Invesco Floating Rate ESG Fund

Q4 2025

Key takeaways

1 ESG integration
The fund actively uses an environmental, social and governance (ESG) overlay in its investment process.

2 Full cycle view
We position the fund for the long term, a full market cycle. We augment our long-term perspective with an active management approach and the application of several proprietary models that are built to help us exploit shorter term relative value opportunities.

3 Potential risk mitigation
Due to their senior secured status in the capital structure, loans have the highest priority to be repaid and lenders have first right to collateral in the event of a default. This has historically led to relatively higher recovery levels in the case of defaults.[1,2]

Investment objective
The fund seeks total return, comprised of current income and capital appreciation.

Fund facts

Fund AUM ($M)	2,063.51

Portfolio managers
Thomas Ewald, Philip Yarrow, Scott Baskind

Manager perspective and outlook

- The S&P UBS Leveraged Loan Index returned 1.19% in the fourth quarter.[1]
- In contrast to the third quarter, which started strong as July set a new monthly loan issuance record, the fourth quarter began with a more muted tone amid secondary market softness and apparent concerns that credit securities might be vulnerable to artificial intelligence (AI) risk. However, the quarter ended on a more positive note. In December, secondary prices stabilized, the primary market strengthened and the US Federal Reserve cut rates, helping loans post their largest gain in five months.
- Gross issuance for the quarter was $171.3 billion, down 54% from the third quarter, not surprising given the lofty quarter-over-quarter comparison following July's record-setting issuance. Historically, issuance is seasonally slower in the fourth quarter. Notably, issuance in October, November and December of 2025 each exceeded the average monthly volume since 2010.[3]
- As in prior quarters, credit fundamentals held up, with the default rate remaining below the historical average, while issuer leverage, interest coverage and cash balances remained in our estimation healthy. During the fourth quarter, the par-weighted loan default rate fell to 1.23% (excluding distressed exchanges) from 1.39% in the third quarter, due to the default of First Brands during the third quarter, which ranked as one of the 10 largest defaults of all time.[3]

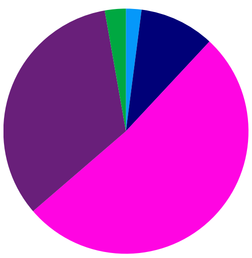
For more information, including prospectus and factsheet, please visit Invesco.com/AFRAX

Investment categories (%)

Senior Secured Loans	85.8
Corporate Debt	7.0
Domestic Common Stock	4.5
Cash and Cash equivalents	1.2
Int'l Common Stock	0.8
Preferred Securities	0.3
Warrants	0.3

May not equal 100% due to rounding.

ESG rating distribution (%)



Average ESG rating: 3.05

Rate	Percent
1.0 to 1.5	0.00
1.5 to 2.0	2.05
2.0 to 2.5	9.89
2.5 to 3.0	51.74
3.0 to 3.5	33.55
3.5 to 4.0	2.77
4.0 to 4.5	0.00

ESG risk:
1 - Negligible
2 - Low
3 - Average
4 - Above average
5 - High

Portfolio positioning

The fund's core investment process is grounded in a fundamental bottom-up risk assessment of each investment, coupled with top-down risk positioning tied to broader macroeconomic trends.

At quarter end, the largest overweights were in the service, transportation and cable/wireless video sectors.

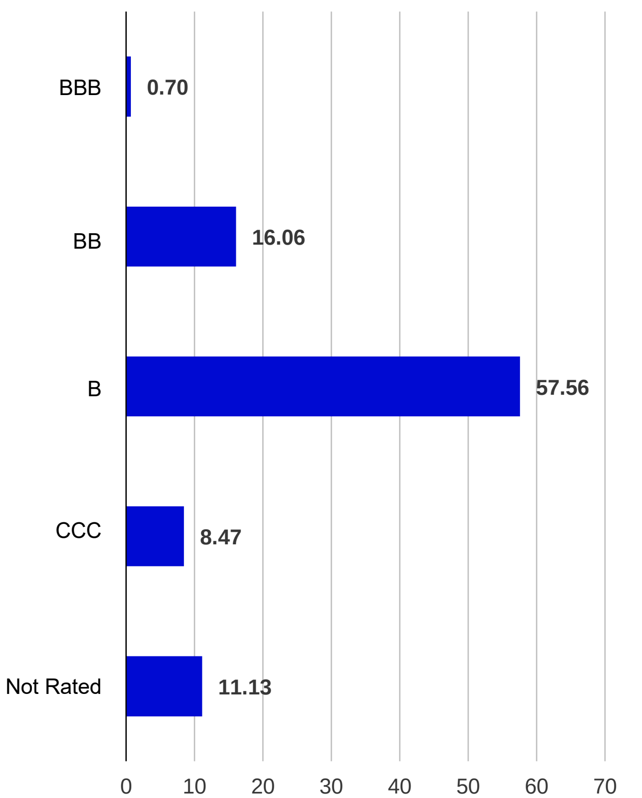
The services sector represents a wide array of providers that cater to various end markets, with limited end-market concentration among these issuers. Also, as service providers, these issuers should, in our view, face limited direct effects from tariff-related inflation/disruption. Furthermore, the services sector has in our observation enjoyed generally solid demand. The fund's overweight in the sector reflects what we view as strong relative value for individual issuers.

