



Invesco Canadian Fund

Quarterly review

As at December 31, 2020

Performance highlights

Invesco Canadian Fund, Series I returned 13.72% over the fourth quarter of 2020, versus its benchmark, the 65% S&P/TSX Composite Index/35% MSCI World Index, which returned 8.87% (C\$) over the same period.

Contributors to performance

The Fund's relative performance benefited from an overweighting to the financials sector, which had strong returns over the quarter, and relatively lower exposure to the lagging materials sector. The Fund also benefited from investments in the energy sector, which outperformed those of the benchmark over the quarter. The top individual contributors to Fund performance over the period included Brookfield Asset Management Inc. and the Bank of Nova Scotia.

Brookfield Asset Management (BAM) is a global alternative asset manager with over US\$575 billion of assets under management. The company's investments are focused in four areas: real estate, renewable energy, infrastructure and private equity. Shares in BAM rose over the quarter on better-than-expected quarterly earnings, which reinforces the resiliency of this business during a very challenging period for their industry. The company also had a successful year in raising external funds in its asset management business that left the company in a strong position to take advantage of opportunities, created by the turmoil caused by the pandemic.

The Bank of Nova Scotia (BNS) is one of the leading Canadian banks. The portfolio management team (the "team") considers BNS to have a robust management team and culture, with a strong international platform, particularly in Latin America. Shares in BNS rose when the major Canadian banks posted strong quarterly results, which helped to alleviate speculative fears over potential loan losses due to pandemic lockdowns, and the impact of low interest rates and capital levels. Loan books have proven to be resilient during the downturn, and capital levels remain well-above regulatory requirements. The team believes that the banks in Canada are in a strong position to manage through the current challenging environment.

Detractors from performance

The Fund's relative performance was negatively impacted by investments in the information technology sector, which lagged those of the benchmark over the quarter. The most significant individual detractors from Fund performance over the period included Northrop Grumman Corp. and Alimentation Couche-Tard Inc.

Northrop Grumman (NOC) is a leading global aerospace and defense technology company, and a key defense contractor to the United States. NOC is focused on providing systems that support the Air and Space Forces, with competitive advantages in areas such as autonomous systems, electronic defense, stealth bombers and nuclear deterrence. Shares of NOC declined in sympathy with defense-related securities as market sentiment weakened due to concerns that a Democratic administration in the U.S. would constrain defense spending. The team believes these fears are overblown and that NOC is well-positioned – even in an environment of constrained defense spending – due to its exposure to higher-priority areas within the defense budget including deterrence and space.

Alimentation Couche-Tard is the largest convenience store chain in North America and has a significant global footprint that extends across five continents. Shares in the company declined over the quarter as investor

sentiment shifted to less defensive companies, as enthusiasm grew for more cyclical businesses due to the expected roll-out of vaccines. The team believes Couche-Tard enjoys strong competitive advantages due to its scale and strong management team, which will likely allow the company to continue to grow and compound value over time – both organically and through acquisition.

Portfolio activity

There were no new equity positions initiated for the Portfolio over the period, and no positions were sold outright.

The Portfolio's most significant relative overweighting is in financials and industrials, with lower-than-benchmark weightings in materials, information technology, utilities and communication services.

Investment outlook

Caution is warranted today given that equity markets are at or near all-time highs despite ongoing uncertainty around the pace of the eventual economic recovery. Not to mention, there are many examples of elevated valuations that appear disconnected from fundamentals. However, the team remains comfortable with how the Fund is positioned because the Portfolio's holdings look very different than the overall market. The Fund is a concentrated portfolio of select quality businesses that, on average, trade at a meaningful discount to the market. Portfolio valuations remain quite reasonable in the team's view, and in some cases significantly discounted. The team believes the Fund should continue to benefit from likely improvements in the economy as the distribution of vaccines progress and businesses return to a more normal state.

Standard Performance – as at December 31, 2020

	1-year (%)	3-year (%)	5-year (%)	10-year (%)
Invesco Canadian Fund – Series I	2.92	4.28	8.42	5.14
Benchmark	8.59	7.69	9.75	8.21

Important notes

The above companies were selected for illustrative purposes only and are not intended to convey specific investment advice. The statistics in the Snapshot, Country Exposure, and Sector Exposure sections refer to the fund version of the strategy. Portfolio characteristics may differ slightly between fund and 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.

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