
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

- During the third quarter of 2021, Invesco Main Street U.S. Small Cap Class, Series I returned 1.62%, outperforming its benchmark, the Russell 2000 Index, which returned -2.16% over the same period
- During the quarter, the Fund’s outperformance was mainly driven by stock selection in the industrials, health care and consumer discretionary sectors. This was partially offset by weaker stock selection in the energy sector in addition to our underweight in that sector. An underweight to the real estate sector was also a modest detractor from performance

Key contributors to performance

- The Fund benefited from positive stock selection in the industrials, health care and consumer discretionary sectors
- The top individual contributors to relative performance included AutoNation, Zurn Water Solutions Corp. and ASGN Inc.

Key detractors from performance

- Stock selection in the energy sector and underweights to both the energy and real estate sectors detracted from performance
- The top individual detractors to relative performance included Honest Company Inc., LHC Group Inc. and Visteon Corp.

Portfolio activity

- There were no significant changes to the overall positioning of the Portfolio
- There were five new additions to the Portfolio and four names exited
- Relative sector weights versus the benchmark are all within +/- 6%, with a modest decrease to overweights in the consumer discretionary and consumer staples sectors and an underweight in the energy sector
- The biggest changes to absolute sector weights was an increase to the energy sector

Investment outlook

As we look ahead, our base case continues to anticipate that economies will accelerate as they reopen but that any accompanying rise in inflation will be largely temporary. We continue to expect that in the short run, emerging-market countries will generally lag behind because of the obstacles they face vaccinating their respective populations. As economies reopen and spending increases, we believe inflation should remain elevated, especially in the United States. However, we anticipate it will then moderate to a rate faster than pre-crisis trends but not sufficient to induce aggressive action from central banks. Over the longer term, we expect demographics and innovation to place downward pressure on inflation.

Given our expectation of a strong economic recovery, we believe the environment will favour value over growth, and industrials, materials and financials over defensives in the short term. In fixed income, we continue to expect high yield and credit to outperform government bonds. We expect commodity prices to continue to benefit from inflationary pressures in the short

term. It is also our expectation that we are likely to see more volatility in the near term, which is why we believe investors could benefit from broad diversification across and within asset classes.

Important Information

Sources: Invesco Canada Ltd., as at September 30, 2021.

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.

Performance of Invesco Main Street US Small Cap, Series I as at September 30, 2021: 1-year, 32.98%; 3-year, 8.77%; 5-year, 11.56%; and 10-year, 14.63%.

Performance of the Russell 2000 Index as at September 30, 2021:

	1-Year	3-Year	5-Year	10-Year
	(%)	(%)	(%)	(%)
Invesco Main Street US Small Cap Class, Series I	32.98	8.77	11.56	14.63
Russell 2000 Index	40.06	9.80	12.62	16.89

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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