The largest underweights were in the health care, information technology (IT) and financial sectors.

The IT underweight reflects our concern about excessive valuations that led to elevated leverage levels and constrained free cash flow, which we believe became particularly problematic amid higher interest rates. Even after several rate cuts, this remains an issue, in our view. Many of these businesses have struggled with the transition to cloud-based solutions and subscription-based revenue models, which further hamper cash flows. We are closely managing the fund's IT positions in an effort to be sure risk-adjusted return profiles remain attractive.

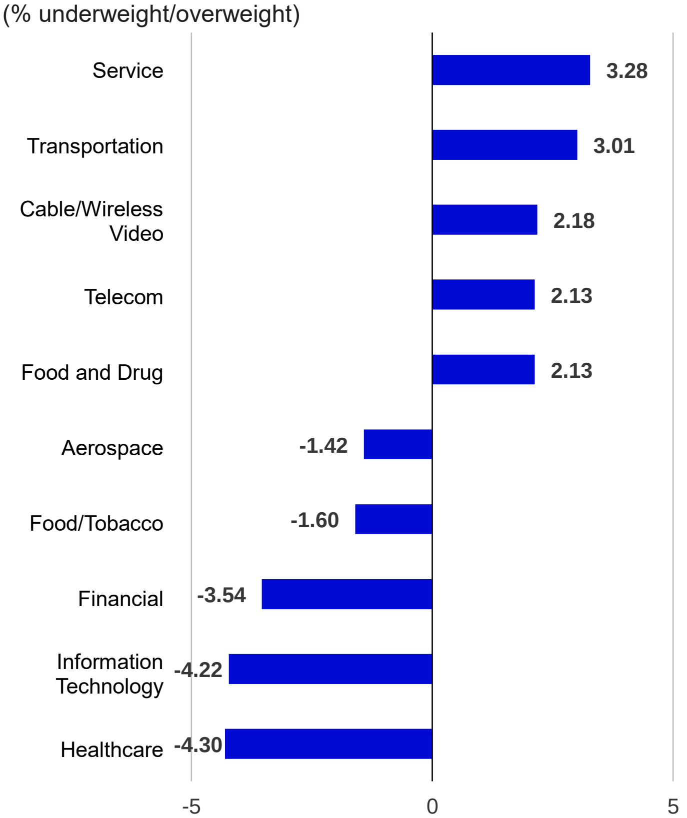
The persistent health care underweight reflects our concerns about reimbursement rates, wage-related cost pressures and a highly politicized nature. Health care providers have benefited from a better labor mix as labor headwinds have eased and providers have returned to a more normalized mix of full-time employees and contract labor. Earnings and profit margin profiles have remained mixed, depending on an underlying provider's payor mix, acuity of patients and ability to receive better rates and/or subsidies from payors. As such, we closely manage health care exposure but have increased the position over the last few years, favoring issuers that have a leading market share position, benefit from favorable demand for their services and have adequate liquidity to withstand near-term profit margin pressure.

Quality breakdown (% total)



The fund's positioning versus Index

(% underweight/overweight)



Portfolio characteristics*

	Fund	Index
Weighted average price	93.96	95.92
Average maturity (years)	4.38	-
Weighted average coupon (%)	7.19	7.24
30 day SEC yield (%)	6.66	-
No. of holdings	497	1,529

Performance highlights

The fund's Class Y shares at net asset value returned 0.27% for the fourth quarter, underperforming the 1.04% return of the Lipper Loan Participation Funds Classification Average and the 1.19% return of the S&P UBS Leveraged Loan Index.

