Invesco

Invesco Core Plus Bond Portfolio

Quarterly Performance Commentary

CUSIPS: A:76221W391 C:76221W375 I:76221W342

Investment objective

The portfolio seeks total return, comprised of current income and capital appreciation.

Portfolio management

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Management is that of the underlying fund.

Portfolio information

Total net assets	$37,625,374
Total number of holdings	711

Holdings shown are that of the underlying fund.

Holdings statistics

Effective duration	5.98

Data shown is that of the underlying fund.

Investment categories (%)

Government Bonds	
US Treasuries	7.89
Corporate Bonds	
US Investment Grade Bonds	27.49
US High Yield Bonds	5.89
Securitized Debt	
US Residential Mortgages	15.51
US CMBS	13.93
US Asset-Backed Securities	8.71
Municipal Bonds	0.02
US Dollar Denominated Foreign Debt	
Non-US Investment Grade Bonds	5.65
Non-US High Yield Bonds	2.23
Emerging Markets Debt	4.88
Sovereign Debt	2.99
Convertible Bonds	1.10
Foreign Currency	0.02
Cash	3.69

Data shown is that of the underlying fund. May not equal 100% due to rounding.

Portfolio commentary provided is based on the underlying fund.

Market overview

- US bonds again posted strong nominal results in the third quarter as interest rates fell precipitously amid decelerating global growth and persistent US/China trade conflict. Global risks remained a headwind to growth, especially in Europe given uncertainties of Brexit, auto tariffs and Italy's crisis. The Federal Reserve twice cut the federal funds rate by 0.25%, lowering the target range for the overnight yield to 1.75% - 2.00%.
- The 2-year Treasury yield fell from 1.75% to 1.63%, the 10-year from 2.00% to 1.68% and the 30-year from 2.52% to 2.12%.
- Yield spreads between US investment grade credit and comparable duration US Treasuries narrowed during the quarter, slightly rewarding credit investors. Credit issuance was robust, with yield seekers highly receptive to the sector given the low yield environment. Investors maintained their preference for lower-rated investment grade (BBB/Baa) and high-yield credits, despite decelerating global growth.
- Though corporate leverage remained at high levels, free cash flow and interest coverage ratios were positives. Deleveraging remained a central theme for many corporate issuers across sectors, so security selectivity was essential to relative results.
- The asset-backed (ABS) and commercial mortgage-backed security (CMBS) sectors outperformed given the fervor for yield, as these sectors are less affected by declining global growth given underlying US collateral. The Agency mortgage-backed (MBS) sector marginally outperformed comparable Treasuries despite escalating prepayment risks tied to falling interest rates.

Performance highlights

- Invesco Core Plus Bond Portfolio Class A units at net asset value (NAV) had a positive return for the third quarter and outperformed its benchmark, the Bloomberg Barclays US Aggregate Bond Index. (Please see the investment results table on page 2 for portfolio and index performance).

Contributors to performance

- Within corporate credit, security selection in banking, communications and technology added to relative return.
- Overweights in lower-rated investment grade and high-yield corporate credit were beneficial to results.

Detractors from performance

- Security selections in consumer cyclicals and consumer non-cyclicals dampened relative return.
- Allocations to commercial mortgage-backed securities (CMBS) and asset-backed securities detracted from relative results

Positioning and outlook

- Growth in Europe and China has been disappointing. More recently, the European Union services 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.

Investment results

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

Period	Class A units Inception: 07/08/16 Max Load 4.00%	Class A units NAV	Class C units Inception: 07/08/16 Max CDSC 1.00%	Class C units NAV	Class I units Inception: 07/08/16 NAV	Style-Specific Index Bloomberg Barclays U.S. Aggregate Bond Index
Inception	1.75	3.05	2.23	2.23	3.31	-
3 Years	1.95	3.36	2.55	2.55	3.61	2.92
1 Year	5.15	9.54	7.59	8.59	9.78	10.30
Quarter	-1.52	2.61	1.29	2.29	2.68	2.27

The performance quoted is past performance and is not a guarantee of future results. Investment returns and principal value of an investment will fluctuate so that an account owner's units, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than the performance data shown. For up-to-date month-end performance information please call 877 615 4116, or visit collegebound529.com. Performance figures reflect reinvested distributions of the underlying security and changes in net asset value (NAV). No contingent deferred sales charge (CDSC) will be imposed on redemptions of Class C units following one year from the date units were purchased. Performance shown at NAV does not include applicable CDSC or front-end sales charges, which would have reduced the performance. Class I units have no sales charge; therefore, performance is at NAV. Returns less than one year are cumulative; all others are annualized. Index returns do not reflect any fees, expenses, or sales charges.

Index source: FactSet Research Systems Inc.

Expense ratios (%)

Class A units	0.91
Class C units	1.66
Class I units	0.66

Total annual asset-based fee per the current Program Description.

Credit quality breakdown (% of total)

Cash	3.69
AAA	33.74
AA	5.32
A	11.55
BBB	31.80
BB	10.05
B	2.60
CCC and below	0.27
Not Rated	0.99

Data shown is that of the underlying fund.

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.

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Class I units are available only to certain investors. See the Program Description for more information.

The Bloomberg Barclays U.S. Aggregate Index is an unmanaged index considered representative of the US investment-grade, fixed-rate bond market. 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.

About risk

Risks of the Underlying Holding

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.

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

Junk bonds involve a greater risk of default or price changes due to changes in the issuer's credit quality. The values of junk bonds fluctuate more than those of high quality bonds and can decline significantly over short time periods.

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 portfolio is subject to certain other risks. Please see the current Program Description for more information regarding the risks associated with an investment in the portfolio.