

# Invesco Floating Rate ESG Fund

## Quarterly Performance Commentary

Mutual Fund Retail Share Classes  
Data as of March 31, 2023



### Investment objective

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

### Portfolio management

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### Fund facts

Total Net Assets	\$2,804,756,701
Weighted Average Price	89.02
Weighted Average Time to Reset (days)	42.47
Total Number of Holdings	583

### Top holdings

	% of total net assets
Virgin Media O2 - LG	1.48
HotelBeds	1.30
MLN US HoldCo LLC (dba Mitel)	1.30
QuarterNorth Energy, Inc (fka Fieldwood Energy)	1.15
Hunter Douglas Holding B.V.	1.13
Numericable-SFR S.A.	0.97
PetSmart, Inc.	0.97
Crown Finance US, Inc.	0.96
Tank Holding Corp.	0.94
Optiv Inc.	0.91

### Investment categories (%)

Senior Secured Loans	87.70
Corporate Debt	6.88
Domestic Common Stock	1.58
Senior Unsecured Loans	0.39
Warrants	0.22
Preferred Securities	0.18
Structured Products	0.03
Int'l Common Stock	0.00
Cash and Cash equivalents	3.02

May not equal 100% due to rounding.

Not a deposit; Not FDIC insured; Not guaranteed by the bank; May lose value; Not insured by any federal agency

### Market overview

- + Loans, as represented by the Credit Suisse Leveraged Loan Index, returned 3.11% in the first quarter.<sup>2</sup> The percentage of loans trading below \$80 fell from 7.4% to 6.3%, reflecting a modest number of expected imminent restructurings.<sup>3</sup>
- + As interest rates plummeted in March amid concern about bank stress, longer duration assets outperformed; however, loans continued to deliver high income with low volatility. Fundamentals continued to hold up, as well, with the default rate hovering below historical averages. Other metrics, including issuer leverage, interest coverage and cash balances were also, in our view, generally in good shape. Moreover, limited new loan supply and steady formation of Collateralized Loan Obligations (CLO) kept the balance of supply and demand steady. CLOs own over half of all loans outstanding and remain a key source of stability for the loan market given that these vehicles face limited pressure to forcibly liquidate their loan holdings.<sup>3</sup>
- + Within the loan market, performance across the quality spectrum became less differentiated. During the first quarter, loans rated "BB" (2.25% total return for the quarter) lagged those rated "B" (3.75%) while the return for loans rated "CCC" (2.66%) fell in the middle between the two.<sup>2</sup> On a trailing 12-month basis, lower quality has underperformed, reflecting idiosyncratic issuer weakness and the degree to which lower quality loans are out of favor in the high interest rate, uncertain economic environment.
- + Outflows from retail funds continued in the amount of \$9.3 billion in the first quarter, while CLO issuance, excluding refinancings, was \$33.6 billion, an increase compared to the fourth quarter of 2022.<sup>4</sup> Although CLO equity arbitrage became more challenging as loan prices rose during the quarter, managers continued to originate deals, including both Tier I managers with access to equity capital and lower tier managers seeking to build a track record.

### Positioning and outlook

- + During the first quarter, the par-weighted loan default rate increased from 0.72% to 1.32% due to a handful of new issuer defaults.<sup>3</sup> What we consider to be reasonably healthy balance sheets across the market and limited maturities contributed to minimal restructuring activity in the syndicated loan market. Heading into what we believe will be a period of higher default activity, it is worth noting that the loan market has historically had a spotty track record in accurately discounting default risk. Loans have reliably discounted higher likelihood of defaults (particularly during periods of market turbulence) than what ultimately occurs. This is not intended to suggest that the market cannot or will not decline, but rather highlights one reason that we believe loans often provide compelling value for investors.

### Performance highlights

- + The fund's Class A shares at net asset value returned 2.48% for the first quarter of 2023, underperforming the 2.88% return of the Lipper Loan Participation Funds Classification Average.

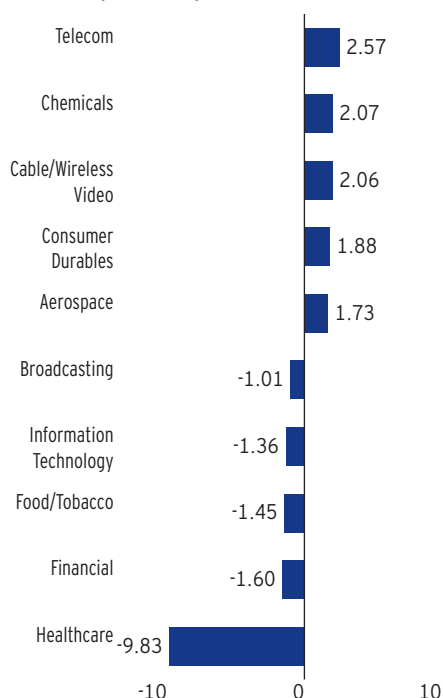
### Contributors to performance

- + The fund's holdings of reorganized equities subtracted 0.14 percentage points of return relative to the benchmark.
- + From an issuer standpoint, the top three contributors to relative return were **HotelBeds**, **Sigma** and **Douglas** (1.30%, 0.81% and 0.28% of total net assets, respectively).
- + From an industry perspective, the fund's allocations to gaming/leisure, consumer durables and retail were the top performers relative to the benchmark.

