on the insurance and consumer non-cyclical sub-sectors, added to results. Smaller positions in energy and financial companies compared to other sectors were also beneficial.
+ The fund's longer duration in investment grade corporates added to results as 1- to 3-year Treasury yields fell.

Detractors from performance

+ Within corporate fixed income, emphasis on the capital goods and communications subsectors detracted. Smaller positions in electric and consumer cyclical compared to other sectors were disadvantageous.
+ Among asset-backed securities, weightings in auto-backed debt negatively affected results.

Expense ratios	% net	% total
Class A Shares	0.40	0.47
Class I Shares	0.30	0.36

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 April 30, 2020. See current prospectus for more information.

Investment categories (%)	
Commercial Paper	22.00
Corporate Bonds	56.00
Asset-Backed Securities	11.90
Repurchase Agreements	6.80
Government Bonds	1.00
Treasury Bills	0.80
Certified Deposits	1.90
Cash	-0.40

May not equal 100% due to rounding.

Investment results

Average annual total returns (%) as of Sept. 30, 2019

	Class A Shares	Class I Shares	
	Inception: 04/02/18	Inception: 07/01/14	Style-Specific Index
Period	**NAV**	**NAV**	**ICE BofAML U.S. Treasury Bill Index**
Inception	1.33	1.44	-
5 Years	1.39	1.49	1.00
3 Years	1.90	2.01	1.54
1 Year	2.82	2.92	2.46
Quarter	0.59	0.62	0.56

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. 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.

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.
Effective duration is a modified duration calculation which incorporates the expected duration-shortening effect of an issuer's embedded call provision.

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.

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.