Invesco Floating Rate ESG Fund

Q4 2024

Key takeaways

1 ESG integration
The fund actively uses an environmental, social and governance (ESG) overlay in its investment process.

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 total return, comprised of current income and capital appreciation.

Fund facts

Fund AUM ($M)	2,495.14

Portfolio managers
Thomas Ewald, Philip Yarrow, Scott Baskind

Manager perspective and outlook

- The S&P UBS Leveraged Loan Index returned 2.29% in the fourth quarter.[1]
- Repricing activity continued, with over 50% of the loan market having repriced in 2024[2] and a large increase in gross and net issuance compared to the third quarter. [3] Retail inflows of $11.6 billion[3] during the quarter and $56.7 billion in net new collateralized loan obligations (CLO) provided strong demand for loans.[3] Despite active repricing/refinancing, the nominal yield spread between the loan market and SOFR (Secured Overnight Financing Rate) tightened by only 0.22% in 2024, supporting the above-average coupon environment for loan investors.[3]
- Credit fundamentals held up well, with the default rate staying below the historical average[3], while issuer leverage, interest coverage and cash balances remained healthy[2,3]. Against this backdrop, the average loan price rose during the quarter and the percentage of loans trading below $80 edged lower[1], reflecting in our view a manageable docket of expected restructurings in the medium term.
- The US Federal Reserve (Fed) reduced the federal funds rate by 0.25% in December but signaled a more gradual pace of future cuts as inflation seemed to stall above the Fed's target range. Expectations for long-term rates appear to have risen, negatively affecting longer duration asset classes. However, loans may benefit from "higher for longer" rates, with coupons currently projected to remain at historically attractive levels.[1,4]

For more information, including prospectus and factsheet, please visit Invesco.com/AFRAX

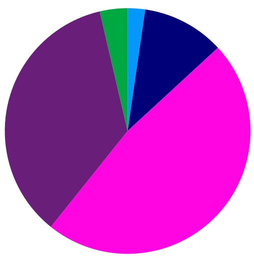
Not a Deposit Not FDIC Insured Not Guaranteed by the Bank May Lose Value
Not Insured by any Federal Government Agency

Investment categories (%)

Senior Secured Loans	87.8
Corporate Debt	8.5
Domestic Common Stock	3.3
Preferred Securities	0.2
Warrants	0.2
Int'l Common Stock	0.0
Senior Unsecured Loans	0.0
Cash and Cash equivalents	-0.1

May not equal 100% due to rounding.

ESG rating distribution (%)



Average ESG rating: 2.95

Rate	Percent
1.0 to 1.5	0.00
1.5 to 2.0	2.30
2.0 to 2.5	10.85
2.5 to 3.0	47.60
3.0 to 3.5	35.60
3.5 to 4.0	3.65
4.0 to 4.5	0.00

ESG risk:
1 - Negligible
2 - Low
3 - Average
4 - Above average
5 - High

Portfolio positioning

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

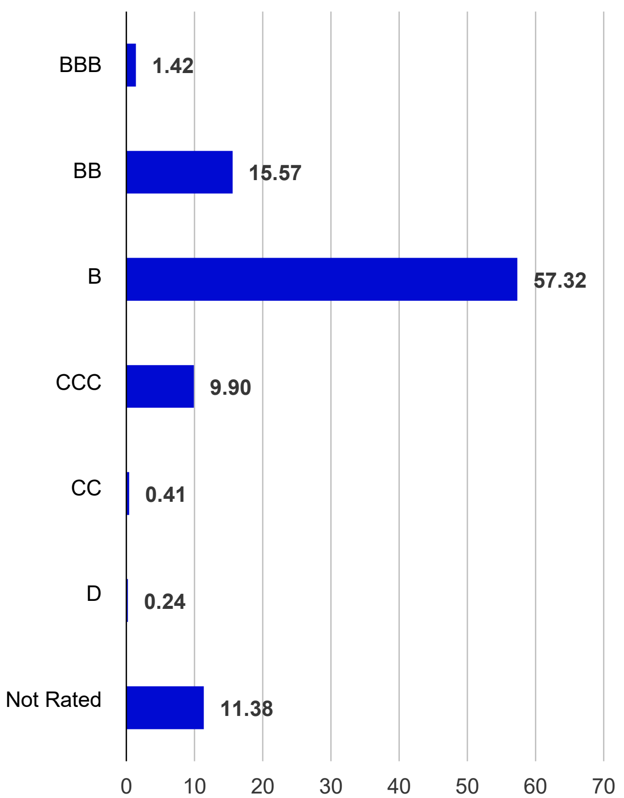
At quarter end, the fund's largest overweights were in the chemicals, transportation and telecommunications sectors. During the quarter, transportation replaced manufacturing as one of the fund's top three sector overweights.

