
Investment philosophy

Invesco Europlus Fund seeks to achieve long-term capital growth and uses a growth investment discipline to invest primarily in a diversified portfolio of companies in developed European countries. The portfolio management team's (the "team's") "EQV" investment process identifies companies that possess, or exhibit the potential for, sustainable earnings growth (E); high-quality characteristics (Q); and reasonable valuations (V).

Performance summary

- Invesco Europlus Fund, Series I returned 7.86% over the first quarter of 2023, underperforming its benchmark, the MSCI Europe Index (C\$), which returned 10.43% over the same period

Key performance highlights

- From a sector perspective, stock selection in the materials, consumer staples and real estate sectors was the largest contributor to relative performance. Fund holdings in energy outperformed those of the benchmark and were beneficial as well
- Geographically, stock selection and an overweight in Ireland were among the largest contributors to relative performance. Stock selection in Norway, the Netherlands and Denmark also added to relative results
- The top individual contributors to Fund performance included France-based LVMH Moët Hennessy Louis Vuitton SE and Italy-based Danieli & C. Officine Meccaniche SpA. LVMH Moët Hennessy Louis Vuitton is a French luxury goods company that reported robust fourth-quarter 2022 earnings with better-than-expected top-line sales growth across its key divisions. LVMH has also benefited from China's reopening as its citizens, who are traditionally strong buyers of luxury, return to stores after strict lockdowns
- Danieli & C. Officine Meccaniche is an Italian supplier of equipment and physical plants to the metal industry. Danieli posted robust results alongside a growing orderbook. The company's valuation remains attractive and we believe it is well-positioned to take advantage of nearshoring trends and the need for less polluting steel production
- Key detractors from Fund performance during the quarter included Finland-based Enento Group Oyj and U.K.-based IG Group Holdings PLC
- Finland-based business services company Enento Group was a key detractor for the period. The company was purchased by the previous portfolio management team
- IG Group, a British global online trading company, delivered results in line with analyst estimates for the quarter and confirmed management's full-year forecast. However, online trading has softened since the COVID-19 boom, so growth numbers may face challenges in the short term
- Security selection in the industrials, financials and communication services sectors were among the largest detractors from relative returns. Stock selection and an underweight in information technology also detracted from relative results
- Fund holdings in the communication services negatively impacted relative results
- In a rising equity market environment, the Fund's cash position hampered relative results
- Geographically, stock selection in Finland and France as well as exposure to Hungary and Turkey detracted from relative returns
- Our investment team took over management of the Fund on November 28, 2022. Our team uses a well-established, long-term, bottom-up earnings, quality, valuation (EQV) investment process that seeks to identify attractively valued, high-quality growth companies. Performance prior to this date can be attributed to the previous management team

Portfolio activity

- We added several new holdings during the quarter including U.K.-based RELX PLC and Serco Group PLC, as well as France-based Publicis Groupe and Capgemini SE
- RELX is a British high-quality information services publisher that has gone through a decade-long transformation away from legacy print toward higher growth/value-adding digital, data analytics and decision-making solutions. We believe RELX is an improving organic growth story. RELX's valuation discount to its peers in the global professional services segment gave us the opportunity to step into this high-quality company led by a good management team with a history of value creation
- We exited several holdings during the period including Switzerland-based electronics company Logitech International SA and Sweden-based industrials company Husqvarna AB
- Regardless of the macroeconomic environment, we remain focused on applying our well-established, long-term, bottom-up EQV investment process

Market commentary

Global equity markets managed to deliver gains for the quarter despite volatility and a banking crisis. January's rally gave way to mixed global equity results in February as inflation appeared more persistent, boosting expectations that interest rates will stay higher for longer. The quarter's largest shock came in March as the failure of two U.S. regional banks, along with the subsequent UBS takeover of Credit Suisse, led to a selloff in U.S. and European financial stocks. Amid the banking turmoil, some global central banks continued to raise interest rates to fight inflation.

Rising interest rates, combined with recent banking trials and rescues, have caused investors to worry that credit standards will tighten, increasing concern about a potential global recession. Simultaneously, the U.S. Federal Reserve (the "Fed") has indicated it may now be approaching the end of its interest rate hiking cycle, while market participants anticipate that the Fed will begin cutting interest rates by summer 2023. With global macroeconomic and geopolitical uncertainty at elevated levels, investors seem to be renewing their focus on traditional investment fundamentals. This increased emphasis could prove beneficial for our balanced EQV philosophy – conservative/sustainable growth with a quality orientation and valuation discipline.

Important information

Performance of Invesco Europlus Fund, Series I is as at March 31, 2023:

	3-month (%)	1-year (%)	3-year (%)	5-year (%)	10-year (%)	15-year (%)
Invesco Europlus Fund, Series I	7.86	-0.47	3.74	2.57	7.95	6.30
MSCI Europe Index	10.43	9.85	13.09	5.37	8.42	4.73

Sources: Invesco Canada Ltd. as at March 31, 2023. Data and comments are sourced from Bloomberg, Morningstar, Invesco, and various news and company reports.

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.

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* Effective November 28, 2022, the Fund's investment strategies, and portfolio manager team 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 manager been in place during that period.

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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