Invesco

Invesco Quality Income Fund

Q1 2024

Key takeaways

1 **US bond markets reversed course in the first quarter**

Interest rates rose 0.30% to 0.40% in the first quarter, fueled by three months of strong nonfarm payroll reports. Additionally, CPI and personal spending data were higher than expected, contributing to the bond selloff.

2 **The yield curve has remained inverted**

The yield curve shape was little changed during the quarter with the 2- to 10-year portion remaining inverted as shorter maturity bonds yielded 0.42% more than longer term bonds.

3 **Market revised expectations for 2024 interest rate cuts**

During the first quarter, bond market participants lowered their expectations for Federal Reserve rate cuts from six cuts to 2.7 cuts for the remainder of 2024.

Investment objective

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

Fund facts

Fund AUM ($M)	589.60

Portfolio managers

Brian P. Norris, Clint W. Dudley, David Lyle

Manager perspective and outlook

- Non-Treasury fixed income assets generally performed well in the first quarter despite higher interest rates as strong mutual fund inflows supported bond demand.
- Higher coupon Agency mortgage-backed securities (MBS) outperformed lower coupon MBS despite the challenging interest rate environment.
- We still see attractive valuations for current coupon MBS, a segment where the fund remains overweight. The fund remains underweight in lower coupon MBS given that their yield spreads relative to Treasuries are tighter. Yield spreads on Agency MBS are more attractive in our view than yield spreads on corporate bonds. Corporate bond yield premiums relative to Treasuries have tightened and are in our view low, while the yield spread between Agency MBS and Treasuries is in our view high.

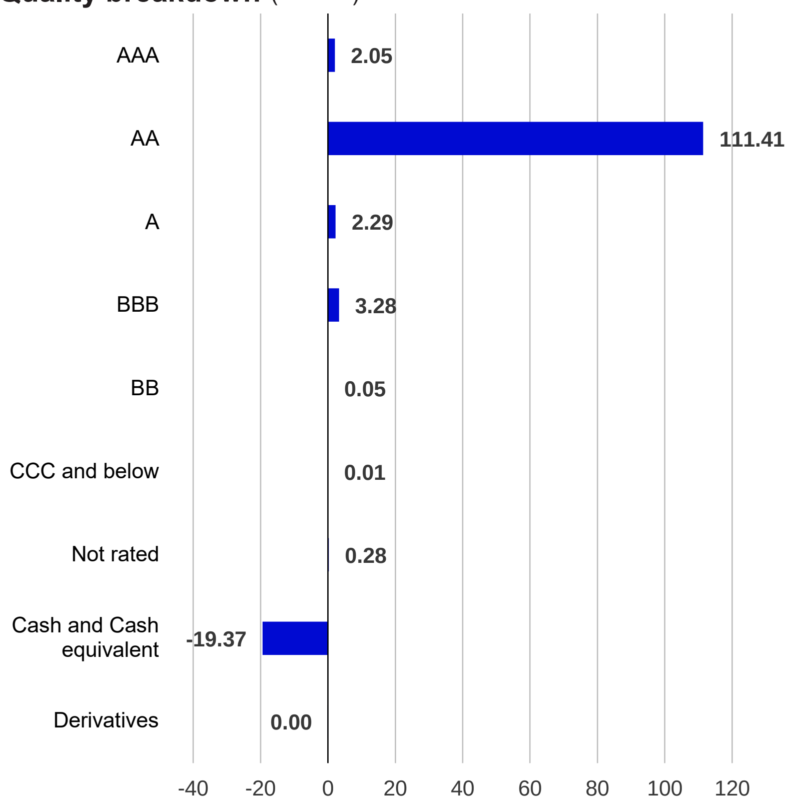
Portfolio characteristics*

Average duration (years)	5.74
Weighted average life (years)	8.37
Average weighted coupon (%)	2.66
30-day SEC yield (Class A shares)	3.16
30-day SEC unsubsidized yield (Class A shares)	-

Portfolio positioning

We still consider higher coupon (4.0% to 6.0%) Agency MBS attractive from a valuation standpoint. The fund is overweight in bonds with those higher coupons. In contrast, the fund is underweight lower coupon bonds where valuations are in our view much less attractive and supply/demand conditions are poorer given that lower coupons are held by the Fed and banks. The fund's exposure to bonds not held in the index is focused on what in our view are attractive pockets of opportunity across non-Agency MBS, commercial mortgage-backed securities (CMBS) and asset-backed securities (ABS).

