# Invesco Global Companies Fund

**Quarterly review |** As at December 31, 2021

## Investment philosophy

Invesco Global Companies Fund seeks to achieve strong capital growth with a high degree of reliability over the long term. The Fund invests primarily in equities of companies anywhere in the world.

## Performance summary

- Invesco Global Companies Fund, Series I generated a return of 5.41% over the fourth quarter of 2021 versus its benchmark, the MSCI ACWI Index (C$), which returned 6.36% over the same period

## Key contributors to performance

- The Fund's relative performance versus the benchmark benefited from investments in the consumer discretionary and healthcare sectors, which outperformed those of the benchmark. The two most significant individual contributors to Fund performance over the quarter were Microsoft Corp. and Compagnie Financière Richemont SA (Richemont)
- Microsoft is one of the largest software companies in the world. The company is best known for its software products, such as Microsoft Windows operating systems, Microsoft Office suite and the Internet Explorer web browser. Microsoft is also playing a lead role in the move toward cloud computing and remains well-diversified in servers and business applications. Shares in Microsoft rose over the period as the demand for Microsoft's cloud-based business services continues to drive strong operating results
- Richemont is a global luxury goods company with strong franchises in branded jewelry and watches. The company owns iconic brands with significant heritage, including their flagship brand Cartier. Shares in Richemont rose strongly when the company reported sales and earnings that significantly exceeded analysts' expectations. Sales growth accelerated across almost all divisions. Also driving the share price was news that an activist investor had taken a position in Richemont

## Key detractors from performance

- The Fund's relative performance versus the benchmark was hurt by investments in the information technology sector, which lagged those of the benchmark. The two most significant individual detractors over the quarter were Sabre Corp. and Alibaba Group Holding Ltd., ADR
- Sabre is a leading technology firm, serving the global travel and tourism industry. Sabre provides innovative software solutions and platforms in support of travel suppliers (airlines, hotels, car rental outlets, railways, cruise lines and tour operators) and travel buyers (travel agencies, travel management companies and corporate travel departments) to plan, market, sell, serve and operate their businesses. Shares in Sabre declined over the period due to the recent surge in COVID-19 cases related to the recent Omicron variant, which depressed travel demand over the quarter
- Alibaba is a Chinese multinational technology company that specializes in e-commerce, retail, internet and technology. Alibaba is China's equivalent of Amazon as the dominant e-commerce retailer in the region. Shares in Alibaba fell over the period due to increased regulatory crackdowns by the Chinese government and fears that more punitive actions by regulators will impair Alibaba's profitability or assets.

## Portfolio activity

- During the period, the investment team (the "team") established new positions in LVMH Moët Hennessey Louis Vuitton, a global leader in luxury products, and elevator and escalator manufacturer, Kone Oyj. The team also began building positions in two Japanese industrials companies, which were still being established as of quarter-end

- The team sold its position in Richemont as the stock had reached full valuation in its view. The team also sold BorgWarner Inc. and Unilever PLC to redeploy capital to alternative investment opportunities, which it believes have better long-term prospects
- In terms of positioning, the Fund has significant investments in the information technology, consumer staples and communication services sectors. In contrast, the Fund has lower exposure to financials and health care and no exposure to energy, materials or utilities. Sector weights are a function of the team's bottom-up, fundamental investment approach and are not a top-down call on the attractiveness of any given sector

## Investment outlook

Most developed global equity markets ended the fourth quarter of 2021 in positive territory despite rising inflation and the emergence of Omicron, a new COVID-19 variant. Pandemic-related supply-chain disruptions and labour shortages intensified during the quarter, resulting in broadly higher costs for companies and consumers. To combat inflation, the U.S. Federal Reserve announced at its December meeting that it would accelerate the "tapering" of its bond purchases and potentially raise interest rates three times in 2022. The Bank of England raised interest rates in December, while the European Central Bank confirmed that its pandemic emergency purchase programme would end in March 2022. Conversely, the Bank of Japan reaffirmed its accommodative stance, leaving interest rates unchanged, but announced plans to scale back emergency pandemic funding. Emerging-market equities declined on COVID-19 concerns and China's ongoing regulatory tightening and slowing economic growth.

In the team's view, there are several risks baked into the economy and market that could lead to downside volatility in equity prices. Inflationary pressures are higher than expected and are appearing more intractable than earlier consensus expectations that inflation would prove transitory. Governments also appear to be looking to pull back and unwind stimulus spending designated to support the economy during the pandemic and may also need to raise interest rates to stem inflation. Additionally, major equity indices like the S&P 500 and MSCI World are trading near all-time highs led by a relatively narrow group of companies in recent years.

Historically, one effective way to hedge inflation risk is to own high-quality companies that sell required products and services and have strong market share so they can pass on higher costs to customers. These traits are characteristic of the investments the team targets for the Portfolio. The team believes the next five years may be a very different experience for investors versus the last five years and that a focus on owning high-quality, cash-flow generative companies and paying attention to valuations may help them to navigate periods of uncertainty or turbulence in equity markets.

## Important information

Sources: Invesco Canada Ltd., Bloomberg L.P., Factset Research Systems, Inc., Morningstar Research Inc., as at December 31, 2021. Data expressed in Canadian Dollars.

The above securities 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.

| | 1-Year (%) | 3-Year (%) | 5-Year (%) | 10-Year (%) |
|---|---|---|---|---|
| **Invesco Global Companies Fund, Series I** | 16.17 | 14.76 | 11.00 | 14.00 |
| MSCI AC World Index (Net) | 17.53 | 17.29 | 13.04 | 14.29 |

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.

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