

# Invesco EQV European Equity Fund

## Q4 2023

## Key takeaways

**1 The fund outperformed its benchmark**  
Class A shares outperformed the MSCI Europe Index. Stock selection in financials, industrials and health care and an overweight in industrials were the largest contributors to relative performance for the quarter.

**2 Bottom-up stock selection focused on EQV (Earnings, Quality, Valuation) characteristics**  
During the quarter, we initiated one new position and exited three stocks based on our EQV fundamentals. Our actively managed, bottom-up stock selection drives the fund's sector and country allocations.

**3 We remain focused on a long-term investment horizon**  
Regardless of the macroeconomic environment, we remain focused on applying our well-established, long-term, bottom-up EQV investment process that seeks to identify attractively valued, high quality growth companies.

### Investment objective

The fund seeks long-term growth of capital.

### Fund facts

Fund AUM (\$M)	489.45
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### Portfolio managers

Borge Endresen, Mark McDonnell, Richard Nield

## Manager perspective and outlook

- In a reversal from the third quarter, global equities rebounded in the fourth quarter. Previous concerns about interest rates staying “higher for longer” abated, and investors focused on possible interest rate cuts during 2024. In this environment, most major asset classes and sectors performed well, with US stocks outperforming international stocks and growth stocks outperforming value stocks. The energy sector was an exception, ending the quarter in negative territory, hampered by falling oil prices. Developed global equities outperformed emerging market equities. Eurozone and UK equities delivered positive returns, but the UK lagged due to strength in its currency and greater exposure to weaker sectors, including energy.
- Despite a general increase in investor confidence, we believe it is important to acknowledge that monetary policy remains uncertain and a soft economic landing is not guaranteed. Additional potential risks in 2024 include ongoing geopolitical tensions and elections around the globe. Following robust returns from global equities in 2023, these potential risks may cause market headwinds and may increase volatility as investors look for confirmation of a positive market transition. Consequently, we believe equity investors may focus on the type of high quality and traditional investment fundamentals that are central to the fund's balanced EQV investment philosophy.



For more information, including prospectus and factsheet, please visit [Invesco.com/AEDAX](https://www.invesco.com/AEDAX)

Please keep in mind that high, double-digit returns are highly unusual and cannot be sustained.

Not a Deposit Not FDIC Insured Not Guaranteed by the Bank May Lose Value  
Not Insured by any Federal Government Agency

## Top issuers

(% of total net assets)

	Fund	Index
Novo Nordisk A/S	3.63	3.19
Investor AB	3.48	0.38
Heineken Holding NV	3.37	0.10
Nestle SA	3.27	2.92
RELX PLC	3.18	0.71
Deutsche Boerse AG	3.01	0.37
FinecoBank Banca	2.90	0.09
Fineco SpA		
Richter Gedeon Nyrt	2.79	0.00
ASML Holding NV	2.66	2.87
Schneider Electric SE	2.64	1.03

As of 12/31/23. Holdings are subject to change and are not buy/sell recommendations.

## Portfolio positioning

During the quarter, we initiated a position in the following stock:

**STMicroelectronics (STM)** is a large semiconductor chipmaker in Europe. The company is an integrated device manufacturer (IDM) with a large portion of sales coming from automotive and industrial end markets where increased use of semiconductors creates structural tailwinds for STMicroelectronics. We initiated a position as shares have been trading at a discount to history. We believe the company is an improving, quality franchise with attractive exposure to long-term semiconductor growth and an attractive opportunity for patient long-term investors.

We added to several of the fund's existing positions, including Swiss multinational health care company **Roche**, French information technology (IT) company **Capgemini** and Swiss global luxury goods company **Compagnie Financière Richemont**. Richemont was new to the portfolio in the third quarter, and we further increased the position as we have found the valuation attractive relative to long-term growth potential.

