

Invesco Floating Rate ESG Fund

Q1 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) 2,747.08

Portfolio managers

Thomas Ewald, Philip Yarrow,
Scott Baskind

Manager perspective and outlook

- Loans, as represented by the Credit Suisse Leveraged Loan Index, returned 2.25% in the first quarter.¹
- The trailing 12-month par-weighted default rate edged downward from 1.41% to 1.14% in March, despite one new bankruptcy filing.² The pocket of distress (i.e. the percentage of loans trading below \$80) edged up from 3.35% to 3.51%.²
- Through 2023 and into 2024, sentiment appeared to shift with investors seemingly becoming increasingly confident the US economy would avoid a “hard landing” despite the US Federal Reserve (Fed) raising interest rates. As such, appetite for lower rated credits appeared to improve appreciably. After a tough year for CCC-rated loans in 2022, they returned 16.13% in 2023, beating loans rated BB (10.05%) and B (14.41%).¹ In the first quarter of 2024, CCCs again outperformed, returning 6.14%, compared to 2.48% for Bs and 1.92% for BBs.¹
- Since the end of January, markets have seemingly removed several rate cuts from 2024 expectations as strong economic data and mixed inflation signals lessen the urgency for the Fed to ease monetary policy. To the extent this policy path materializes, loan coupon income stands to benefit from a slower, shallower easing cycle. Along with firm economic growth and earnings fundamentals and persistent shortage of new issue supply in the loan market – which serves as a technical tailwind for the asset class – this environment appears, in our view, favorable for loan returns in 2024.

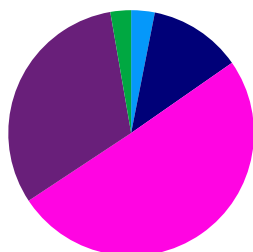


Investment categories (%)

Senior Secured Loans	87.1
Corporate Debt	9.5
Domestic Common Stock	1.9
Cash and Cash equivalents	0.9
Preferred Securities	0.3
Warrants	0.3
Senior Unsecured Loans	0.0
Int'l Common Stock	0.0

May not equal 100% due to rounding.

ESG rating distribution (%)



**Average
ESG rating:
2.90**

Rate	Percent
1.0 to 1.5	0.00
1.5 to 2.0	3.10
2.0 to 2.5	12.22
2.5 to 3.0	50.38
3.0 to 3.5	31.57
3.5 to 4.0	2.72
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 that it invests in, coupled with top-down risk positioning tied to broader macroeconomic trends.

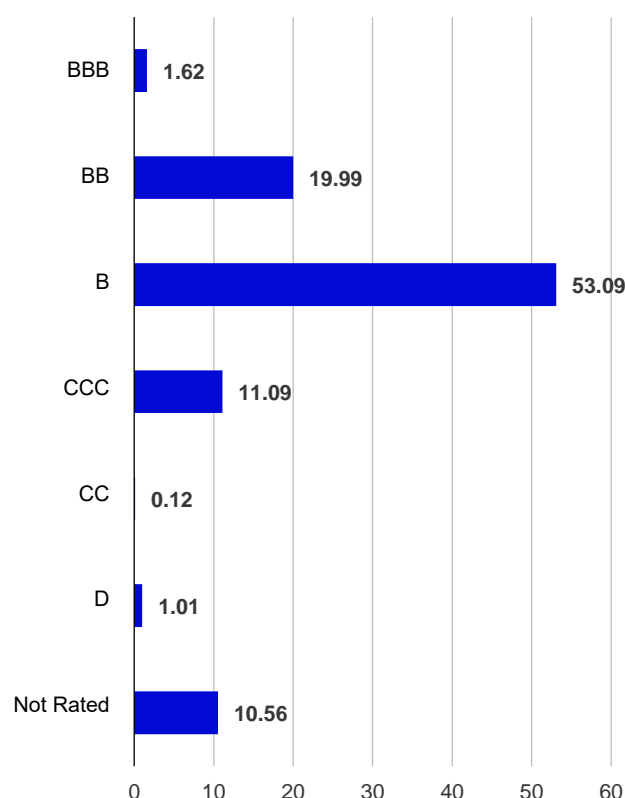
At quarter end, the fund's largest overweights were in chemicals, manufacturing and telecommunications. During the quarter, the telecommunications sector replaced transportation as one of the fund's top three sector overweights.

