Invesco Senior Floating Rate Fund

Q1 2024

Key takeaways

1. **High conviction investment style**
The fund employs a high conviction opportunistic investment style and seeks to out-yield its competitors over the long term.

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. **Hedging interest rate volatility**
Due to their floating rate nature, loans effectively have no interest rate risk, a potential diversification benefit when paired with a portfolio of longer duration, interest rate sensitive assets.

Investment objective
The fund seeks income.

Fund facts

Fund AUM ($M)	3,103.49

Portfolio managers
David Lukkes, Philip Yarrow, Thomas Ewald

Manager perspective and outlook

- Loans, as represented by the Credit Suisse Leveraged Loan Index, returned 2.25% in the first quarter.[1]
- The trailing 12-month par-weighted default rate edged downward from 1.41% to 1.14% in March, despite one new bankruptcy filing.[2] The pocket of distress (i.e. the percentage of loans trading below $80) edged up from 3.35% to 3.51%.[2]
- Through 2023 and into 2024, sentiment appeared to shift with investors seemingly becoming increasingly confident the US economy would avoid a “hard landing” despite the US Federal Reserve (Fed) raising interest rates. As such, appetite for lower rated credits appeared to improve appreciably. After a tough year for CCC-rated loans in 2022, they returned 16.13% in 2023, beating loans rated BB (10.05%) and B (14.41%).[1] In the first quarter of 2024, CCCs again outperformed, returning 6.14%, compared to 2.48% for Bs and 1.92% for BBs.[1]
- Since the end of January, markets have seemingly removed several rate cuts from 2024 expectations as strong economic data and mixed inflation signals lessen the urgency for the Fed to ease monetary policy. To the extent this policy path materializes, loan coupon income stands to benefit from a slower, shallower easing cycle. Along with firm economic growth and earnings fundamentals and persistent shortage of new issue supply in the loan market – which serves as a technical tailwind for the asset class – this environment appears, in our view, favorable for loan returns in 2024.

Investment categories (%)

Senior Secured Loans	84.8
Corporate Debt	8.2
Domestic Common Stock	4.7
Preferred Securities	0.6
Cash and Cash equivalents	0.6
Structured Products	0.5
Warrants	0.5
Int'l Common Stock	0.1

May not equal 100% due to rounding.

Portfolio positioning

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

At quarter end, the fund's largest relative overweight sectors were chemicals, energy and transportation. During the quarter, transportation replaced industrials as one of the most overweight sectors.

The chemicals sector at large weathered the inflationary environment of late 2021 through 2022 remarkably well, in our view, despite exposure to commodity prices, proving it had the ability to pass through price increases to maintain profit margins. The year 2023 was more challenging due to inventory destocking, softness in end markets, and compression of profit margins as higher cost inventory was sold into a deflationary environment. Many issuers saw sequential improvements in the second half of 2023 and we expect earnings trends to broadly stabilize going forward in 2024. We maintain a positive outlook for the chemical sector and see potentially attractive risk-adjusted return opportunities.

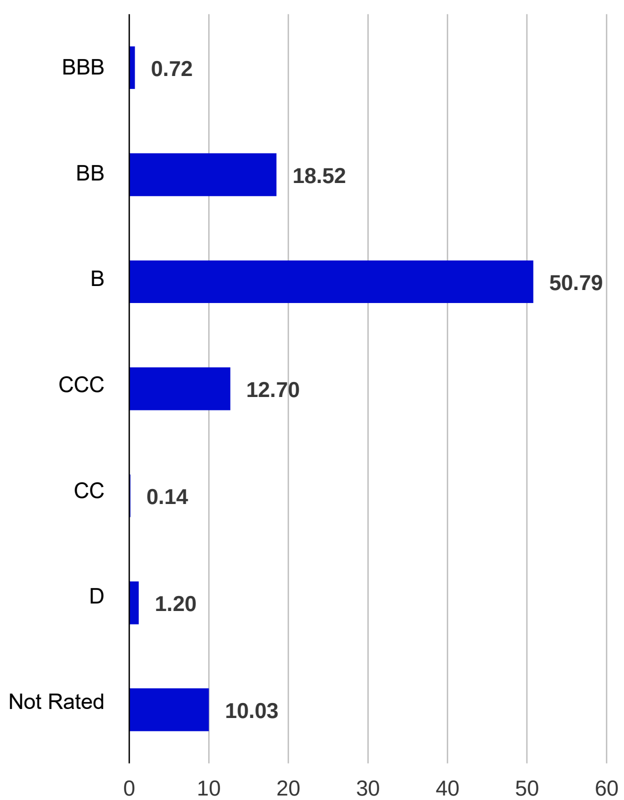
The fund's overweight in energy is due to a series of select holdings that have outperformed over past years and in our view continue to show attractive risk/reward attributes.

