
Invesco Main Street U.S. Small Cap Class

Quarterly review | As at March 31, 2023

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 3.43% over the first quarter of 2023 outperforming its benchmark, the Russell 2000 Index, which returned 2.62% over the same period
- During the quarter, the Fund mainly benefited from positive stock selection in the consumer discretionary, healthcare and consumer staples sectors. Key detractors included weaker stock selection in the energy, information technology and materials sectors

Key contributors to performance

- The Fund benefited from positive stock selection in the consumer discretionary, healthcare and consumer staples sectors
- The top individual contributors to relative performance included Allegro MicroSystems LLC, AutoNation, and TopBuild Corp.

Key detractors from performance

- Stock selection in the energy, information technology and materials sectors detracted from performance over the period
- The top individual detractors to relative performance included Columbia Banking System Inc., Acadia Healthcare Company Inc. and BankUnited Inc.

Portfolio activity

- There were no significant changes to the overall Portfolio positioning
- There were 12 new additions to the Portfolio and nine names exited over the period
- Relative sector weights versus the benchmark remain all within +/- 5%
- The biggest changes to absolute sector weights were an increase to the consumer discretionary and information technology sectors, and a decrease to the financials and energy sectors

Investment outlook

After a robust start to 2023, economic data softened in March as indicators of production, hiring and inflation slowed. Softening economic data and recent turmoil in the banking system has raised uncertainty for both the economic and Federal Reserve policy outlooks for the remainder of 2023. Recent Federal Open Market Committee (FOMC) statements and public comments by voting members have noted the potential for further rate increases. However, market indicators now imply no rate hikes at the upcoming May FOMC meeting with rate cuts beginning before the end of the year. In our view, the market sentiment on rates is misplaced and we believe the federal funds rate will stay elevated for longer than the market expects, regardless of whether the FOMC holds rates steady or hikes another 0.25% in May. We believe recession risk has increased, and reduced lending by small and mid-sized banks will likely dampen private-sector investment and spending. Tighter credit availability is likely to hurt smaller and more leveraged companies the most, even if interest rates decline.

Performance[†] of Invesco Main Street U.S. Small Cap Class, Series I, as at March 31, 2022:

	1-Year (%)	3-Year (%)	5-Year (%)	10-Year (%)
Invesco Main Street US Small Cap Class, Series I	0.39	19.57	5.95	10.66
Russell 2000 Index	-4.22	15.55	5.73	11.18

† Performance is gross of fees

Important information

Sources: Invesco Canada Ltd., as at March 31, 2023.

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.

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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