
Investment philosophy

The investment philosophy for Invesco Europlus Fund is simple; the portfolio management team (the "team") invests in primarily European high-quality businesses, with strong management at an attractive price. The team believes this philosophy will allow them to deliver a high active share portfolio that targets outperformance over a market cycle.

Performance summary

- Invesco Europlus Fund, Series I returned -2.90% over the fourth quarter of 2021, underperforming its benchmark, the MSCI Europe Index, which returned 5.35% (net – C\$) over the same period

Key contributors to performance

- The Fund's relative performance benefited from a lack of exposure to both the energy and financials sectors, which were both underperforming benchmark sectors over the period
- From a country perspective, a lack of exposure to Spain and Norway, both underperforming benchmark countries, aided relative performance over the period
- The top contributors to Fund performance over the period included Virbac SA, Auto Trader Group PLC, and Prosus NV

Key detractors from performance

- Stock selection within the industrials and health care sectors detracted from relative performance
- From a country perspective, stocks within Germany and France detracted from relative performance
- The top detractors from Fund performance over the period included Eckert & Ziegler Strahlen-und Medizintechnik AG, Benefit Systems SA and Edenred

Portfolio activity

- The Fund added one position during the period, a Swedish company in the communication services sector
- The Fund's cash weight was reduced to 10.1% from 13.2% on account of adding a new Portfolio name and taking advantage of some of the volatility and rotation out of smaller-sized, high-quality growth companies to add to existing positions
- We added to our position in Adyen NV, a Dutch payments company, during the quarter. We believe Adyen has a strong market proposition and is seeing rapid growth, high margins and a confident client acquisition pace, which is increasing its share of wallet of existing customers. The Portfolio weight in Luxembourg has modestly increased through the year and remains overweight on account of our position in Eurofins Scientific SE, a top contributor in the Portfolio during 2021 that saw a modest pullback during the fourth quarter
- The Fund continues to have an overweight in industrials and health care, while having an underweight in financials, consumer staples and materials

Investment outlook

In the fourth quarter of 2021, the pandemic continued to pose problems for the global economy. The Delta variant spread in certain regions, congesting hospitals and disrupting supply chains while late in the quarter, the highly contagious Omicron variant emerged. Along with COVID-19 impacts, contributing to equity volatility in the fourth quarter was the U.S. Federal Reserve's (the "Fed") pivot to a more hawkish stance. Major developed central banks

more broadly have started the process of normalizing monetary policy, in part to battle inflation. The U.S. Fed announced at its December meeting that it would accelerate the “tapering” of its bond purchases and potentially raise interest rates three times in 2022. The Bank of England raised interest rates in December, while the European Central Bank confirmed that its pandemic emergency purchase programme would end in March 2022. Meanwhile, many emerging market central banks appear poised to slow their pace of tightening or, in the case of the People’s Bank of China, provide more accommodative monetary policy. The full year saw developed markets largely continue its long bull run with U.S. stocks leading European stocks, while emerging markets lagged despite a year of rising commodity prices – conditions in which emerging markets have historically outperformed developed markets.

The Fund was negatively affected by some of these trends as the period saw underperformance that unwound what had been a positive 2021 up until the fourth quarter. The Fund has a bias towards small to midcap and growth names, and the markets saw increased volatility and some flight-to-safety during the period which caused smaller, high-growth stocks to trade off in part due to the anticipation of rising rates. Some of the larger detractors for the quarter included names that had previously been top year-to-date contributors. Despite our holdings being negatively affected in the fourth quarter, we are confident that the fundamentals of our Portfolio companies remain strong and believe they stand to be rewarded by the market with continued strong earnings growth. In fact, we see Europe as inexpensive in relation to the United States, and we are seeking to take advantage of the volatility in the market to find entry points into high-conviction positions.

While the fourth quarter was challenging for the Fund, the team is optimistic that the Portfolio’s headwinds are short-term in nature. We have been successful over a long-time horizon in finding successful European companies with our stock selection being a large contributor to historical Fund performance. Despite seeing a pullback in some of our names, we believe our European businesses are in a strong position to benefit from continued recovery in the region.

Important information

Sources: Invesco Canada Ltd. as at December 31, 2021.

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.

	1-Year (%)	3-Year (%)	5-Year (%)	10-Year (%)
Invesco Europlus Fund, Series I	10.57	17.18	12.01	14.33
MSCI Europe Index (Net) C\$	15.31	11.95	8.83	10.54

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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