Invesco Dividend Income Fund
Q1 2024

Key takeaways

1 **The fund underperformed its benchmark**

Stock selection and an underweight in financials detracted the most from relative return.

2 **Fund activity capitalized on higher market volatility**

We took advantage of increased market volatility during the quarter to initiate seven new positions in various sectors and to exit six positions. We opportunistically added to some existing positions and decreased weights in others.

3 **Renewed interest in dividend-paying stocks**

In an environment characterized by high uncertainty and the possibility of more muted or even negative returns, we believe investors will place greater emphasis on companies with stable dividends.

Investment objective
The fund seeks current income and long-term growth of capital.

Fund facts
Fund AUM ($M)   3,767.58

Portfolio managers
Peter Santoro, Caroline Le Feuvre, Christopher McMeans, Craig Leopold

Manager perspective and outlook

- The fund's sector exposure compared to the Russell 1000 Value Index has remained generally balanced. The largest overweights were in consumer staples and utilities. The largest underweights were in financials and industrials. International exposure was about 9% and cash was about 3% at quarter end.

- Though the market appears to be at a crossroads as investors appear to try to determine when the US Federal Reserve (Fed) will begin to reduce interest rates, the driving principles of our investment process remain rooted in a total return approach that seeks to deliver appreciation, income and preservation over a full market cycle.

- No matter the backdrop, we focus on companies generating attractive free cash flow and we analyze their drivers and ability to support future dividend growth, as well as their balance sheet strength and flexibility.

- We continue to emphasize the growth and sustainability of a company's dividend as we believe companies with these characteristics have historically outperformed over a full market cycle.

- We believe investors may place greater focus on dividend paying stocks in 2024. Historically, dividends have accounted for a larger part of total return than they have in the last decade due to outsized price gains (Source: Ned Davis Research). If we enter a period of more normal returns, we believe dividends should make up a much larger portion of total return.

Top issuers
(% of total net assets)

	Fund	Index
Merck & Co Inc	3.49	1.25
JPMorgan Chase & Co	3.37	2.65
Walmart Inc	2.96	1.18
Chevron Corp	2.91	1.24
Morgan Stanley	2.67	0.50
Johnson & Johnson	2.58	1.75
Philip Morris International Inc	2.36	0.65
McDonald's Corp	2.31	0.55
Becton Dickinson & Co	2.29	0.33
American International Group Inc	2.24	0.25

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

Portfolio positioning

Notable New Additions

Walt Disney is a leading diversified family entertainment and media enterprise. Though the company had been in the midst of an 18 to 24-month transition, we believe Disney will be successful removing billions in excess cost, deliver profitable results in the streaming business and continue to execute in the parks and experiences unit. At its current valuation, we believe there is strong potential for upside appreciation with limited downside risk.

UnitedHealth Group (UNH) owns and manages organized health systems. We re-initiated a position in UNH after exiting the stock in September of 2023. Though we thought UNH's longer term potential was favorable at that point, we had concerns about near-term headwinds for managed care. We bought UNH again after a pullback in the stock price because we believe some of our original concerns, including elevated medical loss ratios (MLR), are now reflected in the stock valuation.

