
Invesco Main Street U.S. Small Cap Class

Quarterly review | As at December 31, 2022

Investment philosophy

Invesco Main Street U.S. Small Cap Class seeks to identify smaller-capitalization companies with skilled management teams, strong value creation potential and a compelling risk/reward profile to achieve long-term capital growth. The portfolio management team (the “team”) uses a fundamental approach to analyze companies on factors such as financial performance, competitive position, industry dynamics and business model and management strength.

Performance summary

- Invesco Main Street U.S. Small Cap Class, Series I returned 6.63% over the fourth quarter of 2022, outperforming its benchmark, the Russell 2000 Index, which returned 4.75% over the same period
- During the quarter, the Fund mainly benefited from positive stock selection in the healthcare, industrials and information technology sectors. Key detractors included weaker stock selection in the real estate, financials and consumer discretionary sectors

Key contributors to performance

- The Fund benefited from positive stock selection in the healthcare, industrials and information technology sectors
- The top individual contributors to relative performance included Inspire Medical Systems, Inc., Atkore, Inc. and Prometheus Biosciences Inc.

Key detractors from performance

- Stock selection in the real estate, financials and consumer discretionary sectors detracted from performance over the period
- The top individual detractors to relative performance included Paycor HCM Inc., Avid Bioservices Inc. and BJ’s Wholesale Club Holdings Inc.

Portfolio activity

- There were no significant changes to the overall Portfolio positioning
- There were seven new additions to the Portfolio and 12 names exited over the period
- Relative sector weights versus the benchmark remain all within +/- 6%
- The biggest changes to absolute sector weights were an increase to the healthcare and information technology sectors, and a decrease to the utilities and financials sectors

Investment outlook

The U.S. Federal Reserve (the “Fed”) has aggressively hiked interest rates since March 2022 to fight stubbornly high inflation. The ultimate peak for the federal funds rate is yet to be determined but we believe it will likely be in the 5% neighborhood. We have seen several employment reports for December 2022 that continue to show tight labour markets, while hourly wage inflation has moderated. In our view, the federal funds rate will stay elevated for longer than the market would like but a significant recession is unlikely. We expect sluggish gross domestic product growth and pressure on corporate profits for a year or more, especially for companies with leveraged balance sheets that need to refinance debt and/or have significant floating rate obligations in their debt structures. We maintain our valuation discipline and a focus on companies with skilled management teams that we believe are executing better than their peers.

Important information

Sources: Invesco Canada Ltd., as at December 31, 2022.

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

On October 15, 2020, the Fund's investment strategies and portfolio advisor were changed. The performance of this Fund for the period prior to this date would have been, and the quartile rankings may have been, different had the current investment strategies and portfolio advisor been in place during that period.

On November 6, 2020, Invesco U.S. Small Companies Class was renamed Invesco Main Street U.S. Small Cap Class.

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.

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Performance of other Series may also differ, please visit www.invescocanada.com to view performance of other series.

Performance of Invesco Main Street U.S. Small Cap Class, Series I, as at December 31, 2022:

	1-Year (%)	3-Year (%)	5-Year (%)	10-Year (%)
Invesco Main Street US Small Cap Class, Series I	-9.61	5.81	5.93	11.65
Russell 2000 Index	-14.65	4.62	5.77	12.42

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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