

Invesco US Mortgage-backed Securities

Key facts

Benchmark	Bloomberg US MBS Total Return Index
Inception	9/30/2002
Total composite assets ¹	\$873 million

Management team

Clint W. Dudley, David Lyle, Brian P. Norris

Representative account characteristics

Average duration (years)	5.72
Weighted average life (years)	7.87
Average yield to maturity	5.29%
Current yield	4.61%
Average weighted coupon	2.83%
Average credit quality (Moody's) ²	Aaa

Available investment vehicles

Separate account	\$50 million minimum
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¹Total composite assets shown above include accounts that are reflected in the GIPS® composite performance.

²Average credit quality (ACQ) is an internal measurement calculated by taking the highest rating of the three major rating agencies (S&P, Moody's & Fitch) at a security level. It is then changed into a numerical value, asset weighted and then calculated to be shown at the portfolio level in Moody's format. Non-rated securities are not included in the average quality calculation. Information on non-rated securities is provided in the Quality Distribution chart, if applicable. ACQ calculations may vary across the industry and should not be the only factor in analyzing a portfolio. Please review all information carefully before investing.

These portfolio characteristics are subject to change, and current holdings may differ. The principal risk of derivatives is that the fluctuations in their values may not correlate perfectly with the overall securities markets. For some derivatives, it is possible to lose more than the amount invested in the derivative or, if used as a hedge, the hedge may not succeed. Derivatives are also subject to counterparty risk – the risk that the other party will not complete the transaction.

Investment objective

Invesco Fixed Income's US Mortgage-Backed Securities strategy seeks to outperform the Bloomberg Mortgage-Backed Securities Index by 40 basis points (bps) on average per year.

Investment strategy

The US Mortgage-Backed Securities (MBS) strategy is for investors who seek focused exposure to the mortgage-backed sector or diversification of fixed income holdings. It is an actively managed, total return strategy designed to achieve returns while managing volatility and stability. MBS are the primary sectors, although commercial mortgage-backed securities (CMBS) and asset-backed securities (ABS) may be used as well. Duration is designed to range from +/- 0.5 years around the benchmark. Fixed-rate securities will comprise most of the portfolio, although floating-rate securities may be used. Sector allocation, security selection and curve positioning are each potential sources of excess return.

First quarter summary

- Yields fell by 30 to 40 bps across the two- to 10-year portion of the US Treasury yield curve during the first quarter.
- The yield curve moved in parallel fashion at two- and 10-year maturities, retaining a positive slope of 32 bps as of quarter-end.
- The Federal Reserve (Fed) held interest rates constant this quarter, as expected by the majority of market participants.
- Economic data were mixed in the first quarter, as payrolls have yet to reflect federal layoffs, and the private sector appears to be hanging tight on any significant layoff decisions. Inflation data have generally been near expectations, which supported fixed income markets. Consumer sentiment data regarding current conditions and expectations have weakened meaningfully. Additionally, inflation expectations for the next year and five- to 10-year horizons have increased markedly, showing a downbeat view by US consumers.
- US agency MBS performance was slightly negative overall this quarter, although higher coupons outperformed lower coupons meaningfully.

Performance (%)

	Quarter	Year to date	1 year	3 years	5 years	10 years	Since Inception
Invesco US Mortgage-backed Securities (gross)	3.16	3.16	6.01	1.03	0.42	1.75	3.68
Invesco US Mortgage-backed Securities (net)	3.06	3.06	5.59	0.63	0.02	1.35	3.27
Bloomberg US MBS Total Return Index	3.06	3.06	5.39	0.55	-0.69	1.11	3.04

Gross of fee returns are before deduction of management and custodial fees but after trading commissions. Net returns will be lower. Past performance is not a guarantee of future results. All performance is through Mar 31, 2025 and returns for periods greater than 12 months are annualized. The GIPS® Composite Report is located on the last page.

Market overview

- Structured credit markets underperformed Treasuries this quarter but held in much better than investment grade corporates.
- Valuations continue to look very attractive to us for agency MBS, where we remain overweight. Agency MBS spreads look attractive compared to corporate bonds due to tight corporate credit spread levels and expectations for Fed easing, which should steepen the yield curve and reduce interest rate volatility, benefiting agency MBS performance.

