
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 second quarter of 2022, Invesco Main Street U.S. Small Cap Class, Series I returned -12.80%, outperforming its benchmark, the Russell 2000 Index, which returned -14.48% over the same period
- During the quarter, the Fund’s outperformance was mainly driven by stock selection in the consumer discretionary, real estate and industrials sectors. Weaker stock selection in the financials, health care and materials sectors partially offset the outperformance

Key contributors to performance

- The Fund benefited from positive stock selection in the consumer discretionary, real estate and industrials sectors
- The top individual contributors to relative performance included AutoNation Inc., Dorman Products Inc. and Acadia Healthcare Company Inc.

Key detractors from performance

- Stock selection in the financials, healthcare and materials sectors detracted from performance over the period
- The top individual detractors to relative performance included Tenet Healthcare Corp., Tandem Diabetes Care and Silvergate Capital Corp.

Portfolio activity

- There were no significant changes to the overall positioning of the Portfolio
- There were four new additions to the Portfolio and seven names exited over the period
- Relative sector weights versus the benchmark remain all within +/- 6%
- The biggest changes to absolute sector weights were an increase to the information technology and consumer staples sectors and a decrease to the healthcare and consumer discretionary sectors

Investment outlook

After experiencing a large rebound in economic growth, the U.S. economy had some setbacks in its normalization to a post-COVID world. Inflation rates have remained at a multi-decade high as copious monetary and fiscal stimulus to fight the pandemic caused large inflationary tailwinds, while the Russia-Ukraine crisis added fuel to the fire. The monetary situation has changed dramatically this year as the U.S. Federal Reserve (the “Fed”) works to combat inflation. Interest rates have risen materially, and mortgage rates have almost doubled since December 2021. The Fed has been overtly hawkish, signaling tighter monetary policy in its statements and actions in an effort to bring inflation down to the low-single digits. We have seen material weakness in consumer discretionary spending on goods and whether that leads to a recession this year remains open to question. We continue to maintain our discipline around valuation and focus on companies with skilled management teams that the team believes are outexecuting their peers.

Important information

Sources: Invesco Canada Ltd., as at June 30, 2022.

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.

Series F shares or units are available to investors who have fee-based accounts with their dealer or have access to a discount brokerage platform through their dealer. Sales charges and trailing commissions are not payable for Series F shares or units; however, investors holding such series in fee-based accounts pay fees to their dealer for investment advice and other services. The performance and quartile rankings of various series may differ due to fees and expenses.

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Performance of other Series may also differ, please visit www.invescocanada.com to view performance of other series.

Performance[†] of Invesco Main Street U.S. Small Cap Class, Series I, as at June 30, 2022:

	1-Year (%)	3-Year (%)	5-Year (%)	10-Year (%)
Invesco Main Street US Small Cap Class, Series I	-13.69	3.25	4.64	11.08
Russell 2000 Index	-22.08	3.76	5.02	11.96

[†] Performance is gross of fees.

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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