Invesco Conservative Income Fund

Quarterly Performance Commentary

Mutual Fund Retail Share Classes
Data as of Dec. 31, 2022

Invesco

Investment objective

The fund seeks to provide capital preservation and current income while maintaining liquidity. The fund seeks to achieve its investment objective by investing in a diversified portfolio of short duration, investment grade money market and fixed income securities.

Portfolio management

Laurie F. Brignac, Joseph Madrid, Marques Mercier

Fund facts

Total Net Assets	$2,712,719,410
Total Number of Holdings	224
Nasdaq	R6: ICIRX A: ICIVX Y: ICIYX Inst: ICIFX

Fund characteristics

Effective Duration (years)	0.46
Spread Duration (years)	0.58
Weighted average life (WAL) (years)	0.60

Credit quality breakdown (% total)[1]

A-1+ or A-1	24.00
A-2 or A-3	17.10
AAA	9.50
AA	12.90
A	29.50
BBB	7.00

Market overview

+ The ultra-short maturity portion of the US bond market had positive results in the fourth quarter, ending 2022 on a favorable note as US employment remained strong and inflation, while still elevated, retreated from its second quarter peak. The Headline Consumer Price Index (CPI) rose by 7.1% year over year in November, down from 9.2% in June. The Russia-Ukraine war continued to cause hardship in the region while adding to inflationary pressures and weighing on global economic activity. Developed market central banks continued to raise policy rates in the fourth quarter.
+ The Federal Open Market Committee raised the federal funds rate by 0.75% at its November meeting and another 0.50% at the December meeting, for a total fourth quarter increase of 1.25%, leaving the target range at 4.25% to 4.50%. The US Treasury curve remained inverted during the fourth quarter, as measured by the yield differential between 2- and 10-year Treasuries. The yield on the benchmark 3-month Treasury bill rose from 3.27% at the end of the third quarter to 4.37% at the end of the fourth quarter, while the 2-year Treasury ended the quarter at 4.43.%, and the 10-year at 3.88%. The Federal Reserve continued to trim its holdings of Treasury securities and Agency mortgage-backed securities (MBS) according to the plan it laid out in May.
+ The ICE BofAML US Treasury Bill Index returned 0.86% for the quarter. Its yield rose from 3.14% to 4.24% as short-term yields climbed faster than long-term yields during the quarter.
+ The final quarter of 2022 offered a reprieve for global fixed income, with major asset categories posting positive returns following challenges in the first three quarters of the year. Several indexes across global fixed income posted positive performance, including investment grade corporate and high-yield bond.
+ Yield spreads between 1–3-year US corporate credit and Treasuries narrowed during the quarter, with the most movement occurring in October and November.
+ Yield spreads for higher quality commercial mortgage-backed (CMBS), residential mortgage-backed (RMBS) and asset-backed (ABS) securities tightened during the fourth quarter as the more positive tone across fixed income markets spilled into structured assets. Lower new issuance and reduced mutual fund outflows resulted in healthier technical conditions (supply/demand balance) for many of the fund's assets.

Positioning and outlook

+ We expect economic data to remain largely positive with the peak in inflation likely behind us. Although we are mindful of macroeconomic risks on the horizon, we believe shorter term rates will decline, somewhat correcting from previous highs caused by overly negative sentiment. The market is currently pricing in a 100% probability for 0.25% rate hike at the next FOMC meeting on February 1st, with a probability of just under 40% for a 0.50% hike. We believe it is prudent to monitor developments related to the US debt ceiling due to potential effects on Treasury supply and rates.
+ In terms of fund positioning, we maintain a high-quality focus, with allocations concentrated in money market securities and higher quality credit securities, including investment grade corporates and structured credit, due to attractive valuations and opportunities for enhanced yield.

Performance highlights

+ Invesco Conservative Income Fund Institutional shares at net asset value (NAV) returned 0.99% for the fourth quarter and outperformed its benchmark, the ICE BofAML US Treasury Bill Index.

Contributors to performance

+ Investment grade credit holdings had the largest positive effect on return relative to the benchmark. Both duration and sector/security selection added to relative results.
+ In terms of sector/security selection, investment grade securities issued by financial institutions were the largest positive contributor to active excess relative return, followed by investment grade industrials.

Detractors from performance

+ The fund's exposure to asset-backed securities was the largest detractor from relative return.

Expense ratios	% net	% total
Class A Shares	0.40	0.44
Class Y Shares	0.30	0.34
Class R6 Shares	0.29	0.29
Class Institutional Shares	0.27	0.27

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 Dec. 31, 2023. See current prospectus for more information.

Investment categories (%)	
Corporate Bonds	50.11
Commercial Paper	30.69
Asset-Backed Securities	8.72
Certified Deposits	5.52
Repurchase Agreements	4.24
Government Bonds	0.71
Cash	0.01

May not equal 100% due to rounding.

Investment results

Average annual total returns (%) as of Dec. 31, 2022

	Class A Shares Inception: 04/02/18	Class Y Shares Inception: 12/10/19	Class Institutional Shares Inception: 07/01/14	Class R6 Shares Inception: 05/15/20	Style-Specific Index
Period	**NAV**	**NAV**	**NAV**	**NAV**	**ICE BofA U.S. Treasury Bill Index**
Inception	1.08	1.18	1.19	1.21	-
5 Years	1.30	1.39	1.40	1.44	1.27
3 Years	0.56	0.64	0.66	0.72	0.71
1 Year	0.32	0.42	0.35	0.43	1.33
Quarter	1.06	0.99	0.99	0.99	0.86

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. Class A shares, Class Y shares, and Institutional Class shares have no sales charges; therefore, performance is at NAV. Invesco Conservative Income Fund Class A incepted on 04/02/18 and Class Y incepted on 12/10/19. Performance shown prior to that date is that of Invesco Conservative Income Fund Institutional Class, restated to reflect the higher 12b-1 fees applicable to Invesco Conservative Income Fund Class A.

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 profitability of businesses in the financial services sector depends on the availability and cost of money and may fluctuate significantly in response to changes in government regulation, interest rates and general economic conditions. These businesses often operate with substantial financial leverage.

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.

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.