



Invesco Main Street U.S. Small Cap Class

Quarterly review

As of March 31, 2021

Performance highlights

Invesco Main Street U.S. Small Cap Class, Series I returned 11.97% over the first quarter of 2021, outperforming its benchmark, the Russell 2000 Index, which returned 11.18% (net – C\$) over the same period.

Contributors to performance

The Fund's relative performance benefited from positive stock selection in the financials, industrials and utilities sectors. The top contributors to the Fund's relative performance over the period included Atkore International, Korn Ferry and AutoNation Inc.

Atkore manufactures metal products and electrical raceway solutions. Korn Ferry is an executive recruiter and talent management consultant, and AutoNation is an American automotive dealer for new and pre-owned vehicles.

Detractors from performance

The Fund's holdings within the consumer discretionary, consumer staples and information technology sectors detracted from relative performance during the quarter. The top detractors from Fund performance over the period included Q2 Holdings Inc., Bottomline Technologies Inc. and LHC Group Inc.

Q2 Holdings is a financial technology company that provides digital banking solutions. Bottomline Technologies is a provider of SaaS-based business-to-business payments and related bank technology. LHC Group is a national provider of in-home healthcare services.

Portfolio activity

We continue to manage our market capitalization exposure and other risk factor exposures. During the quarter, we repositioned capital away from higher market capitalization names over \$6 billion and into new or existing holdings in the \$1 billion to \$4 billion market capitalization range to maintain our desired small-cap core orientation.

There were no significant changes to sector exposures over the quarter, but the most noticeable changes included a decrease in weighting to the energy sector and an increase in weighting to industrials. There were 10 names added to the Portfolio during the period and 11 names exited.

Investment outlook

The economy continues to recover from the pandemic-induced recession, and the reopening of the economy is building steam. With three highly effective vaccines on the market, there is in our view a path of a return to normalcy later this year.

We believe the upcoming rebound in the economy will be large. That said, we do not think a simple resumption of previous economic trends is in the cards. Despite the government assistance programs available, there are likely many businesses and jobs that have been permanently lost, and the reallocation of people and resources in the economy will take time. Moreover, this traumatic experience for many consumers is likely to change future behaviours, increasing the savings rate and reducing the velocity of money. Plus, some of the business adaptations are likely to stick as permanent changes to a degree, reducing demand for commercial travel and real estate. Copious monetary and fiscal stimulus is adding to an already significant money supply and federal budget deficit, raising the risk of material inflation down the road. Interest rates remain low for now, but we believe long-term rates bear watching.

Performance

	1-year (%)	3-year (%)	5-year (%)	10-year (%)
Invesco Main Street U.S. Small Cap Class - Series I	67.61	9.39	12.37	13.57
Benchmark	72.05	13.79	15.69	14.58

Important notes

The above companies were selected for illustrative purposes only and are not intended to convey specific investment advice.

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 simplified prospectus before investing. Copies are available from your advisor or Invesco Canada Ltd.

The views expressed above are based on current market conditions and are subject to change without notice; they are not intended to convey specific investment advice. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Although we make such statements based on assumptions that we believe to be reasonable, there can be no assurance that actual results will not differ materially from our expectations.



Invesco® and all associated trademarks are trademarks of Invesco Holding Company Limited, used under licence.

© Invesco Canada Ltd., 2021

Published April 15, 2021

NA3562