Dell Technologies sells computer products including servers, storage, and both commercial and consumer PCs worldwide. We believe Dell is poised to benefit from a traditional hardware recovery beginning in the second half of 2024. The base of PCs currently in use is larger and older than at any time in history and the need to replace them will likely drive a recovery in hardware sales, as will rising demand for servers and storage given the accelerating AI story.
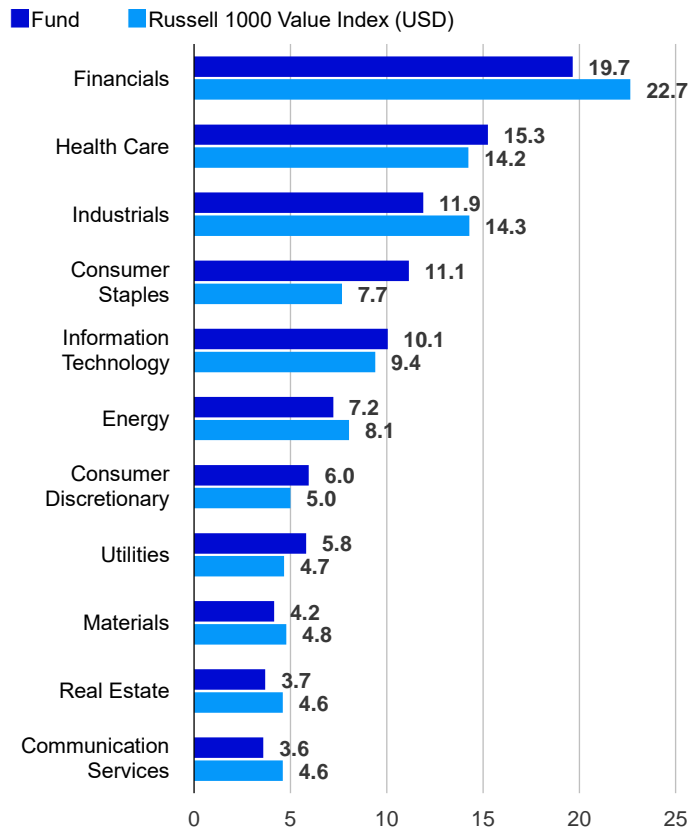
Notable Sales

Comcast – We exited the small remaining position in Comcast due to our low conviction in the stock. We decided to redeploy the capital into other stocks.
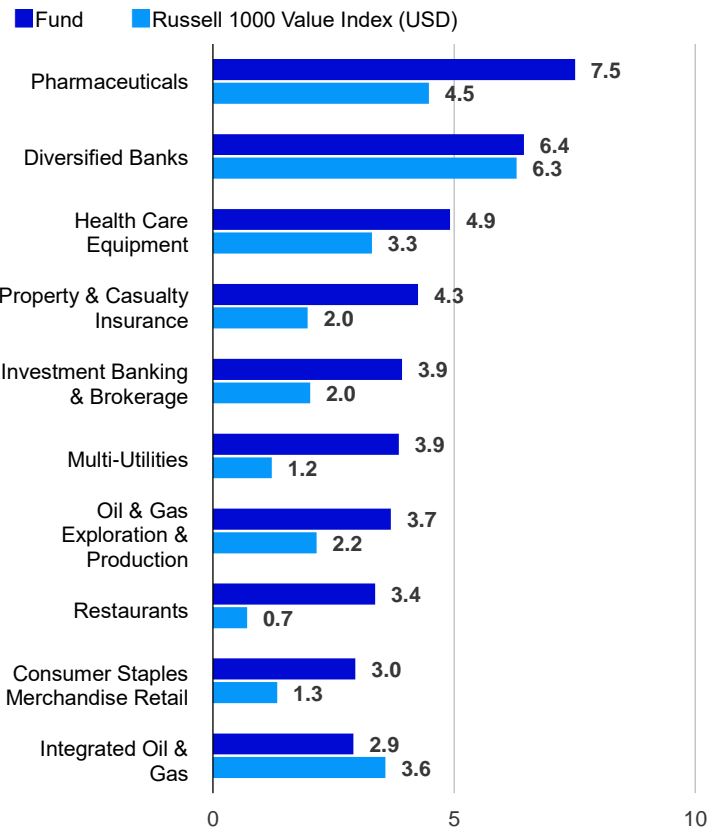
Target – We exited the position in Target because we believed there was less perceived upside potential relative to our price target after a strong rebound in 2024. We also had question marks about long-term profit margin potential and ongoing concerns about execution by the management team, so we used the proceeds to invest in opportunities we considered more attractive, such as Fortune Brands.

Trane Technologies - We exited the position in Trane Technologies also due to less perceived upside potential relative to our price target. The stock has been a strong performer since we bought it in June of 2022, and we have been trimming the position along the way.

