Invesco High Yield Fund

Q1 2024

Key takeaways

1 **Rate cuts expected in 2024**
Global inflation has been easing and falling toward central bank targets. A cycle of interest rate cuts should in our view be good for financial markets and allow rate volatility to decline.

2 **Yields have been attractive to us, yield spreads versus Treasuries have been tight**
Valuations appear rich across many fixed income classes, likely curbing return expectations. Returns will likely be driven by income as compression of yield spreads since October 2023 limits appreciation potential. CCC-rated bond still offer some value in our view.

3 **Low bond defaults**
Default projections for 2024 have been in the low range due to easier financial conditions, a well-functioning primary market and fewer distressed issues. Slow growth with disinflation and no expected recession is a positive backdrop for risk assets in the fixed income markets.

Investment objective
The fund seeks total return through growth of capital and current income.

Fund facts

Fund AUM ($M)	937.38

Portfolio managers
Niklas Nordenfelt, Philip Susser, Rahim Shad

Manager perspective and outlook

- The global economy generated steady growth in the first quarter of 2024, led by the US, where economic growth has surprised on the upside in recent quarters and is not expected to weaken. We still anticipate a global bumpy landing but, in aggregate, the global economy should continue to expand. Inflation has dropped in recent months, and we expect inflation pressure to remain low as labor market pressures abate. Although inflation has still been above central bank targets, the progress so far argues in our view for central banks to cut rates. This macroeconomic backdrop is very favorable for markets. However, valuations have been tight across many credit asset classes, and the inverted yield curve creates a headwind to extending duration.
- The high-yield asset class started 2024 on solid fundamental footing, but we believe effects of higher interest rates will weigh on consumer and corporate borrowers as the year progresses. Still, we expect default rates to be manageable. The year-end rally pushed yield spreads between high-yield bonds and Treasuries tighter, causing us to view valuations in the vast majority of sectors as fair-to-rich. The handful of sectors that appear to us cheap do so because of a high number of distressed issuers. We predict that 2024 returns will be driven by income more than price appreciation given the compression of yield spreads that has already occurred.

Portfolio characteristics*

	Fund	Index
Effective duration (yrs)	2.93	3.24
Coupon (%)	6.24	6.13
30-day SEC yield (Class A shares)	6.00	-
30-day SEC unsubsidized yields (Class A shares)	6.00	-

Investment categories (%)

	Portfolio	Index
Corporate Bonds	**78.33**	**86.99**
US High Yield Bonds	77.33	86.00
US Investment Grade Bonds	1.01	0.99
Non-US Debt	**15.64**	**13.01**
Non-US High Yield Bonds	11.97	12.17
Emerging Market Debt	2.21	0.65
Non-US Investment Grade Bonds	1.45	0.19
Convertible Bonds	**0.31**	**0.00**
Cash & Cash Equivalent	**4.06**	**0.00**
Derivatives & FX	**0.52**	**0.00**
Others	**0.52**	**0.00**

Portfolio positioning

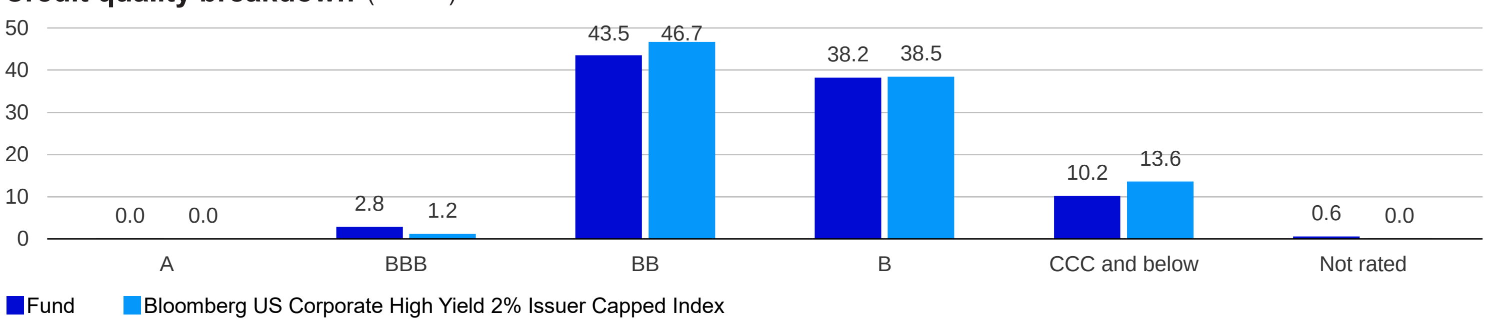
Most fixed income asset classes had positive returns in the first quarter; the Bloomberg US Corporate High Yield 2% Issuer Capped Index returned +1.47%. Defaults/distressed transactions for the quarter included three bond-only issuers totaling $2.4 billion. The 12-month trailing par-weighted US high-yield default rate, including distressed exchanges, ended the quarter at 2.59%, down from 2.85% at year end. High-yield funds had inflows of $2.6 billion for the quarter, while high-yield issuance totaled $87.6 billion.

