

# Invesco Equity and Income Fund

## Q1 2024

## Key takeaways

### 1 The Fund lagged its benchmark

Underperformance in the equity segment was driven by stock selection in the energy and materials sectors.

### 2 The fund's fixed income and convertible securities underperformed

The fund holds high grade bonds and convertible securities as a source of income and to help provide a measure of stability in volatile markets. Fund holdings in these securities underperformed the Russell 1000 Value Index during the quarter.

### 3 Fund activity

The team purchased new holdings in the health care, industrials and information technology (IT) sectors. These purchases were funded by a sale in communication services, as well as trimming of better performing holdings.

#### Investment objective

The fund seeks current income and, secondarily, capital appreciation.

#### Fund facts

Fund AUM (\$M)	12,565.76
----------------	-----------

#### Portfolio managers

Brian Jurkash, Matthew Titus,  
Chuck Burge, Sergio Marcheli

## Manager perspective and outlook

- US equity markets rallied in the first quarter. In February the S&P 500 Index closed above the 5,000 milestone for the first time. Inflation remained persistent, leading the US Federal Reserve (Fed) to defer its proposed interest rate cuts to the second half of 2024.
- Investors appeared mostly pleased by corporate earnings growth, except for three of the so-called "Magnificent Seven" (Alphabet, Amazon, Apple, Meta, Microsoft, NVIDIA, and Tesla). Apple, Alphabet and Tesla's stock prices suffered due to disappointing earnings, sales, revenue or weak forward guidance.
- Within the Russell 1000 Value Index, energy and financials had the highest returns, while real estate was the only sector to decline.
- We believe normalizing interest rates, along with relatively strong consumer demand and a robust job market, should reduce the risk of a deep recession.
- However, the full effects of the Fed's monetary tightening have likely not yet made their way through the economy. Tighter bank lending standards and rising corporate defaults may cause weakness in the US economy in the second half of 2024.
- As always, we are focused on our fundamental work so we can move quickly to take advantage of any new opportunities as they become available.
- Regardless of the economic environment, we seek to invest in companies with attractive valuations and strong fundamentals, qualities that we believe will ultimately be reflected in those companies' stock prices.



Top equity issuers

(% of total net assets)

	Fund	Index
Wells Fargo & Co	2.69	0.96
Bank of America Corp	2.16	1.20
Exxon Mobil Corp	1.58	2.13
ConocoPhillips	1.55	0.70
Alphabet Inc	1.50	0.00
Amazon.com Inc	1.47	0.00
CBRE Group Inc	1.42	0.14
American International Group Inc	1.27	0.25
Johnson Controls International plc	1.25	0.20
Johnson & Johnson	1.24	1.75

As of 03/31/24. Holdings are subject to change and are not buy/sell recommendations.

Asset mix

Dom Common Stock	60.74
Dom Government Bond	9.58
Dom Corporate Bond	9.33
Dom Convertible Bond	8.86
Intl Common Stock	3.41
Intl Corporate Bond	1.18
Other	1.07
Cash	5.82

Portfolio positioning

Given higher equity valuations resulting from the market’s strong upward move, portfolio activity was limited during the quarter. We purchased new holdings in industrials, health care and IT. These purchases were funded by a sale in communication services, as well as trimming of better performing holdings.

New holdings:

**Humana:** The health insurer’s stock declined after management cut 2024-2025 earnings guidance. At the time of purchase, the stock was trading at a historic discount to industry peers. We believe Medicare costs will normalize over time as seasonal and pandemic-related factors ease. We saw this as a good opportunity to participate in the secular growth potential of Medicare Advantage, a growing segment of the US health insurance market given increases in the 65+ age group.

**Norfolk Southern:** The rail operator has underperformed peers due to operational issues and legal liability costs related to the East Palestine, Ohio train derailment. A weakening economic environment has dampened rail activity, leading to disappointing revenues and earnings. An activist investor is seeking board representation and a CEO change. We believe activist pressure will improve operations.

