



Investment Philosophy and Process

Invesco Core Plus Bond Fund

Investment objective

The fund's investment objective is total return comprised of current income and capital appreciation.

Investment philosophy

We believe increasingly dynamic and complex fixed income markets create investor opportunities that are best captured by independent specialist decision makers interconnected as a global team.

Timely investment decisions, made by specialists, combine with a rigorous portfolio construction process designed to maximize each opportunity. We believe our approach to decision making and portfolio construction sets us apart from other managers. Using this philosophy, we seek to generate total return, composed of current income and capital appreciation, for investors.

Investment Process

Universe Definition

- Investment-grade corporate bonds
- Foreign securities
- Emerging markets debt
- Mortgage-backed securities
- Asset-backed securities
- Noninvestment-grade securities

Fund Design

Dollar-weighted average maturity (3-10 years)
Duration within ± 1 year of the Barclays Capital U.S. Aggregate Index

Investment Decision Making

Top-down. Macroeconomic and market analysis is conducted to formulate independent investment decisions on relevant macro investment factors:

- Duration and yield curve
- Market Segments (Gov't., Corp., MBS)
- Sector/Subsector selection

Bottom-up. Intensive fundamental credit and technical research is performed to arrive at independent investment decisions regarding individual securities. The team analyzes:

- Security structure and underlying collateral
- Credit dynamics and quality
- Relative value opportunities
- Price volatility and liquidity considerations

Portfolio Construction

Portfolio management and trading skills used to implement the many investment decisions that affect the fund.

Risk Management and Oversight

Several layers of ongoing oversight:

- Design
- Decisions
- Portfolio construction
- Invesco Fixed Income oversight

Universe definition and fund design

We invest primarily in investment-grade fixed income securities represented by the sector categories within the Barclays Capital U.S. Aggregate Index. We may also invest in derivative instruments, such as futures contracts and swap agreements including credit default swaps; up to 30% of the portfolio in out-of-index sectors, including foreign government or corporate and emerging markets debt securities; and up to 20% of the portfolio in non-investment grade and non-dollar-denominated bonds.

Investment decision making

Consistent with the belief that markets are increasingly complex, we use a distributed approach to decision making that gives the proven specialists closest to the information the authority to make decisions. Investment decisions are made continuously and shared instantly for timely implementation in our portfolios. This is true for top-down macro decisions and bottom-up security selection decisions, which are all made by specialists.

We track the results of every investment decision to develop a detailed understanding of the quality and skill of our decision makers to enhance quality control.

Portfolio construction

We use a dynamic, highly engineered portfolio construction process to create the fund's portfolio. We use a proprietary product design tool that factors in product investment parameters, current market opportunities and realistic decision-making skills to determine the combination and size of active investment decisions. Our goal is to produce attractive total return while seeking to minimize risk.

Portfolio managers leverage this powerful technology to help them implement the many investment decisions that affect the fund. Strategic positioning is periodically returned in an effort to maximize opportunities in the prevailing fixed income investment environment.

Risk management and oversight

Our risk management process combines the evaluation of macroeconomic portfolio risks, strong commitment to portfolio construction oversight, and post-performance returns and risk oversight. Four key components are essential to the fund's investment risk management process:

- Design. Our disciplined portfolio design process calculates appropriate position sizes for each investment decision.
- Decisions. Every investment decision is recorded, measured and evaluated to improve overall decision-making quality.
- Portfolio construction. Our unique portfolio design approach allows the daily monitoring of portfolio management accuracy relative to recommended investment positions.
- Fund oversight. A global committee of our most senior fixed income investment professionals provides oversight of our investment capabilities and products.

Clear buy-sell disciplines

Each investment decision is assigned to an individual within the firm. He or she uses an independent, distributed approach to decision making that gives the proven specialists closest to the information the authority to make decisions. Specialists are required to explain the rationale behind every investment decision, thereby enabling the firm to distinguish skill from good fortune.