The chemicals sector, as a whole, weathered the severe inflationary environment of 2021 and 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, end market softness across many verticals and geographies, and profit margin compression as higher cost inventory was sold into a deflationary environment. Throughout 2024, many issuers have seen sequential improvement as customer destocking subsided and self-help measures flowed into profit & loss statements. Volume recovery has been uneven and will likely remains so, but we expect earnings trends to stay broadly stable going forward. Though our earnings growth outlook is somewhat cautious, the fund's exposure is weighted toward companies with ample balance sheet cushioning and liquidity.

At quarter end, the fund's largest underweights were in health care, financial and information technology (IT). Financial replaced food/tobacco as one of the largest underweights during the quarter.

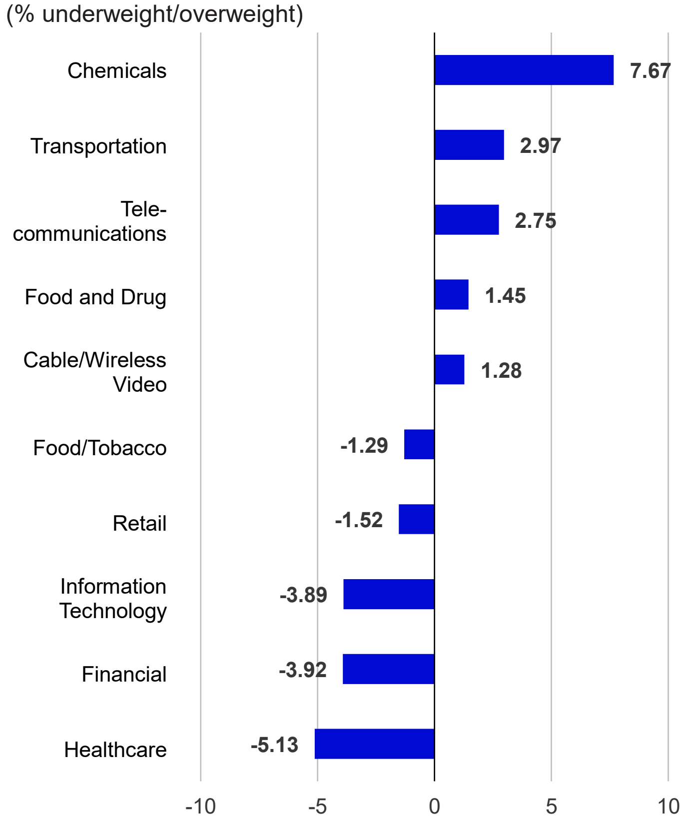
The fund's persistent underweight in the health care sector reflects our belief that investors are not being adequately compensated for the risks facing health care providers in the current operating environment. The sector in our view has been persistently under pressure from the shift toward health care consumerism and cuts to reimbursement rates by Medicare and other payors. Over the past two years, many sub-sectors within health care appear to have been negatively affected by both "surprise billing" legislation and rising wages and labor shortages, which compressed profit margins. In our view, the highly politicized nature of health care adds meaningful downside risk, and we have been highly selective in the sector. That said, we have identified health care issuers with compelling business models and prudent balance sheets that we believe offer solid relative value.

Quality breakdown (% total)



The fund's positioning versus Index

(% underweight/overweight)



Portfolio characteristics*

	Fund	Index
Weighted average price	93.35	96.37
Average maturity (years)	4.30	N/A
Weighted average coupon (%)	8.11	9.64
30 day SEC yield (%)	7.38	-
No. of holdings	515	1,556

Performance highlights

The fund's Class Y shares at net asset value returned 1.77% for the fourth quarter, underperforming the 2.07% return of the Lipper Loan Participation Funds Classification Average and the S&P UBS Leveraged Loan Index, which returned 2.29% during the quarter.

The fund's underperformance of its benchmark was primarily driven by specific credit selection relative to the benchmark, with certain over and underweights hurting relative performance, along with risk positioning (over and underweighting specific credit ratings versus the benchmark) and by holdings in non-benchmark assets.

Industries contributing the most to relative return, including loan and non-loan holdings, were transportation, chemicals and IT. The manufacturing, health care and telecommunications sectors had the largest negative effects on relative return.

Contributors to performance
The following issuers were the largest individual contributors to relative return:

GoTo Group (LogMeIn) is one of the world's largest software-as-a-service (SaaS) companies, offering a broad selection of solutions including collaboration, communication, customer engagement and identity/access management.

Crown Finance US ('Cineworld') is a leading global cinema operator.

MedAssets Software Intermediate Holdings is a health care software and technology company that offers patient access, charge integrity, claims management, contract management, automation, data and analytics.