We currently plan to position the fund with less risk and shorter duration than its benchmark. High yield has been benefiting from yield-driven demand, strong underlying corporate fundamentals, increasing chance of a soft economic landing, and peak interest rates with possible rate cuts this year. We consider it prudent to benefit from the income and positive momentum, focus on security selection to avoid individual issue risk, and prepare to increase risk should improving economic conditions reduce high-yield risk. Yield per unit of duration is in our view more attractive in the shorter maturity segment of high-yield bonds. With careful selection, we believe the short duration segment is also attractive when adjusted for credit risk. In an effort to help soften any downside potential, we are focusing on securities of issuers with clear paths to refinancing or retiring maturing bonds.

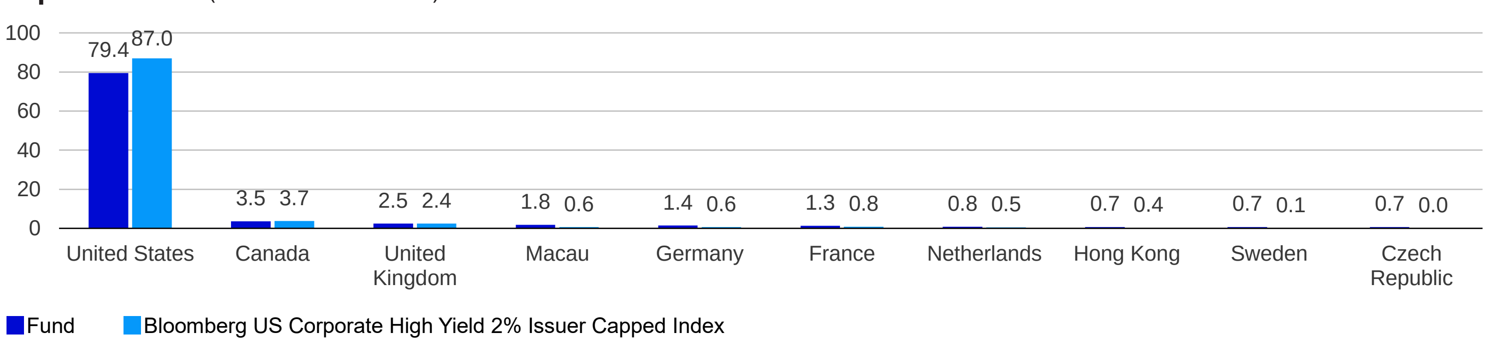
A soft landing is a favorable backdrop for high-yield credit. We are emphasizing high quality bonds and keeping exposure to lower quality bonds in line with overall market risk. We think lower quality, leveraged companies are more vulnerable in an environment with higher capital costs. We are avoiding idiosyncratic risk among lower quality issuers that require cheap financing to survive, which should in our view also be beneficial if there is a US recession. Yet, we believe lower quality issues offer attractive relative value with room to outperform should yield spreads relative to Treasuries continue to tighten. We are employing portfolio construction techniques designed to capture beta exposure and the higher yield potential of CCC-rated bonds while working to limit issuer-specific risk.

Europe's high-yield market also offers incremental relative value as yield spreads have been wider than US high yield and Europe's economy has been weaker, increasing the probability it will experience a positive inflection and possibly interest rate cuts before the US. Overall, we expect income to deliver most of the return for high-yield bonds.

