

Quarterly review | As at March 31, 2022

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 first quarter of 2022, Invesco Main Street U.S. Small Cap Class, Series I returned -6.88%, outperforming its benchmark, the Russell 2000 Index, which returned -8.56% over the same period
- During the quarter, the Fund’s outperformance was mainly driven by stock selection in the healthcare, financials and industrials sectors. Weaker stock selection in the information technology and materials sectors and an underweight in the energy sector partially offset the outperformance

Key contributors to performance

- The Fund benefited from positive stock selection in the healthcare, financials and industrials sectors
- The top individual contributors to relative performance included Zynga Inc., CNX Resources Corp. and LHC Group Inc.

Key detractors from performance

- Stock selection in the materials and information technology sectors and an underweight in the energy sector detracted from performance over the period
- The top individual detractors to relative performance included TopBuild Corp., CryoPort Inc. and Azenta

Portfolio activity

- There were no significant changes to the overall positioning of the Portfolio
- There were 12 new additions to the Portfolio and 12 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 energy and financials sectors and a decrease to the consumer discretionary sector

Investment outlook

The economy continues to experience a sustained recovery from the COVID-induced slowdown and the disease appears to be moving from a costly pandemic to a less-severe endemic disease. Inflation rates recently hit a multi-decade high and the Russia-Ukraine conflict has only added fuel to the inflationary fire. Ukraine is known as the “breadbasket of Europe” and currently facing war-related disruptions to exports and planting. Russia is also a major exporter of energy and agriculture commodities as well as fertilizer, and sanctions appear to have crimped global supplies and raised commodity prices. There may be significant headroom for further interest rate increases given significant inflation concerns and a labour market essentially back to pre-pandemic levels. That said, the war and its effects could change the dynamics of consumer demand, which could give pause to the increasing rates, in our view. 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 March 31, 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.

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Performance[†] of Invesco Main Street U.S. Small Cap Class, Series I, as at March 31, 2022:

	1-Year (%)	3-Year (%)	5-Year (%)	10-Year (%)
Invesco Main Street US Small Cap Class, Series I	1.59	7.95	7.94	12.34
Russell 2000 Index	-6.37	9.27	8.32	13.54

[†] 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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