The largest underweights were in the health care, technology and financial sectors, positioning that did not change during the quarter.

The fund's persistent underweight in health care still reflects our belief that investors are not being adequately compensated for the risks facing health care providers in the current operating environment. The sector has been, in our view, under pressure from the shift toward health care consumerism and lower reimbursement rates from Medicare and other payors. At the same time, health care operators have been negatively affected by rising wages and labor shortages. In our view, the highly politicized nature of the health care sector adds meaningful downside risk and we have been highly selective in the sector.

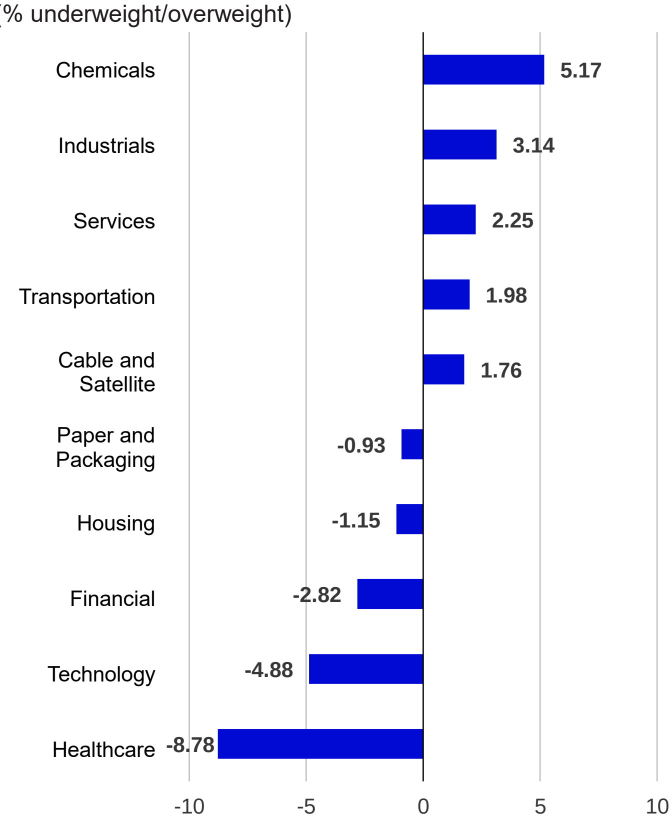
Underweight positions in financials and technology stem from a lack of what we consider attractive relative value opportunities in the sectors. Specific to the financials sector, credit quality is skewed toward the lower end of the credit quality spectrum and we have not found the risk-adjusted returns appealing.

Quality breakdown (% total)



The fund's positioning versus Index

(% underweight/overweight)



Portfolio characteristics*

	Fund	Index
Weighted average price	93.18	97.02
Average maturity (years)	4.33	4.34
Weighted average coupon (%)	9.17	9.10
30 day SEC yield (%)	8.33	-
No. of holdings	531	-

Performance highlights

Invesco Senior Floating Rate Fund Y Class shares returned 2.59% for the first quarter, underperforming its benchmark, the JP Morgan Leveraged Loan Index, which returned 2.65%.

Relative return was primarily hampered by asset selection (allocation to non-benchmark assets), credit selection (results of over- and underweights in individual credits relative to the benchmark) and individual holdings of non-benchmark assets. Risk positioning (the effects of over- and underweights in quality ratings segments relative to the benchmark) was the main contributor to relative return. Sector positioning (the effect of sector over- and underweights) added to relative return to a lesser degree.

Selection in energy, technology and telecommunications had the largest positive effect on relative return, while selection in cable and satellite, transportation and paper and packaging detracted most from relative return.