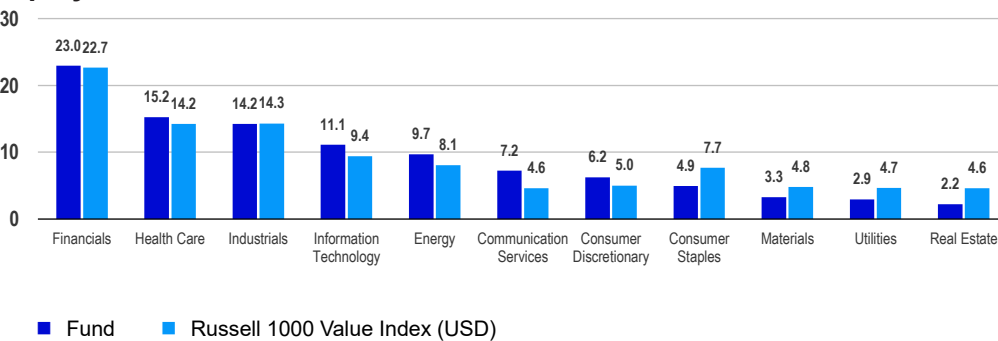
**Zebra:** A leader in the Automatic Identification and Data Capture (AIDC) industry, which includes mobile computing, data capture, radio frequency identification devices, barcode printing and other workflow automation products, Zebra helps customers digitize and automate workflows to improve productivity and efficiency. The company benefited from COVID as companies invested in new technology to meet customer demands, but sales and earnings have declined post-pandemic. We believe there is still enormous opportunity for adoption of Zebra’s products and services, and we used the price decline to purchase the stock at what we consider a reasonable price.

Eliminated Holdings:

**Charter Communications:** The company missed earnings expectations due to continued loss of broadband subscribers. Charter has still been lagging peers like Comcast, with less flexibility to raise prices when needed. Persistent underperformance led us to conclude the issues were structural, and we lost confidence in the management team, so we exited the stock.

At quarter end, the fund’s largest absolute equity exposures were in the financials, health care and industrials sectors. The largest relative overweights were in communication services and IT. while the largest underweights were in consumer staples and financials.

Equity sector breakdown (% of total net assets)



## Top equity contributors

Issuer	Return	Contrib. to return
Wells Fargo & Company	18.60	0.64
Walt Disney Company	35.52	0.36
Micron Technology, Inc.	38.28	0.35
Bank of America Corporation	13.41	0.35
Amazon.com, Inc.	18.72	0.34

## Top equity detractors

Issuer	Return	Contrib. to return
Charter Communications, Inc.	-23.35	-0.24
Intel Corporation	-11.84	-0.19
Barrick Gold Corporation	-7.37	-0.06
Humana Inc.	-13.62	-0.06
Philip Morris International Inc.	-1.26	-0.02

## Performance highlights

Stock selection in consumer discretionary, health care and financials added to relative performance during the quarter. The fund's underweight in real estate also aided relative performance as it was the weakest index sector for the quarter.

Stock selection in energy and materials detracted from relative performance during the quarter. The fund's convertible bond and fixed income holdings detracted from performance compared to the benchmark. The fund's cash position, approximately 4% on average, also dampened relative return given the strong market environment.

### Contributors to performance (equity only)

**Wells Fargo:** The bank reported a strong fourth quarter and full year 2023, with better-than-expected revenues and net interest income.

**Walt Disney:** The company's guidance for fiscal 2024 earnings was above analyst expectations, due in part to improvements in its direct-to-consumer business, as well as ongoing cost cutting initiatives.

**Micron Technology:** Shares of the chipmaker rose following a better-than-expected earnings release. The company reported higher earnings, revenues and profit margins, and provided upbeat guidance going forward.

**Bank of America:** Although net interest income declined from the prior quarter, the

bank reported better-than-expected earnings and stronger loan and deposit growth.

**Amazon:** The company reported a revenue increase in its retail ecommerce business across geographies, along with growth in its AWS cloud business.

### Detractors from performance (equity only)

**Charter Communications:** The cable and broadband operator's earnings fell short of expectations due to continued loss of broadband subscribers.

**Intel:** The company provided weaker-than-anticipated earnings and revenue guidance that sent shares lower. Weakness in several of the firm's non-core segments accounted for much of the poorer outlook.

**Barrick Gold:** The gold miner reported solid earnings, but revenues came in below expectations. The company also provided weaker guidance for gold production in 2024.

**Humana:** Rising health care costs and decelerating volume and membership growth in Medicare Advantage have weighed on the stock. Management's weak guidance and apparently poor investor sentiment further depressed shares.

**Philip Morris International:** The company reported a mixed quarter with earnings below estimates, while revenues were higher than expected.

## Standardized performance (%) as of March 31, 2024

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 08/03/60	NAV	6.91	6.91	17.25	5.74	9.06	7.30	9.95
	Max. Load 5.5%	1.00	1.00	10.81	3.76	7.83	6.70	9.85
Class R6 shares inception: 09/24/12	NAV	7.11	7.11	17.81	6.14	9.50	7.73	9.04
Class Y shares inception: 12/22/04	NAV	6.98	6.98	17.67	6.01	9.34	7.58	7.43
Russell 1000 Value Index (USD)		8.99	8.99	20.27	8.11	10.32	9.01	-
Total return ranking vs. Morningstar Moderately Aggressive Allocation category (Class A shares at NAV)		-	-	57% (182 of 311)	24% (67 of 304)	27% (79 of 276)	44% (98 of 227)	-

Expense ratios per the current prospectus: Class A: Net: 0.78%, Total: 0.79%; Class R6: Net: 0.41%, Total: 0.42%; Class Y: Net: 0.53%, Total: 0.54%.

