

# Invesco Convertible Securities Fund

## Quarterly Performance Commentary

Mutual Fund Retail Share Classes  
Data as of Sept. 30, 2019



### Investment objective

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

### Portfolio management

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### Fund facts

Nasdaq	A: CNSAX	C: CNSCX Y: CNSDX
Total Net Assets	\$1,121,418,283	
Total Number of Holdings	92	

### Fund characteristics

Distribution Frequency	Quarterly
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### Investment categories (%)

Domestic Convertible Bonds	87.05
International Convertible Bonds	8.61
Domestic Convertible Preferred	0.19
International Convertible Preferred	0.20
Domestic Corporate Bonds	0.01
International Corporate Bonds	0.01
Cash	3.91

May not equal 100% due to rounding.

### Credit quality breakdown (% total)<sup>1</sup>

Cash	3.19
A	1.81
BBB	11.62
BB	4.34
B	4.33
Not Rated	74.71

### Market overview

+ Macroeconomic and geopolitical issues again concerned investors in the third quarter. US-China trade conflict worried investors and stifled business investment even as the Federal Reserve cut interest rates. This environment, combined with evidence of slowing global economic growth, fueled volatility in August. The US Treasury yield curve inverted several times, raising fears of a US recession. As a result, August saw increased risk aversion, with investors crowding into asset classes perceived as safe havens, such as US Treasuries and gold. However, the Fed's accommodative tone

provided some support for risk assets. In September, a drone attack on Saudi Arabia's oil fields caused a brief spike in oil prices, which retreated after the US tapped into reserves to boost supply. Despite increased volatility, US equity markets delivered generally positive results, with the S&P 500 Index returning 1.70%. Convertible securities, (as represented by the ICE BofAML US Convertibles Index) were flat, returning 0.15% for the quarter, due to weak performance from underlying equities.

### Positioning and outlook

+ At quarter end, the fund's overall positioning was largely unchanged: the fund's largest relative overweights were in IT and utilities, while the largest underweights were in financials, consumer discretionary and energy.

+ We expect market volatility to continue for the foreseeable future given potential for a slowing

global economy, geopolitical tensions and uncertainty about US trade policy.

+ As always, we seek to avoid issue-specific underperformers, and we continue to seek companies with healthy balance sheets and reasonable valuations that can benefit from the current economic environment.

### Performance highlights

+ The fund's Class A shares at net asset value (NAV) underperformed the index in the third quarter. (Please see the investment results table on page 2 for fund and index performance.)

### Contributors to performance

+ Security selection and an underweight in energy added to relative performance. Lack of exposure to some of the weaker securities within the sector, such as **Chesapeake Energy** (not a fund holding), helped relative results, and the fund's energy holdings also had a positive return.

+ The fund's overweight in utilities also added to relative performance as the sector was one of the best performers during the quarter.

+ Security selection in media and health care, as well as an underweight in materials, added to relative return. Within health care, **Insulet** (1.60% of total net assets) was a key contributor. Sales of the company's specialized insulin controller, which is smaller and less obtrusive than traditional devices, have been better than anticipated.

### Detractors from performance

+ Security selection in information technology (IT) was the primary driver of underperformance. During the quarter, investors shifted to cyclical areas within the sector, such as semiconductors, while cloud-based software companies that had performed well for most of 2019 had negative returns. As such, the fund's overweights in **Zendesk**, **Servicenow** and **Okta** (1.48%, 2.00% and 1.01% of total net assets, respectively) detracted. The fund's lack of exposure to strong performer **Lam Research** (not a fund holding) also hurt relative return.

+ The fund's underweight in financials, particularly REITs, also detracted from relative return as real estate performed well during the quarter.

+ Security selection in consumer discretionary also detracted from relative performance, largely due to mobile payments company **Square** (1.47% of total net assets), which sold off sharply in August amid concerns about trade issues with China.

Expense ratios	% net	% total
Class A Shares	0.91	0.91
Class C Shares	1.67	1.67
Class Y Shares	0.67	0.67

Per the current prospectus

## Investment results

Average annual total returns (%) as of Sept. 30, 2019

Period	Class A Shares		Class C Shares		Class Y Shares	Style-Specific Index
	Inception: 07/28/97	NAV	Inception: 07/28/97	NAV	Inception: 07/28/97	
	<b>Max Load</b> <b>5.50%</b>		<b>Max CDSC</b> <b>1.00%</b>			<b>ICE BofAML U.S. Convertible Index</b>
Inception	6.38	6.65	6.29	6.29	6.90	-
10 Years	7.57	8.18	7.40	7.40	8.44	9.94
5 Years	4.04	5.23	4.49	4.49	5.48	7.29
3 Years	5.83	7.85	7.06	7.06	8.10	10.06
1 Year	-3.07	2.56	0.92	1.85	2.83	4.01
Quarter	-6.08	-0.60	-1.74	-0.75	-0.56	0.15

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. Visit [invesco.com/performance](http://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. 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 sources: Invesco, FactSet Research Systems Inc.

For more information you can visit us at [www.invesco.com/us](http://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](http://www.standardandpoors.com) and select 'Understanding Ratings' under Rating Resources on the homepage.

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

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.

The S&P 500® Index is an unmanaged index considered representative of the US stock market. An investment cannot be made directly in an index.

The ICE BofAML US Convertible Index tracks the performance of US-dollar-denominated convertible securities that are not currently in bankruptcy and have total market values of more than \$50 million at issuance. 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.

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**About risk**

Convertible securities may be affected by market interest rates, the risk of issuer default, the value of the underlying stock or the issuer's right to buy back the convertible securities.

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.

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.

**NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE**

*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 advisors 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. Advisors, 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.