These issuers represented 0.85%, 1.22% and 0.38% of total net assets, respectively.

Detractors from performance
The following issuers were the largest individual detractors from relative return:

Robertshaw manufactures gas valves, top burners, thermostats, electronic control panels, water valves and ignition controls that are integral to regulating larger electrical or mechanical equipment such as appliances and HVAC systems.

MLN US is a global provider of business communications and collaboration software, services and solutions for small and medium-sized businesses (SMB) and small and medium-sized enterprises (SME) worldwide, with particular strength in North America and the UK.

Aimbridge Acquisition is the largest third-party hotel operator, with over 800 properties and about 100,000 rooms under management.

These issuers represented 0.00%, 0.42% and 0.20% of total net assets, respectively. Robertshaw was 0% at quarter end because the issuer was acquired.

Standardized performance (%) as of December 31, 2024

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 05/01/97	NAV	1.86	7.58	7.58	5.42	4.79	4.26	4.22
	Max. Load 2.5%	-0.65	4.97	4.97	4.52	4.25	3.99	4.12
Class R6 shares inception: 09/24/12	NAV	1.79	7.93	7.93	5.76	5.10	4.58	4.49
Class Y shares inception: 10/03/08	NAV	1.77	7.85	7.85	5.68	5.05	4.51	5.21
S&P UBS Leveraged Loan Index (USD)		2.29	9.05	9.05	6.84	5.73	5.13	-
Total return ranking vs. Morningstar Bank Loan category (Class A shares at NAV)		-	-	84% (176 of 220)	72% (148 of 210)	43% (82 of 202)	42% (70 of 165)	-

Expense ratios per the current prospectus: Class A: Net: 1.09%, Total: 1.09%; Class R6: Net: 0.77%, Total: 0.77%; Class Y: Net: 0.84%, 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. Performance shown prior to the inception date of Class R6 shares is that of Class A shares and includes the 12b-1 fees applicable to Class A shares. On April 13, 2006, the fund reorganized from a closed-end fund to an open-end fund. Class A share returns prior to that date are the historical performance of the closed-end fund's Class B and include the management and 12b-1 fees applicable to B shares. 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 (%)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Class A shares at NAV	-2.85	11.12	3.94	-0.20	7.22	1.53	6.23	-2.49	11.67	7.58
Class R6 shares at NAV	-2.50	11.36	4.30	0.13	7.61	1.88	6.41	-2.18	12.05	7.93
Class Y shares at NAV	-2.61	11.41	4.20	0.04	7.49	1.78	6.50	-2.26	11.95	7.85
S&P UBS Leveraged Loan Index (USD)	-0.38	9.88	4.25	1.14	8.17	2.78	5.40	-1.06	13.04	9.05

Unless otherwise specified, all information is as of 12/31/24. Unless stated otherwise, Index refers to S&P UBS Leveraged Loan Index (USD).

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

• Effective August 19, 2020, the Invesco Floating Rate Fund was renamed Invesco Floating Rate ESG Fund. The Fund's strategy has also changed Please see the prospectus for additional information.

The S&P UBS Leveraged Loan Index represents tradable, senior-secured, U.S.-dollar-denominated non-investment-grade loans. An investment cannot be made directly in an index.

About risk

Risks of collateralized loan obligations include the possibility that the collateral securities' distributions won't be adequate to make interest or other payments, the collateral quality may decline in value or default, the collateralized loan obligations may be subordinate to other classes, values may be volatile, and issuer disputes may produce unexpected investment results.

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.

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

The Fund uses an Environmental, Social and Governance (ESG) scoring methodology to evaluate securities and may forego some market opportunities available to funds that do not use ESG factors. As a result, the Fund may underperform funds that do not screen or score companies based on ESG factors or that use a different methodology. Information used by the Fund to evaluate ESG factors may not be readily available, complete or accurate, which could negatively impact the Fund's ability to apply its methodology, and in turn its performance. Companies eligible for inclusion in the Fund may not reflect the beliefs or values of certain investors or exhibit positive/favorable ESG factors if different metrics were used to evaluate them.

There is a risk that the value of the collateral required on investments in senior secured floating rate loans and debt securities may not be sufficient to cover the amount owed, may be found invalid, may be used to pay other outstanding obligations of the borrower or may be difficult to liquidate.

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.

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.

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: S&P UBS Leveraged Loan Index (Formally known as the Credit Suisse Leveraged Loan Index), total returns in USD, as of December 31, 2024.
2. Source: JP Morgan Research as of September 30, 2024.
3. Source: Pitchbook Data Inc. as of December 31, 2024.
4. Source: Bloomberg as of January 15, 2025.

Morningstar

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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.