Quality breakdown (% total)



Investment categories (%)

	Portfolio	Index
Securitized	**119.37**	**100.00**
Agency MBS	108.46	100.00
Non-Agency MBS	6.60	0.00
CMBS	2.77	0.00
ABS	1.53	0.00
Cash & Cash Equivalent	**-19.37**	**0.00**
Derivatives & FX	**0.00**	**0.00**

Performance highlights

Invesco Quality Income Fund Class A shares at net asset value (NAV) outperformed its style-specific benchmark, the Bloomberg US Mortgage-Backed Securities Index, for the first quarter.

Contributors to performance

The fund's overweights in non-Agency MBS and ABS helped performance relative to the benchmark as those sectors performed well relative to Agency MBS.

Detractors from performance

The fund's allocation to CMBS was a detractor from relative performance as CMBS underperformed Agency MBS this quarter.

Standardized performance (%) as of March 31, 2024

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 05/31/84	NAV	-1.13	-1.13	1.28	-3.31	-0.44	1.04	5.30
	Max. Load 4.25%	-5.37	-5.37	-3.06	-4.70	-1.31	0.60	5.19
Class R6 shares inception: 04/04/17	NAV	-0.93	-0.93	1.65	-2.95	-0.08	1.30	-
Class Y shares inception: 09/25/06	NAV	-0.96	-0.96	1.53	-3.05	-0.18	1.29	2.39
Bloomberg US MBS Index		-1.04	-1.04	1.39	-2.84	-0.39	1.12	-
Total return ranking vs. Morningstar Intermediate Government category (Class A shares at NAV)		-	-	26% (43 of 230)	78% (156 of 221)	65% (121 of 211)	24% (36 of 170)	-

Expense ratios per the current prospectus: Class A: Net: 0.85%, Total: 0.85%; Class R6: Net: 0.50%, Total: 0.50%; Class Y: Net: 0.61%, Total: 0.61%.

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. Performance includes litigation proceeds. Had these proceeds not been received, total return would have been lower 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.

Calendar year total returns (%)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Class A shares at NAV	6.27	1.41	2.50	1.98	-0.15	5.97	5.50	-1.72	-12.52	5.25
Class R6 shares at NAV	-	-	-	2.39	0.25	6.35	5.77	-1.38	-12.16	5.50
Class Y shares at NAV	6.52	1.75	2.67	2.32	0.11	6.21	5.67	-1.44	-12.26	5.38
Bloomberg US MBS Index	6.08	1.51	1.67	2.47	0.99	6.35	3.87	-1.04	-11.81	5.05

Unless otherwise specified, all information is as of 03/31/24. Unless stated otherwise, Index refers to Bloomberg US MBS Index.

Asset allocation/diversification does not guarantee a profit or eliminate the risk of loss.

The Bloomberg 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.

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.

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 Rating Services (S&P), Moody's Investor Services (Moody's), Fitch Ratings (Fitch), Kroll Bond Rating Agency, Inc (Kroll), DBRS Limited (DBRS) or Morningstar Credit Ratings LLC (Morningstar), 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 notices. Ratings are initially measured by taking the middle of three or lower of two ratings from Moody's, S&P, or Fitch at a security level where applicable. Securities not rated by Moody's, S&P or Fitch are measured by taking the middle of three or lower of two ratings from Kroll, DBRS, or Morningstar. Not Rated indicates that the debtor was not rated and should not be interpreted as indicating low quality. For more information on rating methodologies, please visit www.standardandpoors.com and select 'Understanding Credit Ratings' under Rating Resources 'About Ratings' on the homepage; www.ratings.moodys.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; www.krollbondratings.com and select 'Methodologies' under Understanding Ratings on the homepage; www.dbrs.com and select 'Understanding Ratings' on the homepage; ratingagency.morningstar.com and select 'Methodologies and Guidelines' under Ratings/Surveillance on the homepage.

*** 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. **Effective duration** is the managers' estimate of a bond fund's price sensitivity to changes in interest rates. This measure takes into account mortgage prepayments, puts, adjustable coupons and potential call dates.

Morningstar

 Past performance is no guarantee of future results. Open-end mutual funds and exchange-traded funds are considered a single population for comparison purposes. Had fees not been waived and/or expenses reimbursed currently or in the past, the ranking would have been lower. Rankings for other share classes may differ due to different performance characteristics.

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.