We sold the following securities:

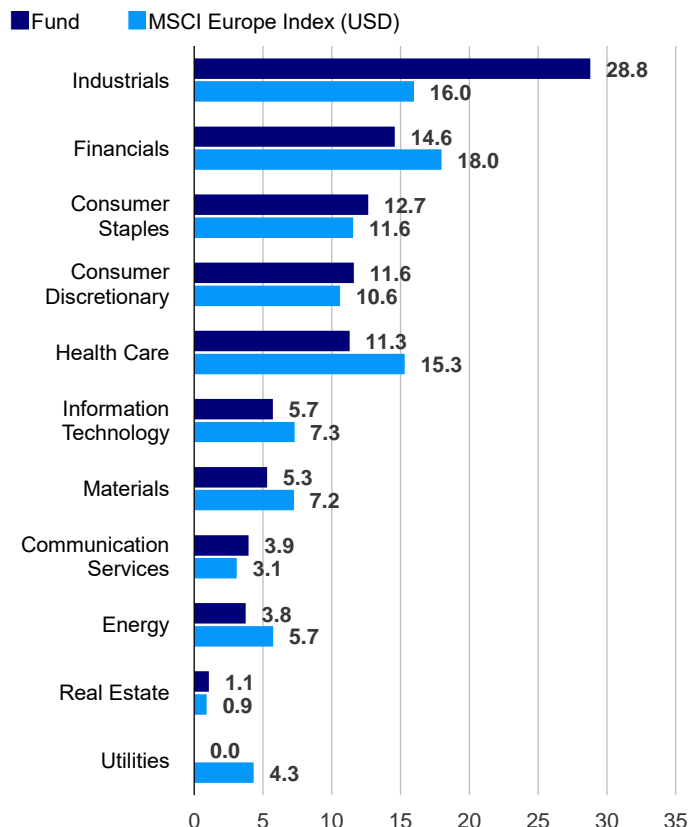
**Carlsberg** is a Danish brewing company. Its shares have underperformed due to growth concerns. Western markets have seen a variety of topline and gross margin pressures during the year and key emerging market growth trends have moderated. We exited the fund's position and invested the proceeds in other stocks that we believe have better risk-adjusted return potential.

**Metropole Television** is a well-run French media company. The company has faced difficult headwinds as a predominantly free-to-air TV and radio broadcaster that is also supervised by an overly tough government regulator. We saw a lack of short and medium-term catalysts that could trigger gains in the stock's price.

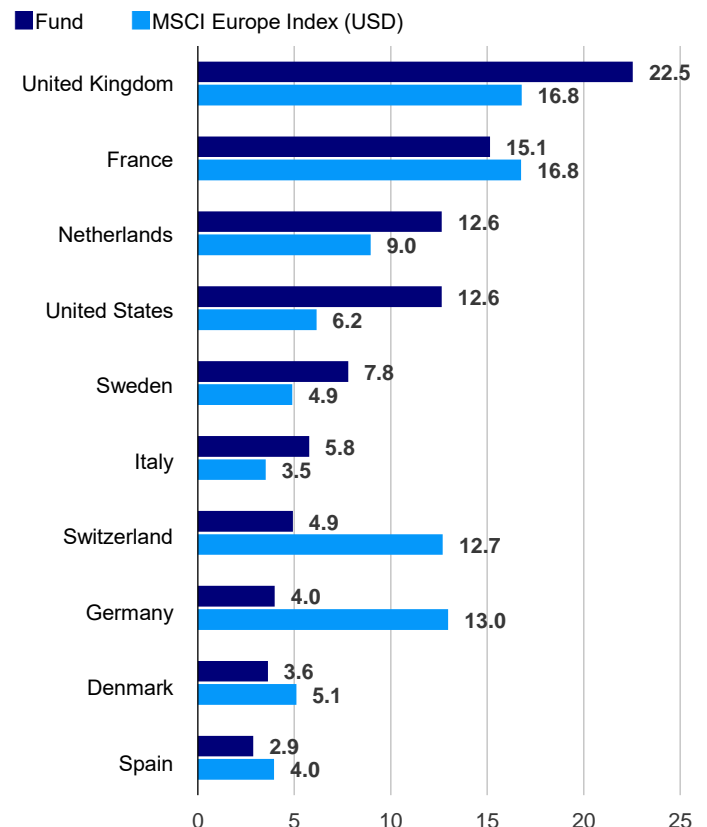
**SBM Offshore** is a Dutch energy company. SBM is still regarded as the best-in-class builder of offshore oil floating production storage and offloading vessels (FPSOs). However, the stock has continued to suffer from the complexity of its equity story, perception of high leverage and rising interest rates.

