

Invesco U.S. Companies Fund

Key facts

Benchmark	Russell 1000 Growth Index (C\$)
Inception date	10/22/1999 ¹
Total strategy assets	\$12,547.6 M
Holdings	98

Portfolio managers

Erik Voss
Ido Cohen

Available investment vehicles

Mutual Funds

Top 10 holdings	(%) Portfolio
Microsoft Corp.	10.12
Apple Inc.	6.56
Alphabet Inc., Class A	6.19
Amazon.com, Inc.	6.15
Unitedhealth Group Inc.	4.78
Visa Inc., Class A	4.62
Bayer AG	3.09
NVIDIA Corp.	2.09
Qualcomm, Inc.	1.99
The home Depot, Inc.	1.88
Total	47.47

Distinguishing attributes

- Deep fundamental research by a team of six sector-experts averaging 25 years of experience.
- Portfolio is balanced between long term secular growers and cyclical opportunities depending upon the market environment.
- Conviction ranking strategy that emphasizes stocks perceived to have the highest research advantage and greatest valuation opportunity.

Investment objective

Invesco U.S. Companies Fund seeks to provide strong capital growth over the long term. The Fund invests primarily in equities of American companies.

Performance summary

Invesco U.S. Companies Fund, Series I returned -17.77% over the second quarter of 2022.

During the quarter, stock selection and an overweight exposure to the energy sector, stock selection and an underweight exposure to the consumer discretionary sector, as well as stock selection in the communication services sector, were key contributors to relative performance.

A small allocation in ancillary cash also helped relative returns.

Stock selection and an underweight allocation in consumer staples was a key relative detractor during the quarter.

Additionally, stock selection and an underweight exposure in real estate, as well as stock selection in materials and industrials, detracted from relative results.

Key contributors to performance

Suncor Energy Inc. was among the relative outperformers for the quarter as oil prices peaked near \$122 per barrel in early June¹.

JD.com Inc. benefited as the impact from COVID-19 lockdowns in China was less than feared. Also, Chinese ADRs have generally performed well as stimulus in the country begins to take hold.

CrowdStrike Holdings Inc. was a well-timed late-quarter acquisition that had been caught in the tech sell-off.

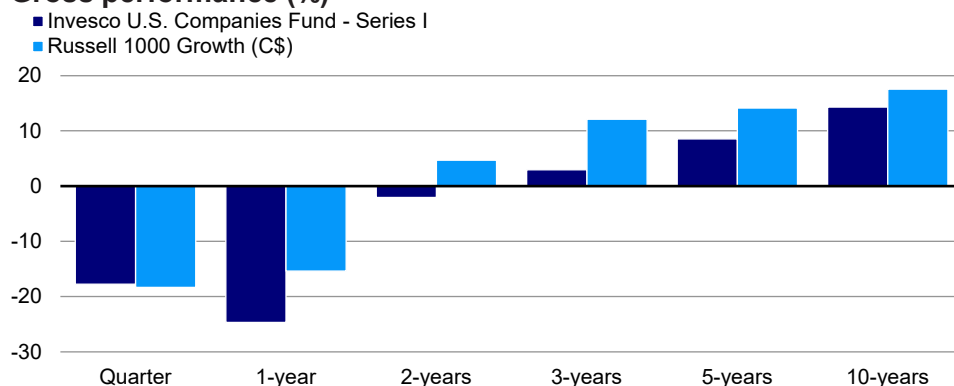
¹ Source: Bloomberg L.P.

Data as of June 30, 2022

Geographic breakdown	(%) Portfolio
United States	86.47
Germany	3.63
China	2.27
Japan	2.27
United Kingdom	1.25
Short-term investments, cash and other net assets	1.16
France	0.91
Canada	0.89
Australia	0.59
Netherlands	0.49
Denmark	0.36
Total	100.00

Sector breakdown	(%) Portfolio
Information technology	38.33
Health care	14.78
Consumer discretionary	14.40
Communication services	12.41
Industrials	7.56
Consumer staples	3.31
Financials	3.05
Energy	2.94
Materials	1.36
Short-term investments, cash and other net assets	1.16
Real estate	0.70
Total	100.00

Gross performance (%)



Gross performance

	Quarter (%)	1 Year (%)	2 Years (%)	3 Years (%)	5 Years (%)	10 Years (%)
Invesco U.S. Companies Fund - Series I	-17.77	-24.69	-2.05	2.96	8.55	14.31
Russell 1000 Growth (C\$)	-18.33	-15.39	4.70	12.10	14.14	17.53

All performance data is Series I.

Effective October 15, 2020, the Fund's benchmark was changed to Russell 1000 Growth Index to better reflect the current management team's investment philosophy. Prior to this date the Fund's benchmark was the S&P 500 Index."

Key detractors from performance

Amazon.com Inc. suffered from weaker operating profit guidance that reflected labour and fuel inflation as well as higher costs due to an overly aggressive warehouse build plan that is now being scaled back.

Apple Inc. and other information technology (IT) stocks were among the relative underperformers for the quarter amid a general tech sell-off due to rising interest rates and the increasing possibility of a recession.

NVIDIA Corp. sold off due to negative investor sentiment surrounding the semiconductor cycle.

Portfolio activity

We continued to be active during the quarter as we believe we are in the later part of the economic cycle and have positioned the Portfolio somewhat defensively to account for the impact of rising rates.

Currently, we are more sensitive to immediate versus future profits and have a lower valuation tolerance than we would in expansionary times.

Our largest overweight sector exposures include communication services, primarily video game developers, which offer lower relative beta and are fairly recession-resistant, and health care, given the sector's defensive characteristics during economic slowdowns.

IT is the largest underweight, primarily due to significant index exposure in Apple and to a lesser degree Microsoft. This can also be attributed to our decision to cut back on higher valuation and high-growth IT services stocks earlier in the year, while also continuing to underweight semiconductors.

Sources: Invesco and Morningstar Research Inc.

Commissions, trailing commissions, management fees and expenses may all be associated with mutual fund investments. The indicated rates of return are the historical annual compounded total returns, including changes in security values and reinvestment of all distributions, and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder, which would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Please read the prospectus before investing. Copies are available from Invesco Canada Ltd.

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Outlook

While we are expecting further interest rate increases in the near term, we believe inflation will begin to cool naturally as consumers and enterprises scale back in the face of tighter conditions, and as supply chain disruptions resolve. In the team's opinion, this should impact the pace and magnitude of rate hikes.

We are watching closely for a change in tone from central banks following the early moderation of both inflation and economic growth. We see select secular growers trading at attractive valuations and believe market sentiment will likely rotate more favorably toward these long-term compounders during the second half of the year.

As we continue to evaluate data and timing to rotate capital into higher growth stocks, we remain positioned somewhat defensively and with a lower-than-benchmark valuation to account for a decelerating economic environment and currently elevated inflation.

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