The chemicals sector at large 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 destocking, softness in end markets, and compression of profit margins as higher cost inventory was sold into a deflationary environment. Many issuers in the chemical sector saw sequential improvements in the second half of 2023 as customer destocking faded. We expect earnings trends to broadly stabilize going forward in 2024 as destocking ends and prices versus the cost of inventory better align. Though our earnings growth outlook is somewhat cautious, the fund's exposure is weighted toward companies with ample cushioning on their balance sheets to withstand such an environment.

The fund's largest underweights were in health care, information technology and food/tobacco. During the quarter, the food/tobacco sector replaced financials as one of the fund's top three sector underweights.

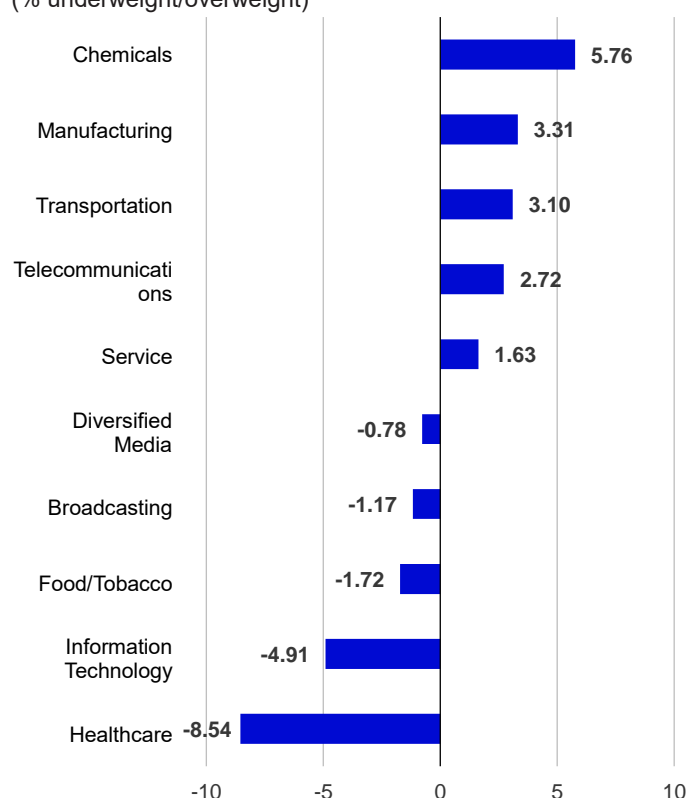
The fund's persistent underweight in health care reflects our belief that investors are not being adequately compensated for the risks facing health care providers in the current operating environment. The sector has in our view been persistently under pressure by the shift toward health care consumerism and pressure on reimbursement rates from Medicare and other payors. Over the past two years, many sub-sectors within health care have been negatively affected by proposed "surprise billing" legislation, which garnered legislative attention, a focus expected to continue under the Biden administration. At the same time, operators have been negatively affected by rising wages and labor shortages, thus compressing profit margins. In our view, the highly politicized nature of the health care sector adds meaningful downside risk, and we have been highly selective in the sector.

Quality breakdown (% total)



The fund's positioning versus Index

(% underweight/overweight)



Portfolio characteristics*

	Fund	Index
Weighted average price	93.67	96.01
Average maturity (years)	4.41	4.18
Weighted average coupon (%)	8.95	9.24
30 day SEC yield (%)	8.66	-
No. of holdings	532	1,574

Performance highlights

The fund's Class A shares at net asset value returned 2.21% for the first quarter, underperforming the 2.29% return of the Lipper Loan Participation Funds Classification Average.