Contributors to performance
From an issuer standpoint, the largest individual contributors to absolute return were as follows:

QuarterNorth Energy (QNE) was formed from the chapter 11 reorganization of Fieldwood Energy (8-27-21 chapter 11 exit). Pre-petition creditors of Fieldwood acquired equity in QNE through debt for equity exchange, rights offering and fee for providing post reorg debt. QNE is an oil & gas production company with operations focused in the US Gulf of Mexico. QNE was 0% of total net assets at quarter end as it was acquired by Talos Energy (0.81% of total net assets).
GoTo Group (LogMeIn)is one of the world's largest software-as-a-service (SaaS) companies, offering a broad range of solutions including collaboration, communication, customer engagement and identity/access management.
Sigma Holdco (Flora Food) is the largest global manufacturer of branded margarine/spreading products and is present in 69 countries across developed (about 80% of sales) and emerging (about 20% of sales) markets.

These issuers represented 0.00%, 0.69% and 1.04% of total net assets, respectively.

Detractors from performance
From an issuer standpoint, the largest individual detractors from absolute return were as follows:

Commercial Barge Line Company is one of the largest inland marine transportation and service companies in the US with headquarters in Jeffersonville, Indiana.
SFR-Numericable (YPSO, Altice France) is the third largest fixed phone line service provider in France with 6.5 million subscribers and the second largest mobile phone service provider with 20 million subscribers, with market share of about 19-21% in each. Its services include digital and analog television, high-speed internet and broadband digital telecommunications.
Altice Financing (Altice-Intl) is a multinational cable and telecommunications company.

These issuers represented 1.14%, 1.18% and 0.89% of total net assets, respectively.

Standardized performance (%) as of March 31, 2024

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 09/08/99	NAV	2.68	2.68	12.13	6.54	3.18	3.19	4.40
	Max. Load 3.25%	-0.60	-0.60	8.48	5.38	2.51	2.85	4.25
Class R6 shares inception: 10/26/12	NAV	2.76	2.76	12.51	6.94	3.53	3.54	3.88
Class Y shares inception: 11/28/05	NAV	2.59	2.59	12.25	6.80	3.40	3.44	4.24
J.P. Morgan Leveraged Loan Index		2.65	2.65	12.49	6.36	5.75	4.90	-
Total return ranking vs. Morningstar Bank Loan category (Class A shares at NAV)		-	-	27% (51 of 227)	5% (9 of 214)	89% (181 of 206)	69% (117 of 169)	-

Expense ratios per the current prospectus: Class A: Net: 1.07%, Total: 1.09%; Class R6: Net: 0.74%, Total: 0.74%; Class Y: Net: 0.82%, Total: 0.84%.

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. As the result of a reorganization on May 24, 2019, the returns of the fund for periods on or prior to May 24, 2019 reflect performance of the Oppenheimer predecessor fund. Share class returns will differ from the predecessor fund due to a change in expenses and sales charges. 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 (%)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Class A shares at NAV	0.55	-2.06	12.72	3.77	-0.89	2.33	-4.47	8.63	-0.43	11.49
Class R6 shares at NAV	0.86	-1.76	13.10	4.23	-0.67	2.69	-4.14	9.16	-0.11	11.86
Class Y shares at NAV	0.79	-1.83	13.02	4.16	-0.78	2.58	-4.26	9.08	-0.21	11.78
J.P. Morgan Leveraged Loan Index	2.05	0.54	9.78	4.25	1.08	8.64	3.19	5.46	0.06	13.17

Net = Total annual operating expenses less any contractual fee waivers and/or expense reimbursements by the adviser in effect through at least Dec 31, 2024.

Unless otherwise specified, all information is as of 03/31/24. Unless stated otherwise, Index refers to J.P. Morgan Leveraged Loan Index.

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

About risk

The fund may use leverage to seek to enhance income, which creates the likelihood of greater volatility of the fund's shares and may also impair the ability to maintain its qualification for federal income tax purposes as a regulated investment company.

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

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.

Environmental, Social and Governance (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.

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.

The Fund may hold illiquid securities that it may be unable to sell at the preferred time or price and could lose its entire investment in such securities.

Investments focused in a particular sector, such as financial services, are subject to greater risk, and are more greatly impacted by market volatility, than more diversified investments.

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.

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.

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: Credit Suisse Leveraged Loan Index, total returns in USD, as of March 31, 2024.
2. Source: PitchBook Data, Inc. as of March 31, 2024.

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.