Attribution QTD	(bps)
Allocation effect	20
Security selection	-3
Curve	0
Currency	-
Other	-3

Attribution by Sector QTD	(bps)
ABS	6
Agency Mortgages - CMO	10
Agency Mortgages - Pass-Thru	-4
CMBS	1
Corporate	-
Govie	1
Non-Agency Mortgages	2
Cash Securities	1
Other	0

The information shown is derived from a representative account deemed to appropriately represent this composite. Each investor's portfolio is individually managed and may vary from the information shown. Attribution methodology notes: The attribution provides analysis of the effects of several portfolio management decisions, including allocation and security selection. Securities classified as "Other" may include non-equity securities, derivatives, and securities for which a sector classification may not be appropriate. The Strategy is actively managed and portfolio holdings are subject to change. The percentage weights represented for the strategy are dollar weighted based on market value. Due to the fact that attribution is calculated using a representative account within the composite, returns may not exactly match official composite returns. A complete list and description of the firm's composite, additional information regarding policies for calculating and reporting composite and portfolio returns as well as a full list showing the contribution of all holdings to overall performance of the representative portfolio during the indicated time periods are available upon request. The holdings identified do not represent all of the securities purchased, sold or recommended for the adviser's clients. Past performance does not guarantee future results.

Performance highlights

Contributors to Performance

- An overweight to higher coupon agency MBS, which were the best-performing part of the agency MBS market, benefited performance. Additionally, ABS holdings outperformed Treasuries this quarter.

Detractors from Performance

- Our allocation to CMBS was a minor detractor this quarter.

Sector distribution (%)		
	Portfolio	Benchmark
Residential Mortgages	115.10	100.00
CMBS	2.08	0.00
ABS	1.17	0.00
Cash Securities	-18.35	0.00

Quality distribution (%)		
	Portfolio	Benchmark
AAA	0.75	0.00
AA	112.05	100.00
A	2.02	0.00
BBB	3.37	0.00
BB	0.00	0.00
B	0.02	0.00
CCC	0.01	0.00
Not rated	0.30	0.00

Duration allocation (%)		
	Portfolio	Benchmark
1-3 Yrs	14.54	9.83
3-4 Yrs	15.89	10.14
4-6 Yrs	25.88	26.66
6-8 Yrs	54.14	52.55
>8 Yrs	0.17	0.65

Positioning and outlook

We continue to overweight agency MBS relative to the benchmark given attractive valuations, improving technical conditions and expectations for lower volatility and a steeper yield curve as Fed rate cuts are eventually realized. Additionally, we view the 2.5% and 3% 30-year coupons and higher-coupon (5.0% to 6.0%) 30-year agency MBS as attractive from a valuation standpoint. Portfolio overweight positions are concentrated in those coupons. In contrast, we are underweighting 1.5% and 2.0% coupons where valuations are much less attractive. The Portfolio's modest out-of-index exposure is focused on attractive pockets of opportunity across non-agency MBS, CMBS and ABS securities.

All material presented is compiled from sources believed to be reliable and current, but accuracy cannot be guaranteed. This is not to be construed as an offer to buy or sell any financial instruments and should not be relied upon as the sole factor in an investment making decision. As with all investments there are associated inherent risks. This should not be considered a recommendation to purchase any investment product. This does not constitute a recommendation of any investment strategy for a particular investor. Investors should consult a financial professional before making any investment decisions if they are uncertain whether an investment is suitable for them. Please obtain and review all financial material carefully before investing. The opinions expressed are based on current market conditions, are subject to change without notice and may be different than other Invesco investment professionals.

Source: Invesco, Bloomberg L.P.
Invesco Advisers, Inc.

