

Invesco Convertible Securities Fund

Q1 2024

Key takeaways

1 Convertible securities posted gains in the first quarter

Convertibles (as measured by the ICE BofA US Convertible Index) returned 2.34% for the quarter, lagging most broad equity market indexes, including the S&P 500 Index, which returned 10.56%.

2 The fund underperformed the benchmark

The fund's underperformance was primarily due to security selection in the technology and health care sectors.

3 We continue to focus on balanced convertibles

We are focused on the area of the market that we believe represents the best opportunity – balanced convertibles that offer both upside participation should their underlying stocks rise, along with downside support via the securities' fixed income attributes.

Investment objective

The Fund's objective is total return through growth of capital and current income.

Fund facts

Fund AUM (\$M)	793.98
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Portfolio managers

Robert Young, James Ong

Manager perspective and outlook

- US equity markets rallied in the first quarter, and in February, the S&P 500 Index closed above the 5,000 milestone for the first time. Corporate earnings came in better than expected, and economic data was generally positive. However, inflation remained persistent, leading the US Federal Reserve (Fed) to defer its proposed interest rate cuts to the second half of 2024.
- Convertibles returned 2.34%, lagging the S&P 500, which returned 10.56% for the quarter. Within the convertible index, telecommunications and energy had the highest returns, while materials, consumer discretionary and utilities were the only sectors with negative returns.
- New US convertible issuance was strong in the first quarter, totaling approximately \$20.8 billion, the highest first quarter total since 2021. Corporate debt refinancing drove robust new issuance.
- Though normalizing interest rates should, we believe, reduce the risk of a deep recession, the full effects of the Fed's monetary tightening have not yet made their way through the economy. In our view, tighter bank lending standards and rising corporate defaults could be a sign that the US economy may weaken in the second half of 2024.
- In this environment, we believe the convertibles asset class can provide investors with diversification, offering lower interest rate sensitivity than traditional fixed income and potentially lower volatility than equities.



Top equity issuers

(% of total net assets)

	Fund	Index
Wells Fargo & Co	2.84	1.97
Bank of America Corp	2.69	1.52
Akamai Technologies Inc	2.14	1.58
MicroStrategy Inc	2.04	1.72
Uber Technologies Inc	1.99	1.40
Live Nation Entertainment Inc	1.56	0.67
Dexcom Inc	1.53	1.09
Zillow Group Inc	1.48	0.76
ON Semiconductor Corp	1.46	1.08
Western Digital Corp	1.39	0.96

As of 03/31/24. Holdings are subject to change and are not buy/sell recommendations.

Asset mix

Dom Convertible Bond	81.71
Dom Convertible Preferred Stock	8.87
Intl Convertible Bond	0.84
Other	2.99
Cash	5.59

Portfolio positioning

During the quarter, we used the new issue market to find opportunities in convertibles with a balanced risk profile. New issues selected for the fund replaced zero or low coupon convertibles that exhibited less equity sensitivity. We also made several exchanges between convertibles from the same issuer but with different maturity dates and more balanced equity sensitivity.

Positions added to the fund from the new issue market included:

Global Payments: The company provides payment technology solutions for card, check and digital payments. The company is one of the few investment grade issuers in the payment industry, with steady growth, stable cash flows and a solid balance sheet.

Winnebago Industries: The recreational vehicle (RV) manufacturer benefited from high demand during the pandemic, but recently, inflation and higher interest rates have dampened sales. Still, we believe the company stands to benefit from secular trends toward RV travel. In our view, the convertible has an attractive coupon and delta profile, which means it behaves like its underlying stock.

Albemarle: This specialty chemicals manufacturer operates in three primary areas: lithium, bromine specialties and catalysts. Lithium prices have declined, but we believe the long-term demand outlook remains strong.

To fund new purchases, we sold several positions:

MGP Ingredients: Distilled spirits and food ingredients producer MGP Ingredients reported better-than-expected earnings but provided weaker sales guidance for the full year. The convertible is credit sensitive with a lower coupon, so we exited the position.