During the quarter, the fund's underperformance was driven by its holdings of non-benchmark assets. Specifically, holdings of reorganized equities, as well as non-benchmark bond holdings, detracted from relative return.

Underperformance was offset, in part, by credit selection and sector allocation, which added to relative results.

Loan selection within the chemicals, wireless communications and broadcasting sectors added the most to relative return. Loan selection in health care, telecommunications and cable/wireless had the largest negative effect on relative return.

Contributors to performance

The following issuers were the largest individual contributors to absolute 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.

Camelot Finance is an indirect wholly-owned subsidiary of Clarivate Analytics, a leading global information, analytics and workflow solutions company. Clarivate's subscription and technology-based solutions cover the

areas of academia & government, life sciences & health care, and intellectual property (including professional services, consumer goods, manufacturing and technology).

Global Medical Response provides end-to-end transportation and other medical services in the US. Its services primarily span air transportation, ground (ambulance), national emergency response and fire response.

These issuers represent 0.87%, 0.21% and 0.56% of total net assets, respectively.

Detractors from performance

The following issuers were the largest individual detractors from absolute return:

SFR-Numericable (YPSO, Altice France) is the third largest provider of fixed phone line service in France with 6.5 million subscribers and the second largest mobile phone service provider with 20 million subscribers, holding a market share between 19-21% in each segment. The company's services include digital and analog television, high-speed internet and a broadband digital telecommunications platform.

Commercial Barge Line Company is one of the largest inland marine transportation and service companies in the US with headquarters in Jeffersonville, Indiana.

Altice Financing (Altice-Intl) is a multinational cable and telecommunications company.

These issuers represent 1.02%, 0.61% and 0.58% of total net assets, respectively.

Standardized performance (%) as of March 31, 2024

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 05/01/97	NAV	2.21	2.21	11.38	4.76	4.38	3.72	4.14
	Max. Load 2.5%	-0.27	-0.27	8.62	3.86	3.85	3.46	4.04
Class R6 shares inception: 09/24/12	NAV	2.44	2.44	11.75	5.15	4.73	4.05	4.32
Class Y shares inception: 10/03/08	NAV	2.28	2.28	11.66	5.02	4.64	3.97	5.11
Credit Suisse Leveraged Loan Index		2.52	2.52	12.40	5.82	5.30	4.56	-
Total return ranking vs. Morningstar Bank Loan category (Class A shares at NAV)		-	-	53% (115 of 227)	51% (111 of 214)	41% (78 of 206)	37% (60 of 169)	-

Expense ratios per the current prospectus: Class A: Net: 1.10%, Total: 1.10%; Class R6: Net: 0.75%, Total: 0.75%; Class Y: Net: 0.85%, Total: 0.85%.

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. 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.

Performance highlights (cont'd)

Calendar year total returns (%)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Class A shares at NAV	0.86	-2.85	11.12	3.94	-0.20	7.22	1.53	6.23	-2.49	11.67
Class R6 shares at NAV	1.21	-2.50	11.36	4.30	0.13	7.61	1.88	6.41	-2.18	12.05
Class Y shares at NAV	1.10	-2.61	11.41	4.20	0.04	7.49	1.78	6.50	-2.26	11.95
Credit Suisse Leveraged Loan Index	2.06	-0.38	9.88	4.25	1.14	8.17	2.78	5.40	-1.06	13.04

Unless otherwise specified, all information is as of 03/31/24. Unless stated otherwise, Index refers to Credit Suisse Leveraged Loan Index.

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 Credit Suisse 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.

The values of junk bonds fluctuate more than those of high quality bonds and can decline significantly over short time periods.

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.

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 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.

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: Credit Suisse Leveraged Loan Index, total returns in USD, as of March 31, 2024.

2. Source: Pitchbook LCD as of March 31, 2024.

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.