Schedule of investment performance as of December 31, 2024

Composite inception since 9/30/2002

	Gross rate of return (%)	Net rate of return (%)	Benchmark return (%)	Composite 3-Yr Ann St Dev (%)	Benchmark 3-Yr Ann St Dev (%)	Number of Portfolios	Composite Assets (USD Millions)	Percentage of Firm Assets (%)	Total Firm Assets (USD Billions)	Composite Dispersion (%)
2024	1.81	1.40	1.20	8.65	8.63	2	872.68	0.09	948.34	N/A
2023	5.86	5.44	5.05	7.75	7.76	2	946.84	0.11	900.15	N/A
2022	-11.87	-12.22	-11.81	5.75	5.70	2	976.22	0.11	865.06	N/A
2021	-0.83	-1.23	-1.04	1.96	1.73	2	1,257.36	0.13	975.05	N/A
2020	6.49	6.06	3.87	2.24	2.20	2	1,483.62	0.17	875.96	N/A
2019	6.81	6.39	6.35	2.08	2.18	2	832.04	0.10	825.87	N/A
2018	0.79	0.39	0.99	2.29	2.29	2	819.10	0.14	578.95	N/A
2017	2.92	2.51	2.47	1.88	1.78	2	932.39	0.14	660.32	N/A
2016	2.85	2.44	1.67	2.15	2.14	2	929.07	0.16	599.00	N/A
2015	2.15	1.74	1.51	2.15	2.34	2	735.89	0.13	575.06	N/A

Annualized compound rates of return ending December 31, 2024

1 Year	1.81	1.40	1.20
3 Year	-1.70	-2.09	-2.13
5 Year	0.06	-0.34	-0.74
10 Year	1.56	1.16	0.91
Since Inception	3.58	3.16	2.94

Composite notes

Invesco Worldwide claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Invesco Worldwide has been independently verified for the periods 1st January 2003 through 31st December 2023. The verification reports are available upon request.

A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

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For purposes of compliance with Global Investment Performance Standards (GIPS®), "Invesco Worldwide" refers collectively to all direct or indirect subsidiaries of Invesco Ltd. that provide discretionary investment advice with the exception of the following entities: Invesco Investment Management Ltd., Invesco Investment Advisers LLC, Invesco Asset Management Australia (Holdings) Ltd., Invesco Global Real Estate Asia Pacific, Inc., IRE (Cayman) Ltd., Invesco Senior Secured Management, Inc., Invesco Private Capital, Inc., and Invesco Capital Management LLC. Invesco Great Wall Fund Management Company Limited is compliant with GIPS but is not part of Invesco Worldwide.

The US Mortgage-Backed Securities strategy seeks to outperform the Bloomberg US Mortgage Backed Securities Index. We focus on producing returns consistently by seeking to reduce volatility in the portfolio. The strategy invests primarily in investment grade securities, which are largely fixed rate structured securities.

The Composite returns are benchmarked to Bloomberg US Mortgage Backed Securities Index. The benchmark is used for comparative purposes only and generally reflects the risk or investment style of the product. Investments made by the Firm for the portfolios it manages according to respective strategies may differ significantly in terms of security holdings, industry weightings, and asset allocation from those of the benchmark. Accordingly, investment results and volatility will differ from those of the benchmark.

As of Jan 01, 2023, the Composite minimum was removed. Prior to this date it was \$75 Million.

Interest rate futures, options, swaps, and forwards may be used to replicate cash investments, manage yield curve or other risk positions and to pursue investment strategies generally allowed by the Composite. Derivatives must be included in the duration calculations of portfolios in the Composite and must abide by the duration, credit quality, and all other constraints of Composite accounts.

Gross-of-fee performance results are presented before management and custodial fees but after all trading commissions and withholding taxes on dividends, interest and capital gains, when applicable. Net-of-fee performance results are calculated by subtracting the highest fee of an active portfolio within the composite from the monthly gross-of-fee returns. The highest management fee of a portfolio included in the composite is 40 basis points. The annual management fee is as follows: 30 basis points on the first \$50 million, 25 basis points on the next \$50 million, 20 basis points thereafter.

Composite dispersion is measured by the standard deviation across asset-weighted portfolio gross-of-fee returns represented within the composite for the full year. It is considered not meaningful for composites with fewer than three portfolios during the entire year. The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36 months. The standard deviation is not presented when there is less than 36 months.

Valuations and portfolio total returns are computed and stated in U.S. Dollars. The Firm consistently values all portfolios each day on a trade date basis. Portfolio level returns are calculated as time-weighted total returns on daily basis. Accrual accounting is used for all interest and dividend income. Past performance is not an indication of future results.

The composite creation date is September 2002.

The following are available on request: * Policies for valuing investments, calculating performance and preparing GIPS reports * List of composite descriptions * List of limited distribution pooled fund descriptions * List of broad distribution pooled funds

Net-of-fee performance was calculated using a flat fee of 30 basis points and was changed effective December 31, 2020 to a flat fee of 40 basis points. Net-of-fee performance was restated retroactively.