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. Visit [invesco.com](https://www.invesco.com) for the most recent month-end performance. Performance figures reflect reinvested distributions and changes in net asset value (NAV). Investment return and principal value will vary so that you may have a gain or a loss when you sell shares. Returns less than one year are cumulative; all others are annualized. Index source: RIMES Technologies Corp. Had fees not been waived and/or expenses reimbursed in the past, returns would have been lower. Performance shown at NAV does not include the applicable front-end sales charge, which would have reduced the performance.

Class Y and R6 shares have no sales charge; therefore performance is at NAV. Class Y shares are available only to certain investors. Class R6 shares are closed to most investors. Please see the prospectus for more details.

## Performance highlights (cont'd)

### Calendar year total returns (%)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Class A shares at NAV	9.07	-2.35	14.83	10.88	-9.65	20.08	9.97	18.02	-7.72	9.99
Class R6 shares at NAV	9.52	-1.93	15.32	11.34	-9.29	20.44	10.45	18.43	-7.37	10.41
Class Y shares at NAV	9.34	-2.10	15.13	11.16	-9.42	20.37	10.16	18.42	-7.57	10.39
Russell 1000 Value Index (USD)	13.45	-3.83	17.34	13.66	-8.27	26.54	2.80	25.16	-7.54	11.46

### Portfolio characteristics\*

	Fund	Index
No. of holdings	331	845
Top 10 issuers (% of AUM)	20.77	17.36
Wtd. avg. mkt. cap (\$M)	219,820	158,488
Price/earnings	18.18	17.73
Price to book	2.33	2.49
Est. 3 – 5 year EPS growth (%)	10.17	8.02
ROE (%)	15.05	15.02
Long-term debt to capital (%)	38.41	39.61
Operating margin (%)	15.53	17.71

### Risk statistics (5 year)\*

	Fund	Index
Alpha (%)	0.33	0.00
Beta	0.78	1.00
Sharpe ratio	0.47	0.44
Information ratio	-0.25	0.00
Standard dev. (%)	14.81	18.79
Tracking error (%)	5.01	0.00
Up capture (%)	62.33	100.00
Down capture (%)	82.11	100.00
Max. drawdown (%)	20.00	26.73

## Quarterly performance attribution

### Sector performance analysis (%)

Sector	Allocation effect	Selection effect	Total effect
Communication Services	0.02	0.08	0.10
Consumer Discretionary	0.01	0.43	0.44
Consumer Staples	0.09	-0.02	0.06
Currency Forward	0.05	0.00	0.05
Energy	0.01	-0.14	-0.14
Financials	-0.15	0.36	0.21
Health Care	0.04	0.20	0.24
Industrials	-0.07	0.14	0.06
Information Technology	0.00	0.19	0.19
Materials	0.03	-0.13	-0.09
Other	-0.87	0.00	-0.87
Real Estate	0.29	0.11	0.39
Utilities	0.09	0.00	0.09
Cash	-0.36	0.00	-0.36
<b>Total</b>	<b>-0.83</b>	<b>1.21</b>	<b>0.38</b>

Holdings are subject to change and are not buy/sell recommendations. Attribution methodology notes: The attribution provides analysis of the effects of several portfolio management decisions, including allocation and security selection. Securities classified as "Other" may include non-equity securities, derivatives, and securities for which a sector classification may not be appropriate. The portfolio is actively managed and portfolio holdings are subject to change. The percentage weights represented for the portfolio are dollar weighted based on market value. **Market allocation effect** shows the excess contribution due to sector/market allocation. A positive allocation effect implies that the choice of sector weights in the portfolio added value to the portfolio contribution with respect to the benchmark and vice versa. **Selection effect** shows the excess contribution due to security selection. A positive selection effect implies that the choice of stocks in the portfolio added value to the portfolio contribution with respect to the benchmark and vice versa. **Total effect** is the difference in contribution between the benchmark and portfolio. **Past performance does not guarantee future results.**

Net = Total annual operating expenses less any contractual fee waivers and/or expense reimbursements by the adviser in effect through at least .

Unless otherwise specified, all information is as of 03/31/24. Unless stated otherwise, Index refers to Russell 1000 Value Index (USD).

Asset allocation/diversification does not guarantee a profit or eliminate the risk of loss.

The Russell 1000® Value Index is an unmanaged index considered representative of large-cap value stocks. The Russell 1000 Value Index is a trademark/service mark of the Frank Russell Co. Russell® is a trademark of the Frank Russell Co. An investment cannot be made directly in an index.

---

### About risk

Convertible securities may be affected by market interest rates, the risk of issuer default, the value of the underlying stock, or the issuer's right to buy back the convertible securities.