### Detractors from performance

- + From an industry perspective, the fund's allocations to information technology, health care and wireless communications were the largest detractors from relative return.
- + From an issuer standpoint, holdings in **MLN US** (dba Mitel), **Robertshaw** and **Monitronics International** (1.30%, 0.51% and 0.76% of total net assets, respectively) were the largest detractors from performance relative to the benchmark.

**The fund's positioning versus the Credit Suisse Leveraged Loan Index (% underweight/overweight)**



Portfolio composition	% of total net assets <sup>1</sup>
BBB	1.79
BB	19.00
B	56.60
CCC	10.03
CC	0.08
D	0.39
Not Rated	10.06

**Investment results**

Average annual total returns (%) as of March 31, 2023

Period	Class A Shares		Class C Shares		Class Y Shares	Style-Specific Index
	Inception: 05/01/97	NAV	Inception: 03/31/00	NAV	Inception: 10/03/08	
	<b>Max Load 2.50%</b>		<b>Max CDSC 1.00%</b>			<b>Credit Suisse Leveraged Loan Index</b>
Inception	3.77	3.87	3.48	3.48	4.67	-
10 Years	2.77	3.03	2.62	2.62	3.29	3.86
5 Years	2.12	2.62	2.13	2.13	2.88	3.55
3 Years	6.12	7.00	6.48	6.48	7.27	8.38
1 Year	-2.39	0.17	-1.29	-0.36	0.41	2.12
Quarter	-0.07	2.48	1.35	2.35	2.54	3.11

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. No contingent deferred sales charge (CDSC) will be imposed on redemptions of Class C shares following one year from the date shares were purchased. Performance shown at NAV does not include applicable CDSC or front-end sales charges, which would have reduced the performance. Class Y shares have no sales charge; therefore, performance is at NAV. On April 13, 2006, the fund reorganized from a closed-end fund to an open-end fund. Class A and C share returns prior to that date are the historical performance of the closed-end fund's Class B and C shares, respectively, and include the management and 12b-1 fees applicable to B and C 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. Index source: Bloomberg L.P.

**30-day SEC yields**

Class A Shares	8.87
Class C Shares	8.59
Class Y Shares	9.35

Had fees not been waived and/or expenses reimbursed, the SEC yields would have been 8.86% for Class A shares, 8.58% for Class C shares and 9.34% for Class Y shares.

**Expense ratios**

	% net	% total
Class A Shares	1.06	1.07
Class C Shares	1.56	1.57
Class Y Shares	0.81	0.82

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 June 30, 2024. See current prospectus for more information.

**For more information you can visit us at [www.invesco.com/us](https://www.invesco.com/us)**

1 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](https://www.standardandpoors.com) and select 'Understanding Ratings' under Rating Resources on the homepage.

2 Credit Suisse Leveraged Loan Index, total returns in USD, as of March 31, 2023.

3 Pitchbook LCD as of March 31, 2023.

4 JP Morgan as of March 31, 2023.

Class Y shares are available only to certain investors. See the prospectus for more information.

The fund may invest all its assets in securities that are determined to be below investment grade quality.

Lipper Loan Participation Funds Classification Average represents an average of all of the funds in the Lipper Loan Participation Funds classification.

Duration is a measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years. As interest rates rise, the price of bonds fall, conversely as interest rates fall bond prices rise.

Correlation indicates the degree to which two investments have historically moved in the same direction and magnitude.

The Credit Suisse Leveraged Loan Index represents tradable, senior-secured, U.S.-dollar-denominated non-investment-grade loans. An investment cannot be made directly in an index.

**Weighted average time to reset** is the amount of time required for the base interest rate (usually LIBOR) of all loans in the portfolio to reset or adjust to a new base interest rate. **Weighted average price** is the average of prices of all loan and bond holdings in the portfolio weighted by par value.

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## 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.

ESG considerations may vary across investments and issuers, and not every ESG factor may be identified or evaluated for investment. The Fund will not be solely based on ESG considerations; therefore, issuers may not be considered ESG-focused companies. ESG factors may affect the Fund's exposure to certain companies or industries and may not work as intended. The Fund may underperform other funds that do not assess ESG factors or that use a different methodology to identify and/or incorporate ESG factors. ESG is not a uniformly defined characteristic and as a result, information used by the Fund to evaluate such factors may not be readily available, complete or accurate, and may vary across providers and issuers. There is no guarantee that ESG considerations will enhance Fund performance.

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.

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.

Leverage created from borrowing or certain types of transactions or instruments may impair the fund's liquidity, cause it to liquidate positions at an unfavorable time, lose more than the amount invested, or increase volatility.

The fund invests in financial instruments that use the London Interbank Offered Rate ("LIBOR") as a reference or benchmark rate for variable interest rate calculations. LIBOR will be phased out by the end of 2021, and it's anticipated that LIBOR will cease to be published after that time. To assist with the transition, US dollar LIBOR rates will continue to be published until June 2023. There is uncertainty on the effects of the LIBOR transition process, therefore any impact of the LIBOR transition on the fund or its investments cannot yet be determined. There is no assurance an alternative rate will be similar to, produce the same value or economic equivalence or instruments using the rate will have the same volume or liquidity as LIBOR. Any effects of LIBOR transition and the adoption of alternative rates could result in losses to the fund.

An issuer's ability to prepay principal on a loan or debt security prior to maturity can limit the fund's potential gains. Prepayments may require the fund to replace the loan or debt security with a lower yielding security, adversely affecting the fund's yield.

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.

***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.