

Invesco Conservative Income Fund

Quarterly Performance Commentary

Mutual Fund Retail Share Classes
Data as of June 30, 2024



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

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Fund facts

Total Net Assets	\$1,788,918,159
Total Number of Holdings	189
Nasdaq	R6: ICIRX A: ICIVX Y: ICIXX Inst: ICIFX

Fund characteristics

Effective Duration (years)	0.58
Spread Duration (years)	1.06
Weighted average life (WAL) (years)	1.22

Credit quality breakdown (% total)¹

A-1+ or A-1	9.96
A-2 or A-3	12.93
AAA	16.50
AA	21.06
A	30.37
BBB	9.18

Market overview

- + The Federal Open Market Committee (FOMC) kept the federal funds rate unchanged as measures of employment and inflation pointed to some cooling of the US economy. Data for US Continuing Jobless Claims have shown some moderation, and the latest data for the core Personal Consumption Expenditures Price Index showed that inflation has declined and inched closer to the US Federal Reserve's (Fed) 2% target.
- + At quarter end, bond market participants were expecting a 0.25% cut in the federal funds rate at the November FOMC meeting and an approximately 80% chance of another 0.25% cut at the December meeting. According to the FOMC's latest Summary of Economic Projections (known commonly as the Fed's "dot plot"), Fed projections of appropriate target levels for the federal funds rate in 2024 and 2025 have shifted higher, showing that the Fed expects smaller rate cuts than are currently priced into bond markets.
- + Treasury yields on the longer end of the yield curve rose in response to resilience in economic data and reassessment of the potential path of Fed monetary policy. This decreased the yield curve's inversion for a second straight quarter, as short-term rates were little changed. The yield on the 3-month US Treasury bill was 5.36% at quarter end, virtually unchanged from the previous quarter.
- + Meanwhile, the two-year Treasury yield rose to 4.75% from 4.62% and the 10-year Treasury yield rose to 4.40% from 4.20%.
- + The yield spread between one- to three-year US investment grade corporate securities and comparable maturity Treasuries decreased to 0.56% in early May of 2024. This was the smallest yield spread since before the Fed started raising interest rates in the first quarter of 2022. In June, the yield spread widened, ending the quarter at 0.64%.
- + During the quarter, the fund's duration was lowered to 0.58, down from 0.67 years. The fund's allocation to investment grade corporate bonds increased, while the allocation to money market securities decreased. Money market securities decreased to 22.9% from 25.2% and government exposure ended at 1.7%, up from 1.1%. Investment grade corporate bond exposure increased to 61.9% from 59.9% and asset back securities (ABS) decreased to 13.5% from 13.9%.
- + Financial institutions made up 39.2% of the investment grade corporate allocation. The ABS allocation was predominantly auto-related at 7.6% and equipment-backed deals at 2.9%. The fund had 16.5% in AAA-rated securities, while its allocation to BBB-rated investment grade corporate bonds was 9.2%.

Positioning and outlook

- + We will be scrutinizing US economic data releases for any unexpected weakness or strength that could push the FOMC to act beyond the current market pricing for short-term rates. We are also watching for any tightening in credit conditions, given current rich valuations, money market fund reforms, reduced bank lending and challenges facing the commercial real estate market.
- + We expect the Fed to begin cutting interest rates, at the earliest, in the second half of 2024, most likely in 0.25% increments. Money market funds and short duration funds will likely benefit from a scenario in which short-term interest rates stay higher for longer.

Performance highlights

- + Invesco Conservative Income Fund (ICIFX) returned 1.37% for the second quarter, outperforming its benchmark, the ICE BofAML US Treasury Bill Index, which returned 1.32%.
- + Over the last 12 months, the fund returned 6.04%, compared to the benchmark return of 5.42%.

Contributors to performance

- + In terms of segment allocations, investment grade corporate bonds added the most to relative return.
- + In terms of sector selection, holdings of financial corporate bonds, cash securities with maturities of 1-7 days, and credit card ABS had the largest positive effects on return relative to the benchmark.

