

Invesco SteelPath MLP Alpha Fund

Q2 2024

Key takeaways

- 1 MLP returns were positive, but lagged the broader market**

For the second quarter, master limited partnerships (MLPs), as measured by the Alerian MLP Index (AMZ), returned 1.48% on a price basis and 3.35% including distributions. The S&P 500 Index returned 3.92% on a price basis and had a 4.28% total return.
- 2 Better-than-expected operating results**

During the quarter, 82% of midstream sector participants reported first quarter results in line with or better than consensus. Earnings before interest, taxes, depreciation & amortization (EBITDA) were about 2% above the prior quarter and 5% above the same quarter of 2023.
- 3 We remain focused on the long-term investment horizon**

Despite several years of outperforming the S&P 500, we still believe midstream equities remain well positioned to provide investors with an attractive yield and total return experience over the coming years.

Investment objective

The fund seeks total return.

Fund facts

Fund AUM (\$M) 989.43

Portfolio managers

Stuart Cartner, Brian Watson

Manager perspective and outlook

- West Texas Intermediate (WTI) crude oil priced at the Cushing hub ended the quarter at \$81.54 per barrel, down 2% from the end of the first quarter and 15% higher than one year ago. The spread between Brent crude, a proxy for international crude prices, and WTI ended the quarter at \$4.87 per barrel, widening during the quarter.
- Henry Hub natural gas prices ended the quarter at \$2.60 per million British thermal units (MMbtu), up 48% from the end of the first quarter and 7% lower than one year ago. Gas pricing in the Permian Basin ended the quarter higher than the end of the first quarter, but experienced weakness (even trading at negative prices) during the period, as pipeline maintenance exacerbated already tight takeaway capacity ahead of incremental capacity increases expected during the second half of 2024.
- Natural gas liquids (NGLs) priced at Mont Belvieu ended the quarter at \$29.56 per barrel, down 4% from the end of the first quarter and 32% higher than one year ago. Prices for each of the NGL purity products were lower at quarter end, with propane the most resilient, down less than 1% from the end of the first quarter, and isobutane the weakest, down 8%. Frac spreads, a measure of natural gas processing economics, settled at \$0.48 per gallon, down 20% from the end of the first quarter and 53% higher than one year ago.



Top equity issuers

(% of total net assets)

	Fund	Index
Energy Transfer LP	13.61	10.23
MPLX LP	13.18	10.00
Western Midstream Partners LP	12.82	10.00
Targa Resources Corp	12.58	0.00
Enterprise Products Partners LP	8.83	9.88
Plains All American Pipeline LP	6.50	10.33
ONEOK Inc	6.17	0.00
Sunoco LP	5.08	10.55
Williams Cos Inc/The	4.20	0.00
Cheniere Energy Inc	3.08	0.00

As of 06/30/24. Holdings are subject to change and are not buy/sell recommendations.

Portfolio positioning

For the second quarter of 2024, master limited partnerships (MLPs), as measured by the Alerian MLP Index (AMZ), returned 1.48% on a price basis and 3.35% when including distributions. For the quarter, the S&P 500 Index gained 3.92% on a price basis and returned 4.28% including distributions.

Many sector participants continued to buy back stock as attractive valuations have persisted. Buyback disclosures historically typically accompany earnings reports, which trail the quarter end by several weeks (approximately \$1.7 billion of buybacks were disclosed with first quarter earnings reports). We estimate MLP-focused investment vehicles, including closed-end funds, open-end funds and index-linked products, experienced approximately \$680 million of net inflows during the quarter.

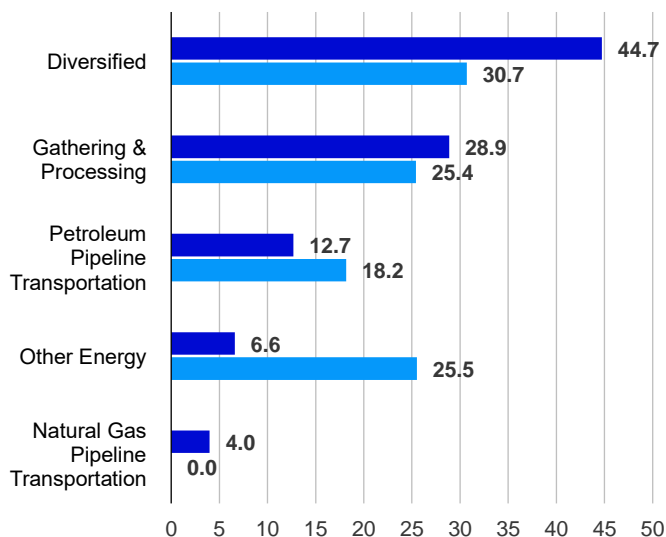
MLP capital investment included an estimated \$5.0 to \$6.0 billion of organic capital spending. As producer growth plans have remained moderate, midstream capital spending requirements have lessened, increasing the free cash available to sector participants for debt retirement, unit repurchases and distribution increases in current and future periods. Corporate mergers and acquisitions (M&A) remained healthy, with multiple transactions announced during the quarter.

