Invesco Conservative Income Fund

Quarterly Performance Commentary

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

Invesco

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	$3,043,335,600
Total Number of Holdings	231

Fund characteristics

Effective Duration (Years)	0.58
Spread Duration (Years)	0.86
Weighted Average Effective Life (Years)	0.89

Credit quality breakdown (% total)[1]

A-1+ or A-1	21.52
A-2 or A-3	15.83
AAA	12.61
AA	20.91
A	26.71
BBB	2.43

Market overview

- The ultra-short maturity portion of the US bond market posted strong second quarter results, despite a slight increase in yields on US Treasury bills. Credit-oriented assets rallied due to the US Federal Reserve's massive liquidity injection and unprecedented fiscal measures to shore up financial markets and the economy against COVID-19's impacts. The ICE BofAML US Treasury Bill Index returned 0.02% for the quarter.
- The yield on the BofAML US Treasury Bill Index rose from 0.07% to 0.15% as heavy Treasury bill issuance was needed to fund the fiscal aid and assist in financing federal deficits caused by a shortfall in tax revenues. The supply surge also aligned with Fed monetary policy to prevent negative interest rates, which are "not an appropriate monetary policy tool" according to Fed Chair Jerome Powell. Powell also indicated that the current federal funds rate range of 0 to 0.25% would likely remain in effect through 2022.
- The yield curve twisted, with US Treasury rates up to one year rising, rates between two and 10 years largely declining and greater than 10 years rising. Three-month Treasury bills rose 0.07% to 0.13%, 5-year yields fell 0.09% to 0.29% and 10-year yields were essentially flat at 0.66%, while 30-year yields rose 0.09% to 1.41%.
- Risk assets rallied across the board, driven by fiscal and monetary support. Several equity indexes delivered their largest gains on record. Corporate bonds erased the majority of losses racked up in the first quarter as yield spreads relative to US Treasuries narrowed significantly throughout the quarter. In addition to quantitative easing through purchases of government and government-related debt, the Fed also directly supported the corporate bond market (investment grade and speculative rated bonds) through purchases of ETFs (exchange-traded funds) and a commitment to purchase corporate bonds directly.
- Credit-oriented structured products such as asset-backed securities (ABS) also benefited from investors' willingness to take on more risk. Auto and credit card sectors fared well amid the economy's reopening and improving employment data.

Positioning and outlook

- In response to broad-based macro-economic weakness, governments and central banks are providing unprecedented monetary and fiscal stimulus that has absorbed the initial negative effect on risk assets while continuing to delay and somewhat obscure the fundamental deterioration in corporate operating performance and balance sheets.
- In light of this, we prefer to maintain the fund's overweight in select US and European investment grade credits given that global central bank support remains in place to combat a weaker outlook for corporate fundamentals. Though valuations improved materially following news of fiscal and monetary policy support, a supportive technical market backdrop could improve the fundamental outlook. Key market drivers we are monitoring include 1) potential for slowing supply during the second half of 2020, 2) recovering corporate fundamentals as global economies reopen, 3) continued support from policymakers and 4) global management of the coronavirus, which directly affects consumer demand and behavior. Given the level of economic uncertainty, however, the investment team has increased the fund's duration to almost 0.6 years to help guard against volatility spikes and adverse effects on credit securities.

Performance highlights

- Invesco Conservative Income Fund Institutional shares at net asset value (NAV) returned 1.99% and outperformed its benchmark, the ICE BofAML US Treasury Bill Index.

Contributors to performance

- Significant exposure to investment grade corporate debt, particularly financials, was the largest contributor to relative return. Prime money market securities issued by corporations also had a positive effect relative to the index.
- Exposure to ABS, particularly the auto and credit card sectors, helped relative return.

Detractors from performance

- Certain individual corporate issues lagged Treasury bills and detracted.
- Exposure to 2-year Treasury notes detracted from relative return.

Expense ratios	% net	% total
Class A Shares	0.40	0.46
Class Y Shares	0.25	0.36
Class I Shares	0.30	0.31

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, 2021. See current prospectus for more information.

Investment categories (%)	
Commercial Paper	29.50
Corporate Bonds	51.30
Asset-Backed Securities	10.70
Repurchase Agreements	4.20
Government Bonds	2.60
Certified Deposits	1.90
Cash	-0.20

May not equal 100% due to rounding.

Investment results

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

	Class A Shares	Class Y Shares	Class I Shares	
	Inception: 04/02/18	Inception: 12/10/19	Inception: 07/01/14	Style-Specific Index
Period	**NAV**	**NAV**	**NAV**	**ICE BofAML U.S. Treasury Bill Index**
Inception	1.47	1.56	1.58	-
5 Years	1.71	1.80	1.82	1.22
3 Years	2.27	2.35	2.39	1.80
1 Year	2.44	2.45	2.57	1.71
Quarter	1.95	1.98	1.99	0.02

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 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.