



Investment Philosophy and Process

Invesco High Yield Fund

Investment objective

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

Investment philosophy

We believe dynamic and complex fixed income markets may create opportunities for investors that are best captured by independent specialist decision makers interconnected as a global team. Using this philosophy, we seek to provide high current income with the prospect for capital growth.

Investment Process

Universe Definition

Debt securities that carry credit ratings of BB and below, as well as nonrated bonds deemed below investment grade



Fundamental Analysis

- Industry's economic health
- Competitive positioning
- Assessment of company management teams' capital allocations
- Evaluation of multiple potential outcomes
- Internal price target



Risk Management

- Issuer size generally < 2% of total net assets
- Minimum number of issues 175
- Industry weightings \pm 5% of sectors in Barclay's Capital U.S. Corporate High Yield Index
- Nonrated issues generally no more than 5% of total net asset value
- BB-rated bonds typically >15% of total net assets



Portfolio Construction

- Economic overlay
- Sector selection
- Fundamental research
- Quantitative screening
- Risk parameters
- Peer group analysis
- Internal collaboration



Evaluation

- Several layers of ongoing oversight review:
- Returns and volatility
 - Portfolio design and risk parameters
 - Macro recommendations
 - Security selection

Universe definition

We primarily invest in debt securities that are below investment-grade quality. These bonds are typically corporate bonds of U.S.-based companies, many of which are moderate-sized companies. These noninvestment-grade securities are commonly known as "junk bonds." We principally invest in junk bonds rated B or above by a nationally recognized statistical rating organization or deemed to be of comparable quality by portfolio management. We may invest in convertible, preferred and foreign securities. We may also invest up to 25% of total assets in foreign securities with 15% of total fund assets in developing markets.

Security selection

Fundamental analysis is the primary driver of security selection. A team of analysts who specialize by industry conducts the analysis, which helps us take advantage of individual knowledge and expertise. This bottom-up approach is supplemented with an ongoing review of securities' relative value and a top-down process that includes sector, economic and quantitative analysis. Changes in a security's risk-return profile or relative value and top-down factors generally determine buy and sell decisions.

Portfolio construction

Portfolio construction begins with a well-defined fund design that emphasizes diversification and establishes target investment vehicles for generating desired fund alpha and risk parameters. Investments are evaluated for liquidity and risk versus relative value.

Portfolio managers drive the construction process, using the fund design as their guide. Working closely with other investment specialists and traders, they determine the timing and amount of each alpha decision to use in the portfolio, taking into account skill and market opportunities.

Risk management

We manage risk at several different levels. We continuously monitor fund positioning. The fund design, which emphasizes diversification across industries and issuers, is evaluated to validate design assumptions. Decision makers are continuously evaluated to monitor their performance and to allow them to learn from their decisions. Finally, fund performance is evaluated to ensure it's producing the desired level of excess return within the allowed risk parameters.

Sell discipline

Sell decisions are based on:

- Low equity value to debt, high subordination and negative free cash flow, coupled with negative news, declining expectations or an increasing risk profile.
- Very low yields.
- Presentation of a better relative value opportunity.

About risk

The fund may engage in frequent trading of portfolio securities, which may result in added expenses, lower return and increased tax liability.

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.

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.

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

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.

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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 advisers for a prospectus/summary prospectus or visit invesco.com/fundprospectus.

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

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. NR indicates the debtor was not rated and should not be interpreted as indicating low quality.

The Barclay's Capital U.S. Corporate High Yield Index is an unmanaged index that covers the universe of fixed-rate, noninvestment-grade debt. An investment cannot be made directly in an index.

Alpha is a measure of performance on a risk-adjusted basis.

Diversification does not guarantee a profit or eliminate the risk of loss.