Credit quality breakdown (% total)



Top countries (% of total net assets)



Top contributors (bps)

Issuer	Return	Contrib. to return
CDX	4855.68	14.89
MATIV HOLDINGS INC	506.96	8.77
MELCO INTERNATIONAL DEVELOPMENT LTD	562.56	8.25
ECHOSTAR CORP	973.96	7.30
SERVICE PROPERTIES TRUST	383.43	6.70

Top detractors (bps)

Issuer	Return	Contrib. to return
LUMEN TECHNOLOGIES INC	-831.35	-10.31
VIRGIN MEDIA VENDOR FINANCING NOTES III DAC	-524.73	-3.82
COMMUNITY HEALTH SYSTEMS INC	4.82	-3.05
None	-8820.08	-2.70
QURATE RETAIL INC	299.87	-2.63

Performance highlights

Invesco High Yield Fund Class A shares posted a positive return for the quarter and outperformed its benchmark.

Contributors to performance

During the quarter, the primary drivers of performance included:

Security selection in financial institutions, specifically REITs and banking

The use of derivatives, specifically credit default swaps

An underweight allocation to the cable and satellite sub-sector

An underweight duration position

Detractors from performance

During the quarter, the primary detractors from performance included:

Security selection in the retailers and wirelines sub-sectors

An underweight allocation to CC-rated securities and security selection in CCC-rated securities

Security selection in the capital goods and technology sub-sectors, within industrial corporates.

Standardized performance (%) as of March 31, 2024

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 07/11/78	NAV	1.37	1.37	8.64	1.35	2.65	2.91	6.93
	Max. Load 4.25%	-3.04	-3.04	4.11	-0.14	1.76	2.47	6.83
Class R6 shares inception: 09/24/12	NAV	1.75	1.75	9.37	1.74	3.11	3.35	4.09
Class Y shares inception: 10/03/08	NAV	1.71	1.71	9.22	1.62	2.92	3.17	6.51
Bloomberg US Corporate High Yield 2% Issuer Capped Index		1.47	1.47	11.15	2.19	4.19	4.44	-
Total return ranking vs. Morningstar High Yield Bond category (Class A shares at NAV)		-	-	88% (585 of 665)	73% (426 of 605)	91% (509 of 574)	82% (353 of 431)	-

Expense ratios per the current prospectus: Class A: Net: 1.04%, Total: 1.04%; Class R6: Net: 0.65%, Total: 0.65%; Class Y: Net: 0.79%, Total: 0.79%.

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. 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	1.12	-3.09	11.28	6.32	-3.30	12.68	3.62	4.15	-9.83	9.89
Class R6 shares at NAV	1.75	-2.67	11.74	6.52	-2.93	13.44	4.04	4.29	-9.26	9.99
Class Y shares at NAV	1.62	-2.82	11.52	6.33	-3.04	12.94	3.88	4.41	-9.56	9.84
Bloomberg US Corporate High Yield 2% Issuer Capped Index	2.46	-4.43	17.13	7.50	-2.08	14.32	7.05	5.26	-11.18	13.44

Unless otherwise specified, all information is as of 03/31/24. Unless stated otherwise, Index refers to Bloomberg US Corporate High Yield 2% Issuer Capped Index.

The Bloomberg US Corporate High Yield 2% Issuer Cap Index is an unmanaged index that covers U.S. corporate, fixed-rate, non-investment grade debt with at least one year to maturity and $150 million in par outstanding. Index weights for each issuer are capped at 2%. An investment cannot be made directly in an index.

About risk

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.

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

Preferred securities may include provisions that permit the issuer to defer or omit distributions for a certain period of time, and reporting the distribution for tax purposes may be required, even though the income may not have been received. Further, preferred securities may lose substantial value due to the omission or deferment of dividend payments.

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, Moody's or Fitch, as applicable. 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 rating methodologies, please visit the following NRSRO websites: www.standardandpoors.com and select 'Understanding Credit Ratings' under Rating Resources 'About Ratings' on the homepage; www.ratings.moodys.com and select 'Rating Methodologies' under Research and Ratings on the homepage; www.fitchratings.com and select 'Ratings Definitions Criteria' under 'Resources' on the homepage. Then select 'Rating Definitions' under 'Resources' on the 'Contents' menu.
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.

*** Effective duration** is the managers' estimate of a bond fund's price sensitivity to changes in interest rates. This measure takes into account mortgage prepayments, puts, adjustable coupons and potential call dates. **Contribution to Return** measures the performance impact from portfolio holdings over a defined time period. It takes into account both weight and performance of the portfolio holdings. Contribution to Return is calculated at security level.

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.