The 10-year US Treasury yield was 4.40% at quarter end, up 0.20% from the end of the first quarter. The MLP yield spread, as measured by the implied yield of the AMZ Index relative to the 10-year Treasury yield, narrowed by 0.21%, ending the quarter at 2.65%. The long-term average for the MLP yield spread (2000 through the second quarter of 2024) is 4.40%. At quarter end, the AMZ Index's yield was 7.05%.

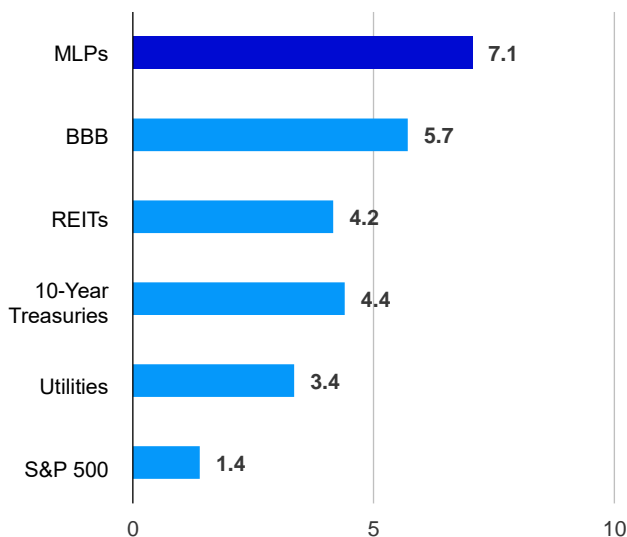
We believe that despite several years of outperforming the S&P 500 Index, midstream equities are well positioned to provide investors with an attractive yield and total return experience over the coming years. In our view, valuations have remained attractive and fundamentals support expectations for cash flow growth for most sector participants, particularly those with business segments focused on key producing basins and those that support activities to export crude oil, refined products, liquified petroleum gases (LPGs) and/or liquified natural gas (LNG).

Sector breakdown (% of total net assets)

■ Fund ■ Alerian MLP Index-GR



Yields by asset class¹ (%)



1. Source: Bloomberg. Data as of June 30, 2024 and is calculated using the most recent annualized distribution. MLPs are represented by the Alerian MLP Index (AMZ). Real Estate Investment Trusts (REITs) are represented by the FTSE NAREIT Equity REIT Index. BBB Bonds (BBB) are represented by the U.S. Corporate Bond BBB yields. Utilities are represented by the Dow Jones Utilities Index. 10-Year Treasuries are represented by the U.S. Treasury Bond 10-year yield. S&P 500 Index is an unmanaged capitalization-weighted index of 500 stocks listed on various exchanges. Index performance is shown for illustrative purposes and does not predict or depict performance of the Fund. The indexes are unmanaged and cannot be purchased directly by investors. **Past performance does not guarantee future results.**

Performance highlights

The marine sub-sector and the gathering and processing sub-sector provided the best relative performance during the quarter. The marine group benefited from longer voyage times caused by challenging environments at both the Panama and Suez canals. The gathering and processing group benefited from healthy outlooks for volume growth.

Contributors to performance

Targa Resources Corp. (TRGP)

TRGP outperformed after reporting better-than-expected financial and operating results despite challenging weather conditions to start the quarter.

TRGP provides midstream natural gas and natural gas liquid services via an integrated asset base with a premium footprint in the Permian basin.

Western Midstream Partners LP (WES)

WES outperformed after reporting better-than-expected financial and operating results.

The partnership executed its 52% distribution increase that was formally announced during the first quarter.

Genesis Energy LP (GEL)

GEL outperformed despite quarterly results that were below expectations due to weaker-than-expected contributions from its Soda Ash segment. GEL has continued to highlight the cash flow inflection expected in 2025 as volumes in its offshore segment are expected to grow with producer activity.

Despite the earnings miss, we believe GEL's diversified asset base provides a stable margin profile that is expected to generate consistent future cash flows.

Detractors from performance

NuStar Energy LP (NS)

NS was acquired by Sunoco LP (SUN) via an all-stock transaction that closed during the quarter.

NS was one of the largest independent liquids terminal and pipeline operators, with approximately 10,000 miles of pipeline, 63 terminal and storage facilities that store and distribute crude oil, refined products, renewable fuels, ammonia and specialty liquids.

Enterprise Products Partners LP (EPD)

EPD underperformed despite reporting financial and operating results that were in line with expectations. We attributed the underperformance to higher capital expenditures associated with new growth projects focused on capturing robust production volume growth from the Permian basin.

