

Invesco Income Fund

Quarterly Performance Commentary

Mutual Fund Retirement Share Classes
Data as of Sept. 30, 2022



Investment objective

The fund's investment objective is current income, and secondarily, capital appreciation.

Portfolio management

Philip Armstrong, Mario Clemente, Kevin Collins, Clint W. Dudley, David Lyle, Brian Norris

Fund facts

Total Net Assets	\$394,327,381
Total Number of Holdings	226

Fund characteristics

Effective Duration	4.13
WAM (years)	8.63

Credit quality breakdown (% total)¹

AAA	22.87
AA	4.81
A	21.27
BBB	40.89
BB	4.44
B	3.67
CCC	0.10
Cash	0.92
Not Rated	1.66
REITs	5.71

Total may not equal 100% due to notional value of credit derivatives and/or rounding.

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

Market overview

- + US bonds experienced significant volatility and ultimately declined during the third quarter, as investors questioned how high the federal funds rate would have to rise to slow inflation. Signs of patchy liquidity and reduced risk-taking among investors and broker-dealers generally resulted in wider yield spreads between Treasuries and non-Treasury sectors.
- + The Federal Open Market Committee raised the federal funds rate by 0.75% in July and another 0.75% in September, for a total increase of 1.50% in the third quarter. Comments from Fed Chair Jerome Powell at Jackson Hole in late August and at the press conference after the September FOMC meeting signaled continued policy tightening. As a result, yields rose across the US Treasury maturity spectrum. Notably, short-term yields climbed faster than long-term yields, causing an inverted yield curve as measured by the yield differential between 2- and 10-year Treasuries, which was -0.53% on September 23rd, a level not seen since the year 2000.
- + Yield spreads between Treasuries and both residential mortgage-backed (RMBS) and commercial mortgage-backed (CMBS) securities widened as interest rate volatility, increased risk aversion and a deteriorating fundamental landscape caused valuations in the two segments to decline. Despite continued volatility and greater risk aversion, spreads on asset-backed securities (ABS) tightened during the quarter. Agency MBS underperformed duration-matched Treasuries by approximately 1.50% during the third quarter.

Positioning and outlook

- + The fund is heavily focused on US structured securities and holds secondary allocations in REIT preferred and common equity.
- + Regarding RMBS, housing fundamentals have deteriorated rapidly as the dramatic rise in mortgage rates has led to historically low affordability levels. However, we expect loan losses to be contained given careful underwriting and high levels of borrower equity. Valuations across the RMBS sector remain attractive.
- + Regarding CMBS, lending standards are tightening while loan demand is declining. Fiscal and monetary stimulus have helped property prices to rise. However, we expect appreciation to cease in the quarters ahead. We continue to favor CMBS at the top of the capital structure, along with targeted senior single-asset single-borrower (SASB) exposures that are collateralized by property types well-positioned to outperform in the post pandemic period.
- + Recessionary risks, inflationary pressure and rising interest rates remain a headwind for ABS. On the positive side, valuations have remained attractive relative to generic corporate bonds, despite recent tightening of spreads relative to Treasuries. Select ABS not represented in the benchmark (such as corporate fleet lease, timeshare and rental car) appear most attractive to us.

Performance highlights

- + Invesco Income Fund Class A shares at net asset value (NAV) outperformed its broad-based benchmark for the quarter. (Please see the investment results table on page 2 for fund and index performance.)

Contributors to performance

- + The fund's duration and yield curve positioning, which was shorter than the index, contributed to relative return.

Detractors from performance

- + The fund's allocation to REITs, which are not in the benchmark, detracted from relative return.

Expense ratios	% net	% total
Class A Shares	0.91	0.91
Class Y Shares	0.66	0.66
Class R Shares	1.16	1.16
Class R6 Shares	0.49	0.49
Class R5 Shares	0.54	0.54

Per the current prospectus

Investment categories (%)

Non-Agency MBS	49.59
CMBS	24.35
ABS	12.93
US Agency MBS	6.53
Derivatives*	6.30
REITs	5.71
Cash	0.92

Data shown as a % of net assets. Total may not equal 100% due to notional value of credit derivatives and/or rounding.