Each investment decision includes pricing review levels. The upper level is the objective that the trade is expected to reach, and the lower level is the point at which the rationale for maintaining the position must be reevaluated by the specialist. Specialists receive alerts from our proprietary investment system when the investment decision is approaching or has reached these levels. While specialists are not forced to sell when these levels are reached, the investment decision must be reevaluated. Pricing levels are monitored continuously by senior management, which is integral to the firm's risk management oversight. In addition to the realignment of a security's valuation targets, sell decisions may also be based on:

- A conscious decision to alter the fund's macro risk exposure (e.g., duration, yield curve positioning, sector exposure).
- The need to limit or reduce exposure to a particular sector or issuer.
- Degradation of an issuer's credit quality.
- The presentation of a better relative value opportunity.
- The general liquidity needs of the fund.

About risk

Dollar roll transactions involve the risk that the market value and yield of the securities retained by the Fund may decline below the price of the mortgage-related securities sold by the Fund that it is obligated to repurchase.

A decision as to whether, when and how to use futures involves the exercise of skill and judgment and even a well conceived futures transaction may be unsuccessful because of market behavior or unexpected events.

A swap contract is an agreement between two parties pursuant to which the parties exchange payments at specified dates on the basis of a specified notional amount, with the payments calculated by reference to specified securities, indexes, reference rates, currencies or other instruments. Swaps are subject to credit risk and counterparty risk.

Many of the instruments that the fund expects to hold may be subject to the risk that the other party to a contract will not fulfill its contractual obligations.

The issuer of instruments in which the fund invests 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 dollar value of the fund's foreign investments will be affected by changes in the exchange rates between the dollar and the currencies in which those investments are traded. The fund may use enhanced investment techniques such as derivatives. The principal risk of derivatives is that the fluctuations in their values may not correlate perfectly with the overall securities markets. Derivatives are subject to counterparty risk – the risk that the other party will not complete the transaction with the fund.

Securities issued by foreign companies and governments located in developing countries may be affected more negatively by inflation, devaluation of their currencies, higher transaction costs, delays in settlement, adverse political developments, the introduction of capital controls, withholding taxes, nationalization of private assets, expropriation, social unrest, war or lack of timely information than those in developed countries.

The fund's foreign investments may be affected by changes in the foreign country's exchange rates; political and social instability; changes in economic or taxation policies; difficulties when enforcing obligations; decreased liquidity; and increased volatility. Foreign companies may be subject to less regulation resulting in less publicly available information about the companies.

Junk bonds involve a greater risk of default or price changes due to changes in the credit quality of the issuer. The values of junk bonds fluctuate more than those of high-quality bonds in response to company, political, regulatory or economic developments. Values of junk bonds can decline significantly over short periods of time.

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

Leveraging entails risks such as magnifying changes in the value of the portfolio's securities.

The fund may invest a large percentage of its assets in a limited number of securities or other instruments, which could negatively affect the value of the fund.

The fund may hold illiquid securities that it is unable to sell at the preferred time or price and could lose its entire investment in such securities.

The investment techniques and risk analysis used by the fund's portfolio managers may not produce the desired results.

The fund may invest in mortgage- and asset-backed securities that 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. Faster prepayments often happen when interest rates are falling. As a result, the fund may reinvest these early payments at lower interest rates, thereby reducing the fund's income. Conversely, when interest rates rise, prepayments may happen more slowly, causing the security to lengthen in duration. Longer duration securities tend to be more volatile. Securities may be prepaid at a price less than the original purchase value.

The fund is non-diversified and can invest a greater portion of its assets in a single issuer. A change in the value of the issuer could affect the value of the fund more than if it was a diversified fund.

Reinvestment risk is the risk that a bond's cash flows (coupon income and principal repayment) will be reinvested at an interest rate below that on the original bond.

The fund may invest in obligations issued by U.S. government agencies and instrumentalities that may receive varying levels of support from the government, which could affect the fund's ability to recover should they default.

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NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

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 advisors for a prospectus/summary prospectus or visit [invesco.com/fundprospectus](https://www.invesco.com/fundprospectus).

Note: Not all products, materials or services available at all firms. Advisors, please contact your home office.

The Barclays Capital U.S. Aggregate Index is an unmanaged index considered representative of the U.S. investment-grade, fixed-rate bond market. An investment cannot be made directly in an index.