QUARTERLY COMMENTARY

Invesco Global Companies Fund

As at June 30, 2023

Key takeaways

1 Global equity markets drive higher

Global equity markets posted a positive return for the quarter, despite a May decline and ongoing interest rate hikes by some central banks to combat inflation. During the quarter, optimism around artificial intelligence (AI) boosted technology stocks while energy stocks were weak.

2 Inflation still in early innings

The team believes we are still in the early innings of a higher inflation-higher interest rate environment and that investors are not fully appreciating these challenges.

3 Well-positioned for current outlook

In the team's view, the Fund is well-positioned against this economic backdrop to offer a solid degree of protection given the level of recurring cash flows generated by the Fund's holdings. The cash flows of these businesses are predominately generated in areas that remained resilient throughout the economic cycle.

Investment objective

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.

Portfolio manager

Michael Hatcher

Manager perspective and outlook

Global equity markets posted a positive return for the quarter, despite a May decline and ongoing interest rate hikes by some central banks to combat inflation. During the quarter, optimism around artificial intelligence (AI) boosted technology stocks, while energy stocks were weak. The U.S. and Japan were among the best-performing equity markets. The U.S. benefited from milder inflation data and better-than-expected corporate earnings, while Japanese stocks benefited from weakness in the yen as many companies generated large portions of their profits abroad. In contrast, emerging-market equities were roughly flat for the quarter.

The U.S. economy and equity markets remained resilient in the second quarter even as higher interest rates increased recession risks. Though inflation appeared to be cooling, the rate remained above the U.S. Federal Reserve's (the "Fed") 2% target. Facing persistently strong employment data, the Fed raised the federal funds rate by 0.25% at its May meeting, bringing the rate to its highest level since June 2006. The Fed left rates unchanged at its June meeting, giving investors a long-awaited "pause" in rate hikes; however, more rate hikes are projected for later in 2023.

Although inflation appears to have retreated from peak levels experienced in 2022, the portfolio management team (the "team") expects inflation to remain stubbornly higher than central banks' preferred levels. The team believes we are still in the early innings of a higher inflation-higher interest rate environment and that investors are not fully appreciating these challenges.

In the team's view, the Fund is well-positioned against this economic backdrop to offer a solid degree of protection given the level of recurring cash flows generated by the Fund's holdings. The cash flows of these businesses are predominately generated in areas that remained resilient throughout the economic cycle. A second positive underlying factor that the team believes protects capital over the long term is the attractive valuations of the Fund's holdings, which in its view provide a margin of safety. The team believes that both their investment process and the Fund as it currently stands is well-suited for the current investment environment.

Portfolio positioning

- The team did not add any new positions to the Fund over the quarter, and no positions were sold outright
- In terms of positioning, the Fund has higher-than-benchmark weightings in information technology and financials. In contrast, the Fund has lower-than-benchmark exposure to energy, materials, consumer discretionary and utilities
- On an absolute basis, the Fund's largest weightings are in information technology, financials and industrials. In contrast, the Fund has no investments in the energy, materials or utilities sectors. 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 or market outlook

Performance highlights

- Invesco Global Companies Fund, Series I returned 2.61% over the second quarter of 2023 versus its benchmark, the MSCI ACWI Index (C$), which returned 3.82% over the same period

Contributors to performance

- The Fund's relative performance benefited from investments in the healthcare sector, which outperformed those of the benchmark over the period. A lack of exposure to the energy and materials sectors also contributed to relative performance, as those sectors were laggards over the period
- The two most significant individual contributors to Fund performance over the period were **Microsoft Corp.** and **Temenos AG**
- Shares in Microsoft rose over the period on rising investor enthusiasm around emerging AI technologies and the projected demands for cloud computing and servers that would underpin this development. Microsoft is a global leader with dominant market share in cloud computing. Microsoft is also an investor in ChatGPT, an AI search tool that may be a material disrupter to Alphabet's search engine
- Temenos is a Switzerland-based company that specializes in enterprise software for banks and financial services institutions. Shares in Temenos rose over the quarter as investors sentiment improved around the company's operating results. In 2022, Temenos' share price came under pressure due to project deferrals and cost pressures, which the team believes do not materially impact the value of the business

Detractors from performance

- The Fund's relative performance versus the benchmark was negatively impacted by investments in the consumer staples and consumer discretionary sectors, which underperformed those of the benchmark
- The two most significant individual detractors from Fund performance for the period were **Anheuser-Busch Inbev SA** and **Aptiv PLC**
- Anheuser-Busch is the largest brewery globally, with a portfolio of over 500 brands. Shares in Anheuser-Busch were negatively impacted by some challenges around one of its marketing strategies in the United States, one of its most profitable markets. The team believes that these issues will be resolved, and do not impair the long-term intrinsic value of the business
- Aptiv is a global technology company that designs, develops and manufactures system-level solutions for electric vehicles and smart vehicle architecture. Shares in Aptiv declined over the quarter due to a pullback in valuations after generating strong gains in Q1 2023. Aptiv's share price is still in positive territory on a year-to-date basis. The team believes Aptiv is well-positioned to benefit as the technology in the auto industry steadily progresses toward fully autonomous vehicles

For more information, including the Investment process, prospectus, and commentary, please visit Invesco.ca

Performance of Invesco Global Companies Fund, Series I, as at June 30, 2023:

	1-Year (%)	3-Year (%)	5-Year (%)	10-Year (%)
Invesco Global Companies Fund (I)	**15.37**	**7.29**	**5.71**	**10.45**
MSCI AC World Index (Net)	19.54	9.93	8.23	11.25

Important information

The MSCI AC World Index is an unmanaged index considered representative of large- and mid-cap stocks across developed and emerging markets. The index is computed using the net return, which withholds applicable taxes for non-resident investors. An investment cannot be made directly in an index.

Sources: Invesco Canada Ltd., Bloomberg L.P., Factset Research Systems, Inc., Morningstar Research Inc., as at June 30, 2023.

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