Invesco Global Companies Fund

Quarterly review | As at September 30, 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 -0.86% over the third quarter of 2021 versus its benchmark, the MSCI ACWI Index (C$), which returned 1.23% over the same period

Key contributors to performance

- The Fund's relative performance versus the benchmark was helped by strong stock selection in the information technology sector. The Fund's lack of exposure to the materials sector also benefited relative performance as materials lagged over the quarter. The two most significant individual contributors to Fund performance over the quarter were Topicus.com Inc. and Alphabet Inc.
- Topicus is a leading European provider of vertical market software and platforms. Topicus was spun off from Canadian software company Constellation Software and went public in January 2021. Topicus applies the same roll-up strategy in European markets that Constellation Software applied in North America. Topicus builds, acquires and manages niche industry-specific software businesses that seeks to address the customized software needs of customers not met by large enterprise resource companies. When shares in Topicus were spun off, the company was largely unknown with little analyst coverage. The company's share price has since appreciated considerably as investors began to recognize the fundamental value of the business
- Alphabet is a global technology conglomerate and most notably, the parent company of search engine giant Google. Shares in Alphabet rose over the quarter on the continued strength of its operating results. The company's core internet search and digital advertising business has a dominant market share and is potentially well-positioned to benefit from secular growth trends in digital advertising. In the portfolio management team's (the "team") view, Alphabet's diversification into other business segments, such as YouTube and its cloud and hardware businesses, are expanding the company's optionality for future growth

Key detractors from performance

- The Fund's relative performance versus the benchmark was hurt by investments in the consumer staples and industrials sectors, which lagged those of the benchmark. The two most significant individual detractors over the quarter were Alibaba Group Holding Ltd., ADR and Temenos AG
- 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 ongoing regulatory crackdowns by the Chinese government. Alibaba is an important player in the Chinese economy and the company's e-commerce platforms are critical to China's digital economy. The team believes this regulatory scrutiny is directed at strengthening China's markets and that it is not in China's interest to cripple a company that is a leader on the world stage
- Temenos AG is a Switzerland-based company that specializes in enterprise software for banks and financial services institutions. Temenos is a leader in the niche market of helping financial institutions of all sizes work to accelerate the digital experience they offer to clients. The company's comprehensive enterprise platforms become mission-critical for banks, especially once they are embedded in operations and ingrained in the clients' business. As a result, the team believes Temenos possesses strong competitive

advantages due to high switching costs for their clients, which make it difficult for their platforms to be replaced. Shares in Temenos fell in sympathy with Swiss markets over the period on concerns of a surge in coronavirus cases in several countries, which could impact the pace of global economic recovery. The team views these uncertainties as short-term in nature and believes they do not impact the company's long-term value

Portfolio activity

- During the period, no new buys were initiated for the Portfolio, and no positions were sold outright
- In terms of positioning, the Fund has significant investments in the information technology, communication services, consumer discretionary and consumer staples 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 investment team's bottom-up, fundamental investment approach and are not a top-down call on the attractiveness of any given sector

Investment outlook

Developed global equity markets were flat in the third quarter of 2021 amid concerns about rising inflation, supply disruptions and the economic growth rate. Responding to inflation concerns, the U.S. Federal Reserve has considered "tapering" or reducing the amount of emergency stimulus it has been adding to the economy since the pandemic began. The Bank of England, on the other hand, indicated a willingness to raise interest rates before year-end if needed. Inflation in the euro region also accelerated during the quarter, but the European Central Bank considers the spike to be "largely transitory" and cautioned against raising interest rates too soon. Emerging-market equities declined during the quarter, primarily due to weak performance from Chinese equities, which were affected by significant regulatory changes in the private tutoring industry, increased regulation in the technology sector and the potential default of a large Chinese property developer.

In the team's view, consensus investor sentiment appears to be that inflationary pressures are transitory and should normalize in a post-pandemic recovery. The investment team has a more cautious view and believes inflationary trends may be more intractable. The pandemic lockdowns required trillions in government stimulus that will need to work its way through the economy, and government flexibility to respond to a future crisis may be limited by unprecedented debt levels. For those concerned that inflation could persist, the team believes it may be prudent to hold high-quality equities that sell required products and services and have strong market positions and durable competitive advantages that allow them to pass on higher costs to customers. These traits are characteristic of the investments the team targets for the Portfolio.

Major equity indices like the S&P 500 Index and MSCI World Index are trading near all-time highs. These indices have been led higher in recent years by a relatively narrow group of companies, with growth stocks significantly outperforming value stocks over the past five years. Pandemic-related fiscal and monetary policy is supporting high asset values and equity valuations, but ultimately this stimulus, in the team's view, will need to be unwound. In the team's view, this may create significant risk of a downdraft in asset values and a downward re-rating in equity valuations – particularly with the stock prices of overvalued companies whose valuations bear little resemblance to underlying fundamentals. 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 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 September 30, 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.

Performance of Invesco Global Companies Fund, Series I as at September 30, 2021: 1-year, 19.22%; 3-year, 9.10%; 5-year, 9.90%; and 10-year, 14.00%. Performance of the MSCI AC World Index (Net) C$ as at September 30, 2021: 1-year, 20.86%; 3-year, 11.83%; 5-year, 12.37% and 10-year, 14.11%.

	1-Year (%)	**3-Year (%)**	**5-Year (%)**	**10-Year (%)**
Invesco Global Companies Fund, Series I	19.22	9.10	9.90	14.00
MSCI AC World Index (Net)	20.86	11.83	12.37	14.11

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.