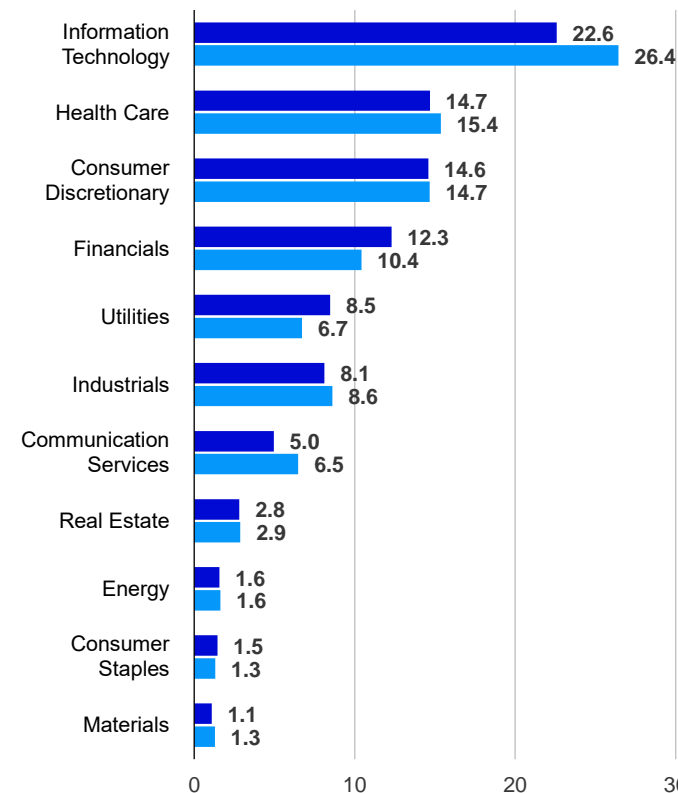
Okta: The company provides a cloud-based single sign on and identity management software platform. Okta has a low coupon and the price of its underlying stock is below the conversion price so we sold and replaced it with a higher yielding, more attractively priced issue.

NeoGenomics: The company operates a network of clinical laboratories specializing in cancer genetics diagnostic testing services. This convertible also had a low coupon with its underlying stock trading below the convertible's conversion price, so we sold it to fund better opportunities.

Pacira Biosciences: The specialty pharmaceutical company reported better-than-expected earnings during the quarter, but the stock and convertible traded lower due to increased competition from generics. The underlying stock was trading below conversion price, so we sold the position to fund new purchases with more balanced risk reward profiles.

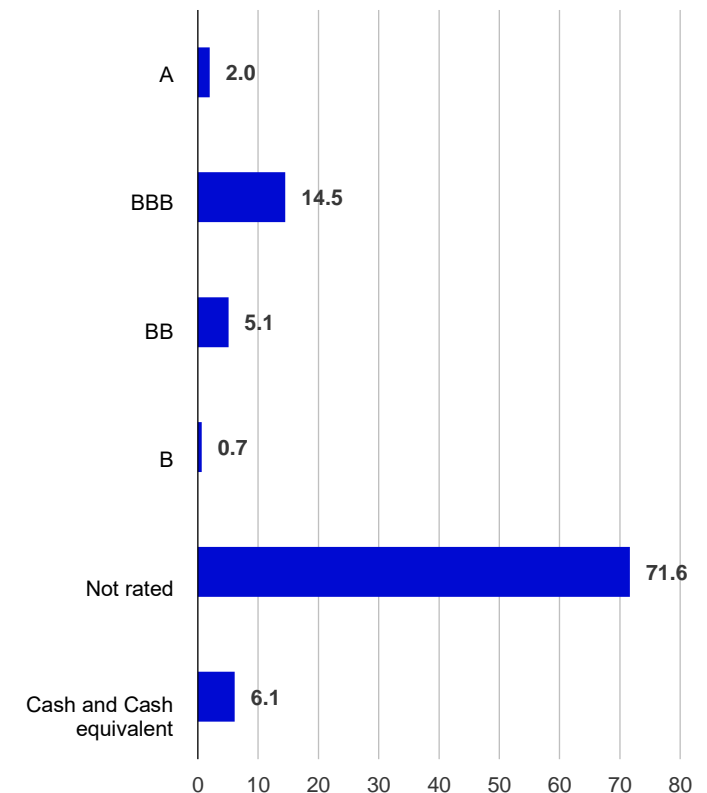
Equity sector breakdown (% of total net assets)

■ Fund ■ ICE BofA US Convertible Index (USD)



Credit quality breakdown (% of total net assets)

■ Fund



Risk statistics (5 year)*

	Fund	Index
Alpha (%)	-0.38	0.00
Beta	0.87	1.00
Sharpe ratio	0.48	0.52
Information ratio	-0.36	0.00
Standard dev. (%)	14.16	15.86
Tracking error (%)	3.89	0.00
Up capture (%)	77.75	100.00
Down capture (%)	90.79	100.00
Max. drawdown (%)	20.42	22.99

Performance highlights

Underperformance was primarily driven by security selection in technology and health care. The fund's allocation to cash also detracted from relative performance. Security selection in materials, utilities and consumer discretionary aided relative return.

Contributors to performance

Selection in materials was the largest relative contributor, due in part to overweight exposures in **Parsons** and **Albemarle**.