Sector breakdown (% of total net assets)

■ Fund ■ Russell 1000 Value Index (USD)

Sector	Fund	Index
Financials	19.7	22.7
Health Care	15.3	14.2
Industrials	11.9	14.3
Consumer Staples	11.1	7.7
Information Technology	10.1	9.4
Energy	7.2	8.1
Consumer Discretionary	6.0	5.0
Utilities	5.8	4.7
Materials	4.2	4.8
Real Estate	3.7	4.6
Communication Services	3.6	4.6

Top industries (% of total net assets)

■ Fund ■ Russell 1000 Value Index (USD)

Industry	Fund	Index
Pharmaceuticals	7.5	4.5
Diversified Banks	6.4	6.3
Health Care Equipment	4.9	3.3
Property & Casualty Insurance	4.3	2.0
Investment Banking & Brokerage	3.9	2.0
Multi-Utilities	3.9	1.2
Oil & Gas Exploration & Production	3.7	2.2
Restaurants	3.4	0.7
Consumer Staples Merchandise Retail	3.0	1.3
Integrated Oil & Gas	2.9	3.6

Top contributors (%)

Issuer	Return	Contrib. to return
Merck & Co., Inc.	21.81	0.71
JPMorgan Chase & Co.	18.48	0.56
Walt Disney Company	35.43	0.52
Hartford Financial Services Group, Inc.	28.84	0.52
Walmart Inc.	14.89	0.42

Top detractors (%)

Issuer	Return	Contrib. to return
Nestle S.A.	-8.24	-0.14
Newmont Corporation	-19.23	-0.13
McDonald's Corporation	-4.37	-0.11
State Street Corporation	-6.51	-0.09
Comcast Corporation	-5.30	-0.08

Performance highlights

US equity markets posted gains in the first quarter as investors continued to anticipate the end of Fed interest rate hikes. Sector performance within the Russell 1000 Value Index was mostly positive. Real estate was the only sector to post a small loss for the quarter, while energy and financials posted the largest gains. The financials sector was the largest positive contributor to the fund's absolute performance, while real estate added the least. Stock selection in information technology (IT) added the most to relative return. An underweight in real estate and stock selection in communication services also added to relative return. Stock selection in financials, industrials and energy detracted the most from relative return. Within financials, not owning Berkshire Hathaway was the main cause of the fund's underperformance. The fund is not able to own the company because it does not pay a dividend.

Contributors to performance

Merck: Shares rose as the drug manufacturer reported fourth quarter revenue and adjusted earnings that beat analyst estimates amid strong demand for leading cancer drug Keytruda and HPV vaccine Gardasil.

JPMorgan Chase: Shares of JPMorgan Chase rose along with the financial sector in general during the quarter. Management reported strong fourth quarter 2023 earnings that were above analyst expectations.

Walt Disney: Shares of Walt Disney rose as the company continued to execute on its turnaround plan and raised earnings guidance for the 2024 fiscal year.

Detractors from performance

Nestle: Shares of this food and beverage manufacturer fell after the company reported that sales growth is expected to moderate this year as higher prices force customers to reduce spending. We took advantage of this short-term price weakness and added to the fund's position during the quarter.

Newmont: Shares of the world's largest gold miner underperformed as inflation pressures rose faster than the price of gold. In our view, this backdrop puts the synergies of the company's recently acquired Newcrest assets at risk so we sold the position.

McDonald's: Shares of the restaurant chain fell after the company reported same-store sales growth for the fourth quarter of 2023 that was below analyst expectations.