EPD is, in our view, well positioned with one of the largest and most diversified portfolios of natural gas liquids midstream assets in the US, with a vertically integrated system that we believe has been able to capitalize on strong domestic and international liquified petroleum gas pricing.

MPLX LP (MPLX)

MPLX underperformed despite reporting better-than-anticipated financial and operating results. During the quarter, the partnership executed its management succession plan as its CEO reached the company's mandatory retirement age.

MPLX holds what is in our view an attractive, diversified portfolio of midstream energy infrastructure and logistics assets.

Standardized performance (%) as of June 30, 2024

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 03/31/10	NAV	4.01	22.23	37.46	23.06	11.99	2.46	5.88
	Max. Load 5.5%	-1.69	15.56	29.95	20.76	10.72	1.88	5.47
Class R6 shares inception: 06/28/13	NAV	4.22	22.51	37.88	23.47	12.35	2.80	4.27
Class Y shares inception: 03/31/10	NAV	4.14	22.51	37.65	23.39	12.26	2.71	6.15
Alerian MLP Index-GR		3.35	17.71	35.79	22.74	12.17	2.03	-
Total return ranking vs. Morningstar Energy Limited Partnership category (Class A shares at NAV)		-	-	5% (10 of 99)	13% (16 of 99)	28% (31 of 97)	30% (17 of 62)	-

Expense ratios per the current prospectus: Class A: Net: 3.11%, Total: 3.11%; Class R6: Net: 2.76%, Total: 2.76%; Class Y: Net: 2.86%, Total: 2.86%.

The fund is structured as a C corporation and may be subject to certain tax expenses that are reflected in the expense ratio. Please refer to the current prospectus for more information.

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. Visit [invesco.com](https://www.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: RIMES Technologies Corp. 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.

Performance highlights (cont'd)

Calendar year total returns (%)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Class A shares at NAV	6.81	-31.59	25.75	-7.46	-14.85	6.96	-28.61	39.39	29.07	20.44
Class R6 shares at NAV	7.24	-31.37	26.28	-7.27	-14.55	7.37	-28.36	39.70	29.61	20.76
Class Y shares at NAV	7.07	-31.40	26.06	-7.30	-14.60	7.24	-28.38	39.76	29.45	20.45
Alerian MLP Index-GR	4.80	-32.59	18.31	-6.52	-12.42	6.56	-28.69	40.17	30.92	26.56

Portfolio characteristics

	Fund	Index
No. of holdings	19	19
Dividend per share	0.0372	-
Dividend frequency	Monthly	-

Risk statistics (5 year)*

	Fund	Index
Alpha (%)	0.16	0.00
Beta	0.93	1.00
Sharpe ratio	0.27	0.26
Information ratio	-0.05	0.00
Standard dev. (%)	36.46	38.81
Tracking error (%)	5.99	0.00
Up capture (%)	92.77	100.00
Down capture (%)	98.88	100.00
Max. drawdown (%)	59.17	61.00

Unless otherwise specified, all information is as of 06/30/24. Unless stated otherwise, Index refers to Alerian MLP Index-GR.

The Alerian MLP Index is a market-cap weighted, float-adjusted index created to provide a comprehensive benchmark for investors to track the performance of the energy MLP sector. The Index components are selected by Alerian, LLC ("Alerian"). An investment cannot be made directly in an index.

About risk

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.

Although the characteristics of MLPs closely resemble a traditional limited partnership, a major difference is that MLPs may trade on a public exchange or in the over-the-counter market. Although this provides a certain amount of liquidity, MLP interests may be less liquid and subject to more abrupt or erratic price movements than conventional publicly traded securities. The risks of investing in an MLP are similar to those of investing in a partnership and include more flexible governance structures, which could result in less protection for investors than investments in a corporation. MLPs are generally considered interest-rate sensitive investments. During periods of interest rate volatility, these investments may not provide attractive returns.

The Fund is considered non-diversified and may experience greater volatility than a more diversified investment.

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.

* **Alpha** (cash adjusted) is a measure of performance on a risk-adjusted basis. **Beta** (cash adjusted) is a measure of relative risk and the slope of regression. **Sharpe Ratio** is a risk-adjusted measure calculated using standard deviation and excess return to determine reward per unit of risk. A higher Sharpe ratio indicates better risk-adjusted performance. **Information Ratio** is a measurement of portfolio returns beyond the returns of a benchmark, usually an index, compared to the volatility of those returns. **Standard deviation** measures a fund's range of total returns and identifies the spread of a fund's short-term fluctuations. **Tracking Error** is defined as the expected standard deviation of a portfolio's excess return over the benchmark index return. The **up and down capture** measures how well a manager was able to replicate or improve on periods of positive benchmark returns and how severely the manager was affected by periods of negative benchmark returns. **Maximum Drawdown** is the maximum observed loss from a high to a low of a portfolio, before a new high is attained. Maximum drawdown is an indicator of downside risk over a specified time period.

Morningstar

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