Parsons provides technology-driven solutions in the defense, intelligence and infrastructure markets. The company reported better-than-expected revenues and earnings, along with upbeat revenue guidance for the full year. Despite declining lithium prices, Albemarle's earnings exceeded expectations due to cost containment efforts.

Selection in utilities also aided performance due to **NRG**, a power utility that sells electricity and natural gas in 24 states. The company has continued to expand its profit margins and grew the customer count in its energy and smart home segments.

Security selection in consumer discretionary added to results. **Burlington** was a key contributor within the sector. The discount retailer reported a strong quarter with a double-digit increase in sales. Profit margins improved and profits beat expectations. The company provided a positive outlook for same store sales for the full year.

Detractors from performance

Selection in technology was the largest detractor from relative performance due primarily to the fund's underweight in **MicroStrategy**. The software company holds a significant amount of Bitcoin, and it raises money in the convertibles market to buy the cryptocurrency. The convertible is highly equity sensitive, so it trades closely with the underlying stock, which rose during the quarter along with the price of Bitcoin. MicroStrategy has several convertible issues outstanding, one of which had a triple-digit return for the quarter. However, the fund was underweighted in this issue due to its higher risk profile; even the small underweight materially affected relative performance.

The fund's holding in **Palo Alto Networks** also detracted from relative return within the technology sector. The company reported weaker-than-expected sales growth and lowered its full year revenue and billings guidance amid softness in the cybersecurity market.

Selection in health care detracted from relative return due to the fund's lack of exposure to some better performing issues, as well as an overweight in **Amphastar Pharmaceuticals**. The generic drugmaker reported better-than-expected revenues, but earnings were below consensus expectations, sending the stock and convertible lower.

Standardized performance (%) as of March 31, 2024

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 07/28/97	NAV	1.66	1.66	7.90	-1.14	8.86	6.60	7.03
	Max. Load 5.5%	-3.95	-3.95	1.98	-2.98	7.63	6.00	6.80
Class R6 shares inception: 09/24/12	NAV	1.70	1.70	8.22	-0.80	9.23	6.97	8.31
Class Y shares inception: 07/28/97	NAV	1.67	1.67	8.15	-0.90	9.12	6.86	7.29
ICE BofA US Convertible Index (USD)		2.34	2.34	11.34	-0.98	10.28	8.69	-
Total return ranking vs. Morningstar								
Convertibles category		-	-	79%	41%	58%	72%	-
(Class A shares at NAV)				(68 of 82)	(31 of 78)	(48 of 73)	(44 of 58)	

Expense ratios per the current prospectus: Class A: Net: 0.94%, Total: 0.94%; Class R6: Net: 0.58%, Total: 0.58%; Class Y: Net: 0.69%, Total: 0.69%.

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. 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	3.95	-3.02	5.82	10.42	-1.71	21.42	44.35	4.68	-15.72	7.87
Class R6 shares at NAV	4.35	-2.66	6.21	10.82	-1.41	21.82	44.86	5.06	-15.45	8.29
Class Y shares at NAV	4.24	-2.78	6.07	10.68	-1.51	21.73	44.69	4.93	-15.52	8.17
ICE BofA US Convertible Index (USD)	9.44	-2.99	10.43	13.70	0.15	23.15	46.22	6.34	-18.71	12.87

Unless otherwise specified, all information is as of 03/31/24. Unless stated otherwise, Index refers to ICE BofA US Convertible Index (USD).

The ICE BofA 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. Effective July 2022, the benchmark returns reflect the deduction of transaction costs that are calculated using the bid/offer spread for all new additions to the index, as well as any security whose weight increases in the index at each monthly rebalancing, beginning with the 30 June 2022 rebalancing. The beginning-of-month calculated transaction cost adjustment is applied to index returns daily for the following calendar month. Benchmark returns prior to July 2022 do not reflect the deduction of transaction costs. An investment cannot be made directly in an index.

About risk

To the extent an investment focuses on securities issued or guaranteed by companies in a particular industry, the investment's performance will depend on the overall condition of those industries, which may be affected by the following factors: the supply of short-term financing, changes in government regulation and interest rates, and overall economy.

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.

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.

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.

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, 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. 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 rating methodologies, please visit the following NRSRO websites: www.standardandpoors.com and select 'Understanding Credit Ratings' under Rating Resources 'About Ratings' on the homepage; www.ratings.moody's.com and select 'Rating Methodologies' under Research and Ratings on the homepage; www.fitchratings.com and select 'Ratings Definitions Criteria' under 'Resources' on the homepage. Then select 'Rating Definitions' under 'Resources' on the 'Contents' menu.

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.

* **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. **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 for a prospectus/summary prospectus containing this information. Read it carefully before investing.