Detractors from performance

- + Duration and yield curve positioning detracted from performance relative to the fund's benchmark.
- + The fund's duration positions in investment grade corporate bonds detracted from relative performance.

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

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, 2024. See current prospectus for more information.

Investment categories (%)

Asset-Backed Securities	13.51
Cash	-0.68
Certified Deposits	2.88
Commercial Paper	15.38
Corporate Bonds	61.92
Government Bonds	1.68
Repurchase Agreements	5.31

May not equal 100% due to rounding.

Investment results

Average annual total returns (%) as of June 30, 2024

	Class A Shares	Class Y Shares	Class Institutional Shares	Class R6 Shares	Style-Specific Index
	Inception: 04/02/18	Inception: 12/10/19	Inception: 07/01/14	Inception: 05/15/20	
Period	NAV	NAV	NAV	NAV	ICE BofA U.S. Treasury Bill Index
Inception	1.71	1.82	1.83	1.83	-
5 Years	2.14	2.25	2.27	2.28	2.16
3 Years	2.66	2.76	2.79	2.77	3.00
1 Year	5.92	6.03	6.04	6.02	5.42
Quarter	1.35	1.37	1.37	1.27	1.32

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. Visit [invesco.com/performance](https://www.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 inception on 04/02/18 and Class Y inception 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. **Spread duration** measures the sensitivity of a security's price to a 100 basis point change in its OAS (Option Adjusted Spread is a methodology using option pricing techniques to value the imbedded options risk component of a bond's total spread. Imbedded options are call, put or sink features of bonds.). Often used to quantify the sensitivity of a portfolio to changes in spreads. The spread duration of a portfolio is the market weighted average of the spread duration of all of its securities. **Weighted average life (WAL)** calculates a fund's average time to maturity for all of the securities held in the portfolio, weighted to their percentage of assets in the fund. In contrast to WAM, the WAL calculation takes into account the final maturity date for each security held in the portfolio. This is a way to measure a fund's potential sensitivity to credit spread changes.

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 Fund is concentrated in the financial services sector and may be susceptible to adverse economic or regulatory occurrences affecting the sector. Financial services companies are subject to extensive government regulation and are disproportionately affected by unstable interest rates, volatility in financial markets, domestic and foreign monetary policy and industry regulation changes, which could adversely affect such companies. Financial services companies may be vulnerable to unstable economic conditions due to concentrated portfolios.

The risks of investing in securities of foreign issuers can include fluctuations in foreign currencies, political and economic instability, and foreign taxation issues.

The Fund may hold illiquid securities that it may be unable to sell at the preferred time or price and could lose its entire investment in such securities.

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

Although money market funds (MMFs) generally seek to preserve the value of your investment at \$1.00 per share, the Fund may lose money by investing in such funds. Sponsors of MMFs have no legal obligation to provide financial support to the MMF. A MMF's credit quality can change rapidly in certain markets, and the default of a single holding could have an adverse impact on the MMF's share price. MMF share prices can be negatively affected during periods of high redemptions, illiquid markets and/or significant market volatility.

Issuers of sovereign debt or the governmental authorities that control repayment may be unable or unwilling to repay principal or interest when due, and the Fund may have limited recourse in the event of default. Without debt holder approval, some governmental debtors may be able to reschedule or restructure their debt payments or declare moratoria on 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's yield will vary as the short-term securities in its portfolio mature or are sold and the proceeds are reinvested in other securities. Additionally, inflation may outpace and diminish investment returns over time.

If the seller of a repurchase agreement defaults on its obligation or declares bankruptcy, delays in selling the securities underlying the repurchase agreement may be experienced, resulting in losses.

The investment techniques and risk analysis used by the portfolio managers may not produce the desired results.

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.

Before investing, investors should carefully read the prospectus and/or summary prospectus and carefully consider the investment objectives, risks, charges and expenses. For this and more complete information about the fund(s), investors should ask their financial professionals for a prospectus/summary prospectus or visit [invesco.com/fundprospectus](https://www.invesco.com/fundprospectus).

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.

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. Holdings are subject to change and are not buy/sell recommendations.

All data provided by Invesco unless otherwise noted.