Invesco Quality Income Fund

Quarterly Performance Commentary

Mutual Fund Retail Share Classes
Data as of Dec. 31, 2022

Investment objective

The fund seeks to provide a high level of current income, with liquidity and safety of principal.

Portfolio management

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Fund facts

Total Net Assets	$655,932,110
Total Number of Holdings	754

Fund characteristics

Effective Duration	6.05
WAM (years)	9.11

Investment categories (%)

US Agency MBS	110.08
Non-Agency MBS	8.38
CMBS	3.31
ABS	1.07
Cash & Cash Equivalents*	-22.84

*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. Data shown as a % of net assets. Total may not equal 100% due to rounding.

Credit quality breakdown (% total)[1]

Cash & Cash Equivalents	-22.84
AAA	116.98
AA	1.88
A	1.68
BBB	1.23
BB	0.34
B	0.08
CCC and below	0.07
Not Rated	0.58

Market overview

+ US bonds posted a positive return in the fourth quarter, ending a year to forget in the bond markets. Interest rate moves were more muted in the fourth quarter, with the 2-year Treasury yield 0.14% higher, while the 5-year yield declined by 0.08% and the 10-year Treasury yield rose by 0.05%. The US Treasury yield curve was inverted as of year-end, with the yield on 1-year Treasuries nearly 0.80% higher than the 10-year yield.
+ The Federal Open Market Committee raised the federal funds rate by 0.75% in November and another 0.50% in December, for a total increase of 1.25% during the fourth quarter. Comments from Fed officials have highlighted ongoing inflation risk, yet suggest a path of slower future interest rate increases, projecting the federal funds rate will peak above 5% in mid-2023.
+ Agency mortgage-backed securities (MBS) outperformed duration-matched Treasuries by approximately 0.91% in the fourth quarter. MBS outperformed due to moderating interest rate volatility and wide yield spreads relative to Treasuries, which attracted new buyers.
+ Yield spreads between high quality structured credit and Treasuries were mixed in the fourth quarter. Spreads for high quality residential mortgage-backed (RMBS), commercial mortgage-backed (CMBS) and asset-backed (ABS) securities generally tightened.

Positioning and outlook

+ The fund holds most of its assets in Agency MBS and maintains a large allocation to AAA-rated securities.
+ Valuations on higher coupon Agency MBS remain, in our view, very attractive relative to historical levels. Valuation of lower coupon MBS look much less attractive on a nominal basis, and particularly on an option-adjusted basis. Implied and realized volatility of interest rates remains elevated. As interest rate volatility eventually falls toward more normal long-run levels, we believe higher coupon MBS should outperform lower coupon MBS.
+ The fund's overall allocation to Agency MBS is overweight relative to the benchmark from a market value perspective. The fund has an overweight in what we consider to be more attractive higher coupon securities (30-year maturities with coupons ranging from 4.5% through 5.5%). The fund remains underweight in securities that continue to trade at rich valuations (30-year maturities with coupons ranging from 2.0% through 4.0%). At the 15-year maturity level, we also prefer higher coupon over lower coupon securities.
+ The fund maintains smaller allocations to high quality RMBS, CMBS and ABS. In our view, these high-quality structured security credit sectors offer enhanced yield and the opportunity for capital appreciation as yield spreads relative to Treasuries tighten toward more normal levels over time.

Performance highlights

+ Invesco Quality Income Fund Class A shares at net asset value (NAV) underperformed its style-specific benchmark, the Bloomberg US Mortgage-Backed Securities Index for the quarter. (Please see the investment results table on page 2 for fund and index performance.)

Contributors to performance

+ There were no positive contributors to relative return this quarter.

Detractors from performance

+ The fund underperformed its benchmark due to security selection within Agency MBS. The fund is positioned with an underweight in lower coupon MBS (2-4% coupons) and an overweight in MBS with higher coupons (4.5% to 5.5% coupons). In the fourth quarter, lower coupons outperformed higher coupon MBS. Exposure to non-Agency MBS and CMBS that are not included in the benchmark detracted from relative return as these sectors performed better than Treasuries but not as well as Agency MBS in the benchmark.

Expense ratios	% net	% total
Class A Shares	0.86	0.86
Class C Shares	1.62	1.62
Class Y Shares	0.62	0.62

Per the current prospectus

Investment results

Average annual total returns (%) as of Dec. 31, 2022

	Class A Shares		Class C Shares		Class Y Shares	
	Inception: 05/31/84		Inception: 08/13/93		Inception: 09/25/06	Style-Specific Index
Period	**Max Load 4.25%**	**NAV**	**Max CDSC 1.00%**	**NAV**	**NAV**	**Bloomberg US Mortgage Backed Securities Index**
Inception	5.25	5.37	3.16	3.16	2.31	-
10 Years	0.19	0.63	0.03	0.03	0.88	0.74
5 Years	-1.68	-0.82	-1.56	-1.56	-0.57	-0.53
3 Years	-4.59	-3.20	-3.92	-3.92	-2.96	-3.22
1 Year	-16.21	-12.52	-13.98	-13.12	-12.26	-11.81
Quarter	-2.71	1.65	0.47	1.47	1.81	2.14

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. Visit 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. Performance includes litigation proceeds. Had these proceeds not been received, total return would have been lower. 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 source: FactSet Research Systems Inc.

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

1 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. If securities are rated differently by the rating agencies, the middle of three or lower of two rating is applied. Not Rated indicates 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.moodys.com and select 'Rating Methodologies' under Research and Ratings on the homepage; www.fitchratings.com and select 'Ratings Definitions' on the homepage. Data shown as a % of gross assets.
*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. Class Y shares are available only to certain investors. See the prospectus for more information.
Asset allocation/diversification does not guarantee a profit or eliminate the risk of loss.
The Bloomberg Barclays U.S. Mortgage Backed Securities Index represents mortgage-backed pass-through securities of Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). 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

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.

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.

Dollar roll transactions involve the risk that the market value and yield may decline below the price of the mortgage-related securities that have been sold and are required to be repurchased.

Interest rate risk refers to the risk that bond prices generally fall as interest rates rise and vice versa.

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.

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.

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.