The fund's underperformance of its benchmark primarily resulted from over- and underweights in specific sectors and individual security selection. Positioning in quality rating segments had a negative effect on relative return.

Industries adding the most to relative return, including loan and non-loan holdings, were food and drug, transportation and manufacturing. The chemicals, health care and financial sectors had the largest negative effects on relative return.

Contributors to performance
The following issuers were the largest individual contributors to relative return:

Florida Food Products formulates and produces natural ingredients. Its portfolio consists of vegetable-based cures, fruit and juice concentrates, tea, herbal and coffee extracts, and rice bran extracts. Its ingredients are incorporated into meat and meat alternatives, beverages, savory foods, sauces and dressings, pet care, baked goods and sport nutrition products.

MLN US is a global provider of business communications and collaboration software, services and solutions for small and medium-sized businesses (SMB) and small and medium-sized enterprises (SME) worldwide, with particular strength in North America and the UK.

First Brands manufactures automotive and industrial components for the aftermarket, original equipment service, original equipment and industrial markets.

These issuers represented 0.97%, 1.61% and 0.00% of total net assets, respectively. We note that the positive performance contribution from First Brands was due to the fund having no exposure to that issuer, which is held in the index.

Detractors from performance
The following issuers were the largest individual detractors from relative return:

Trinseo Materials is a leading producer of emulsion polymers (synthetic rubber, latex) and plastics (styrene, polystyrene).

Eastman Tire Additives is a major global producer of tire additives.

Ascend Performance Materials Operations is a leading producer of high-performance engineering polymers.

These issuers represented 0.04%, 0.23% and 0.23% of total net assets, respectively at quarter end.

Standardized performance (%) as of December 31, 2025

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
Class A shares inception: 05/01/97	NAV	0.36	4.53	4.53	7.89	5.40	5.02	4.23
	Max. Load 2.5%	-2.17	1.94	1.94	6.99	4.88	4.76	4.14
Class R6 shares inception: 09/24/12	NAV	0.29	4.86	4.86	8.24	5.71	5.34	4.52
Class Y shares inception: 10/03/08	NAV	0.27	4.78	4.78	8.15	5.66	5.28	5.19
S&P UBS Leveraged Loan Index (USD)		1.19	5.94	5.94	9.30	6.37	5.78	-
Total return ranking vs. Morningstar Bank Loan category (Class A shares at NAV)		-	-	73% (146 of 215)	83% (164 of 212)	51% (100 of 201)	33% (57 of 173)	-

Expense ratios per the current prospectus: Class A: Net: 1.14%, Total: 1.14%; Class R6: Net: 0.81%, Total: 0.81%; Class Y: Net: 0.89%, Total: 0.89%.

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. Visit invesco.com 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 so that you may have a gain or a loss when you sell shares. Returns less than one year are cumulative; all others are annualized. Performance shown prior to the inception date of Class R6 shares is that of Class A shares and includes the 12b-1 fees applicable to Class A shares. On April 13, 2006, the fund reorganized from a closed-end fund to an open-end fund. Class A share returns prior to that date are the historical performance of the closed-end fund's Class B and include the management and 12b-1 fees applicable to B shares. Index source: Bloomberg L.P. Had fees not been waived and/or expenses reimbursed in the past, returns would have been lower. Performance shown at NAV does not include the applicable front-end sales charge, which would have reduced the performance.

Class Y and R6 shares have no sales charge; therefore performance is at NAV. Class Y shares are available only to certain investors. Class R6 shares are closed to most investors. Please see the prospectus for more details.

Calendar year total returns (%)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Class A shares at NAV	11.12	3.94	-0.20	7.22	1.53	6.23	-2.49	11.67	7.58	4.53
Class R6 shares at NAV	11.36	4.30	0.13	7.61	1.88	6.41	-2.18	12.05	7.93	4.86
Class Y shares at NAV	11.41	4.20	0.04	7.49	1.78	6.50	-2.26	11.95	7.85	4.78
S&P UBS Leveraged Loan Index (USD)	9.88	4.25	1.14	8.17	2.78	5.40	-1.06	13.04	9.05	5.94

Unless otherwise specified, all information is as of 12/31/25. Unless stated otherwise, Index refers to S&P UBS Leveraged Loan Index (USD).