*Cash and cash equivalents refer to the value of assets that are cash or can be converted into cash immediately. These include bank accounts, certificates of deposit with a maturity date of one year or less, commercial paper, marketable securities, money market mutual funds, Treasury bills and short-term government bonds with a maturity date of three months or less.

Investment results

Average annual total returns (%) as of Sept. 30, 2022

	Class A Shares	Class Y Shares	Class R Shares	Class R6 Shares	Class R5 Shares	Broad-Based Index
Inception:	Inception:	Inception:	Inception:	Inception:	Inception:	
04/28/87	10/03/08	06/03/02	04/04/17	04/29/05		
Period	NAV	NAV	NAV	NAV	NAV	Bloomberg U.S. Aggregate Bond Index
Inception	4.20	1.59	1.96	-	2.35	-
10 Years	-0.23	0.02	-0.47	-0.02	0.14	0.89
5 Years	-1.19	-0.95	-1.44	-0.82	-0.83	-0.27
3 Years	-3.81	-3.56	-4.03	-3.38	-3.42	-3.26
1 Year	-9.75	-9.62	-9.97	-9.27	-9.44	-14.60
Quarter	-2.15	-2.09	-2.07	-1.91	-1.92	-4.75

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. Class A shares at NAV are available only to certain investors and have no sales charge; therefore, performance is at NAV. Class Y shares have no sales charge; therefore, performance is at NAV. Class R shares have no sales charge; therefore, performance is at NAV. Class R5 shares have no sales charge; therefore, performance is at NAV. 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. Class R6 shares have no sales charge; therefore, performance is at NAV. 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: FactSet Research Systems Inc.

For more information you can visit us at www.invesco.com/us

1 Ratings source: Standard & Poor's Rating Services (S&P), Moody's Investor Services (Moody's), Fitch Ratings (Fitch), Kroll Bond Rating Agency, Inc (Kroll), DBRS Limited (DBRS) or Morningstar Credit Ratings LLC (Morningstar), as applicable. A credit rating is an assessment provided by a nationally recognized statistical rating organization (NRSR) 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 notices. Rating are initially measured by taking the middle of three or lower of two ratings from Moody's, S&P, or Fitch at a security level where applicable. Securities not rated by Moody's, S&P or Fitch are measured by taking the middle of three or lower of two ratings from Kroll, DBRS, or Morningstar. Not Rated indicates that the debtor was not rated and should not be interpreted as indicating low quality. For more information on the rating methodology, please visit www.standardandpoors.com and select 'Understanding Ratings' under Rating Resources on the homepage; www.moody.com and select 'Rating Methodologies' under Research and Ratings on the homepage; www.fitchratings.com and select 'Ratings Definitions' on the homepage; www.krollbondratings.com and select 'Methodologies' under Understanding Ratings on the homepage; www.dbrs.com and select 'Understanding Ratings' on the homepage; ratingagency.morningstar.com and select 'Methodologies and Guidelines' under Ratings/Surveillance on the homepage.

Class A shares at NAV and Class Y shares are available only to certain investors. Class R shares are generally available only to employee benefit plans. Class R6 shares and Class R5 shares are primarily intended for retirement plans that meet certain standards and for institutional investors. See the prospectus for more information.

The Bloomberg U.S. Aggregate Bond 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. **Weighted average effective maturity (WAM)** is a measure, as estimated by the fund's portfolio managers, of the length of time the average security in a bond fund will mature or be redeemed by its issuer. It takes into account mortgage prepayments, puts, adjustable coupons and potential call dates.

About risk

To the extent the fund invests a greater amount in any one sector or industry, there is increased risk to the fund if conditions adversely affect that sector or industry.

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 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.

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.

Municipal securities have the risk that legislative or economic conditions could affect an issuer's ability to make principal and/or interest payments.

Obligations issued by US Government agencies and instrumentalities may receive varying levels of support from the government, which could affect the fund's ability to recover should they default.

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.