An issuer may be unable to meet interest and/or principal payments, thereby causing its instruments to decrease in value and lowering the issuer's credit rating.

Derivatives may be more volatile and less liquid than traditional investments and are subject to market, interest rate, credit, leverage, counterparty, and management risks. An investment in a derivative could lose more than the cash amount invested.

In general, stock values fluctuate, sometimes widely, in response to activities specific to the company as well as general market, economic and political conditions.

The risks of investing in securities of foreign issuers can include fluctuations in foreign currencies, political and economic instability, and foreign taxation issues.

Interest rate risk refers to the risk that bond prices generally fall as interest rates rise and vice versa.

The value, interest rates, and liquidity of non-cash paying instruments, such as zero coupon and pay-in-kind securities, are subject to greater fluctuation than other types of securities.

Preferred securities may include provisions that permit the issuer to defer or omit distributions for a certain period of time, and reporting the distribution for tax purposes may be required, even though the income may not have been received. Further, preferred securities may lose substantial value due to the omission or deferment of dividend payments.

Stocks of small and medium-sized companies tend to be more vulnerable to adverse developments, may be more volatile, and may be illiquid or restricted as to resale.

Obligations issued by US Government agencies and instrumentalities may receive varying levels of support from the government, which could affect the fund's ability to recover should they default.

A value style of investing is subject to the risk that the valuations never improve or that the returns will trail other styles of investing or the overall stock markets.

The fund is subject to certain other risks. Please see the current prospectus for more information regarding the risks associated with an investment in the fund.

The opinions expressed are those of the fund's portfolio management, are based on current market conditions and are subject to change without notice. These opinions may differ from those of other Invesco investment professionals.

The investment techniques and risk analysis used by the portfolio managers may not produce the desired results.

This does not constitute a recommendation of any investment strategy or product for a particular investor. Investors should consult a financial professional before making any investment decisions.

Note: Not all products available at all firms. Financial professionals, please contact your home office.

The fund holdings are organized according to the Global Industry Classification Standard, which was developed by and is the exclusive property and service mark of MSCI Inc. and Standard & Poor's.

\* **Alpha** (cash adjusted) is a measure of performance on a risk-adjusted basis. **Beta** (cash adjusted) is a measure of relative risk and the slope of regression. **Sharpe Ratio** is a risk-adjusted measure calculated using standard deviation and excess return to determine reward per unit of risk. A higher Sharpe ratio indicates better risk-adjusted performance. **Information Ratio** is a measurement of portfolio returns beyond the returns of a benchmark, usually an index, compared to the volatility of those returns. **Standard deviation** measures a fund's range of total returns and identifies the spread of a fund's short-term fluctuations. **Tracking Error** is defined as the expected standard deviation of a portfolio's excess return over the benchmark index return. The **up and down capture** measures how well a manager was able to replicate or improve on periods of positive benchmark returns and how severely the manager was affected by periods of negative benchmark returns. **Maximum Drawdown** is the maximum observed loss from a high to a low of a portfolio, before a new high is attained. Maximum drawdown is an indicator of downside risk over a specified time period. **Weighted Average Market Cap** is a measure of the average size of company held in a portfolio. The percentage of the portfolio invested each company, or its weight, is multiplied by its size (market capitalization). An average of the weighted size of all companies held is then calculated. **Price/earnings** measures the price per share relative to the earnings per share of the company while excluding extraordinary items. **Price to book** measures the firm's capitalization (market price) to book value. **Est. 3-5 year EPS (Earning per share) growth** measures the earning per share growth from FY3 to FY5. **ROE** is the Return on Equity that measures the fund's annual return relative to total shareholders' equity. This ratio evaluates how quickly investments can be turned into profits. **Long-term debt to capital** measures a fund's financial leverage by calculating the proportion of long-term debt used to finance its assets relative to the amount of equity used for the same purpose. A higher ratio indicates higher leverage. **Operating margin** measures the profit a fund makes for every dollar of sales after paying the variable expenses. **Contribution to Return** measures the performance impact from portfolio holdings over a defined time period. It takes into account both weight and performance of the portfolio holdings. Contribution to Return is calculated at security level.

---

### Morningstar

Source: ©2024 Morningstar Inc. All rights reserved. The information contained herein is proprietary to Morningstar and/or its content providers. It may not be copied or distributed and is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results. Open-end mutual funds and exchange-traded funds are considered a single population for comparison purposes. Had fees not been waived and/or expenses reimbursed currently or in the past, the ranking would have been lower. Rankings for other share classes may differ due to different performance characteristics.

**Before investing, consider the Fund's investment objectives, risks, charges and expenses. Visit [invesco.com/fundprospectus](https://www.invesco.com/fundprospectus) for a prospectus/summary prospectus containing this information. Read it carefully before investing.**