The fund may invest all its assets in securities that are determined to be below investment grade quality.
The S&P UBS Leveraged Loan Index represents tradable, senior-secured, U.S.-dollar-denominated non-investment-grade loans. An investment cannot be made directly in an index.

ESG Rating Distribution
As senior loans are private instruments, there is only a small pool of the investable universe that is rated by outside ESG rating providers and as such our ESG rating framework is proprietary in nature and no peer comparisons are available. ESG ratings are based on research and due diligence reviews conducted with the management teams of eligible issuers. Each investment opportunity is scored by the portfolio management team on a scale of 1-5 for risks related to multiple ESG factors under each individual pillar of the ESG framework. The environmental pillar ("E") factors include natural resources, pollution and waste, supply chain impact, and environmental opportunities, the social pillar ("S") factors include workforce, community, product responsibility, and human rights, and the governance pillar ("G") factors include management, shareholders, board of directors, auditors, regulatory issuers, corporate social responsibility strategy, anti-corruption, and business ethics. The factors in each ESG pillar may be updated periodically. ESG ratings are updated at least annually for currently invested issuers. Additional information about the Fund's ESG methodology is available in the Fund's prospectus under "Principal Investment Strategies of the Fund".
• Effective August 19, 2020, the Invesco Floating Rate Fund was renamed Invesco Floating Rate ESG Fund. The Fund's strategy has also changed Please see the prospectus for additional information.

About Risk

Risks of collateralized loan obligations include the possibility that the collateral securities' distributions won't be adequate to make interest or other payments, the collateral quality may decline in value or default, the collateralized loan obligations may be subordinate to other classes, values may be volatile, and issuer disputes may produce unexpected investment results.

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.

In general, stock values fluctuate, sometimes widely, in response to activities specific to the company as well as general market, economic and political conditions.

The Fund uses an Environmental, Social and Governance (ESG) scoring methodology to evaluate securities and may forego some market opportunities available to funds that do not use ESG factors. As a result, the Fund may underperform funds that do not screen or score companies based on ESG factors or that use a different methodology. Information used by the Fund to evaluate ESG factors may not be readily available, complete or accurate, which could negatively impact the Fund's ability to apply its methodology, and in turn its performance. Companies eligible for inclusion in the Fund may not reflect the beliefs or values of certain investors or exhibit positive/favorable ESG factors if different metrics were used to evaluate them.

There is a risk that the value of the collateral required on investments in senior secured floating rate loans and debt securities may not be sufficient to cover the amount owed, may be found invalid, may be used to pay other outstanding obligations of the borrower or may be difficult to liquidate.

The risks of investing in securities of foreign issuers 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 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.

Most senior loans are made to corporations with below investment-grade credit ratings and are subject to significant credit, valuation, and liquidity risk. The value of the collateral securing a loan may not be sufficient to cover the amount owed, may be found invalid or may be used to pay other outstanding obligations of the borrower under applicable law. There is also the risk that the collateral may be difficult to liquidate, or that a majority of the collateral may be illiquid.

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.

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.

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.
Ratings source: Standard & Poor's. **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. 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 Standard and Poor's rating methodology, please visit www.standardandpoors.com and select 'Understanding Credit Ratings' under 'About Ratings' on the homepage.
The fund holdings are organized according to the Global Industry Classification Standard, which was developed by and is the exclusive property and service mark of MSCI Inc. and Standard & Poor's.

* **30-day SEC yield** is based on a 30-day period and is computed by dividing the net investment income per share earned during the period by the maximum offering price per share on the last day of the period. **30-day SEC unsubsidized yield** reflects the 30-day yield if the investment adviser were not waiving all or part of its fee or reimbursing the fund for part of its expenses. Total return would have also been lower in the absence of these temporary reimbursements or waivers. **Weighted Average Price** is the sum of each holding's price multiplied by its weight.

1. Source: S&P UBS Leveraged Loan Index (Formally known as the Credit Suisse Leveraged Loan Index), total returns in USD, as of December 31, 2025
2. Source: JP Morgan Research as of December 31, 2025.
3. Source: Pitchbook Data Inc. as of December 31, 2025.

Morningstar

Before investing, consider the Fund's investment objectives, risks, charges and expenses. Visit invesco.com/fundprospectus for a prospectus/summary prospectus containing this information. Read it carefully before investing.