Standardized performance (%) as of March 31, 2024

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Investor shares inception: 06/02/86	NAV	7.33	7.33	15.73	8.06	8.28	8.20	8.42
Class A shares inception: 03/28/02	NAV	7.38	7.38	15.78	8.08	8.29	8.20	8.33
	Max. Load 5.5%	1.48	1.48	9.41	6.06	7.07	7.59	8.05
Class R6 shares inception: 09/24/12	NAV	7.41	7.41	16.14	8.44	8.68	8.60	9.49
Class Y shares inception: 10/03/08	NAV	7.40	7.40	16.02	8.33	8.55	8.46	9.06
Russell 1000 Value Index (USD)		8.99	8.99	20.27	8.11	10.32	9.01	-
Total return ranking vs. Morningstar Large Value category (Class Investor shares at NAV)		-	-	81% (995 of 1205)	68% (793 of 1121)	89% (958 of 1061)	76% (610 of 819)	-

Expense ratios per the current prospectus: Class Investor: Net: 0.94%, Total: 0.94%; Class A: Net: 0.93%, Total: 0.93%; Class R6: Net: 0.59%, Total: 0.59%; Class Y: Net: 0.69%, Total: 0.69%.

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. Visit 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. On Feb. 6, 2013, the fund's investment strategy eliminated a requirement to concentrate its investments primarily in the securities of issuers in utilities-related industries. Results prior to Feb. 6, 2013, reflect the performance of the fund's previous strategy. Index source: FactSet Research Systems Inc. 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 Investor, Y and R6 shares have no sales charge; therefore, performance is at NAV. Class Y shares are available only to certain investors. Class Investor and R6 shares are closed to most investors. Please see the prospectus for more details.

Calendar year total returns (%)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Class Investor shares at NAV	15.82	3.41	15.71	9.05	-7.37	18.31	0.57	18.98	0.61	7.03
Class A shares at NAV	15.83	3.42	15.69	9.08	-7.38	18.31	0.58	18.97	0.63	7.03
Class R6 shares at NAV	16.17	3.81	16.17	9.45	-7.03	18.76	1.01	19.41	0.93	7.42
Class Y shares at NAV	16.11	3.67	16.00	9.37	-7.14	18.60	0.84	19.24	0.84	7.31
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	65	845
Top 10 issuers (% of AUM)	27.18	17.36
Wtd. avg. mkt. cap ($M)	215,227	158,488
Price/earnings	19.17	17.73
Price to book	2.71	2.49
Est. 3 – 5 year EPS growth (%)	8.23	8.02
ROE (%)	16.80	15.02
Long-term debt to capital (%)	43.36	39.61
Operating margin (%)	20.29	17.71

Risk statistics (5 year)*

	Fund	Index
Alpha (%)	-0.28	0.00
Beta	0.77	1.00
Sharpe ratio	0.42	0.44
Information ratio	-0.33	0.00
Standard dev. (%)	15.04	18.79
Tracking error (%)	6.16	0.00
Up capture (%)	61.00	100.00
Down capture (%)	83.52	100.00
Max. drawdown (%)	20.10	26.73

Quarterly performance attribution

Sector performance analysis (%)

Sector	Allocation effect	Selection effect	Total effect
Communication Services	0.03	0.14	0.17
Consumer Discretionary	0.00	-0.26	-0.26
Consumer Staples	-0.09	0.10	0.01
Energy	-0.03	-0.33	-0.37
Financials	-0.14	-0.36	-0.50
Health Care	-0.03	-0.07	-0.10
Industrials	-0.08	-0.31	-0.39
Information Technology	-0.01	0.29	0.28
Materials	0.00	-0.17	-0.17
Real Estate	0.16	0.06	0.22
Utilities	-0.08	-0.02	-0.10
Cash	-0.15	0.00	-0.15
Total	**-0.44**	**-0.93**	**-1.37**

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.**

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

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

Securities that pay high dividends as a group can fall out of favor with the market, causing such companies to underperform companies that do not pay high dividends. Also changes in the dividend policies of the companies and the capital resources available for such companies' dividend payments may affect the fund.

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

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.

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

Before investing, consider the Fund's investment objectives, risks, charges and expenses. Visit invesco.com/fundprospectus for a prospectus/summary prospectus containing this information. Read it carefully before investing.