We trimmed fund positions in several other stocks, including global consumer internet group **Prosus**, British industrials company **DCC** and Swedish industrials company **Sandvik**. We trimmed Sandvik due to rising concerns around the company's growth outlook.

## Sector breakdown (% of total net assets)



## Top countries (% of total net assets)



## Top contributors (%)

Issuer	Return	Contrib. to return
DCC plc	32.49	0.81
ASML Holding NV	27.55	0.66
Investor AB	20.63	0.63
FinecoBank SpA -	22.68	0.61
IG Group Holdings plc	24.18	0.59

## Top detractors (%)

Issuer	Return	Contrib. to return
Reckitt Benckiser Group plc	-2.30	-0.08
Carlsberg A/S	-5.05	-0.07
Haleon plc.	-1.44	-0.05
SBM Offshore NV	-6.17	-0.03
Metropole Television S.A.	0.33	0.00

## Performance highlights

Strong stock selection in the financials sector was the largest contributor to relative return. Stock selection in industrials and health care added to relative results. An overweight in industrials and an underweight in health care were beneficial as well. On a geographic basis, stock selection in the UK, France and Italy contributed to relative return.

Conversely, stock selection and an overweight in consumer staples detracted from relative results. Fund holdings in the IT sector outperformed those of the benchmark index, but an underweight in the sector hampered relative return. Having no exposure in the utilities sector negatively affected relative performance. Geographically, stock selection in Switzerland and Denmark detracted from relative return, as did exposure in Hungary.

### Contributors to performance

Below are the largest contributors to absolute return for the quarter:

**DCC's** recent results showed continued strong execution and cost control in its health care and technology divisions. The market was also encouraged by the company's energy-related acquisitions, which bolstered its scale and network effects. As previously mentioned, we trimmed the fund's holdings to manage the position size.

**ASML** is a Dutch global leader in the semiconductor lithography industry. ASML has benefited from rising expectations for spending on wafer fab equipment (WFE).

**Investor** is a Swedish investment and holding company that has benefited from strong performance of the company's underlying equity stakes.

### Detractors from performance

Below are the largest detractors from absolute return for the quarter:

**Reckitt Benckiser** is a British consumer staples company that has been experiencing growth headwinds from US infant formula where a key competitor is returning to the market after a product quality misstep. Additionally, there have been cyclical headwinds for the company's cold and flu business. We do not believe these cyclical pressures are representative of the long-term growth opportunity.

**Carlsberg** is a Danish brewing company, and as previously mentioned, we liquidated the fund's position during the quarter.

**Haleon** is a British multinational consumer health company with notable brands, including Sensodyne toothpaste, Advil and Centrum vitamins.

## Standardized performance (%) as of December 31, 2023

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 11/03/97	NAV	14.83	19.66	19.66	2.26	5.88	2.71	8.36
	Max. Load 5.5%	8.50	13.09	13.09	0.36	4.69	2.13	8.12
Class R6 shares inception: 04/04/17	NAV	14.93	20.12	20.12	2.65	6.27	2.97	-
Class Y shares inception: 10/03/08	NAV	14.90	19.96	19.96	2.52	6.14	2.97	5.92
MSCI Europe Index (USD)		11.05	19.89	19.89	5.80	9.09	4.13	-
Total return ranking vs. Morningstar Europe Stock category (Class A shares at NAV)		-	-	48% (39 of 86)	78% (60 of 85)	95% (80 of 84)	94% (43 of 48)	-

Expense ratios per the current prospectus: Class A: Net: 1.37%, Total: 1.37%; Class R6: Net: 1.00%, Total: 1.00%; Class Y: Net: 1.12%, Total: 1.12%.

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. Performance shown prior to the inception date of Class R6 shares is that of Class A shares and includes the 12b-1 fees applicable to Class A shares. 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	-6.21	4.57	-2.75	26.90	-18.84	24.50	-0.08	14.15	-21.70	19.66
Class R6 shares at NAV	-6.21	4.57	-2.75	27.25	-18.50	24.91	0.32	14.57	-21.41	20.12
Class Y shares at NAV	-5.98	4.82	-2.49	27.19	-18.61	24.81	0.17	14.47	-21.54	19.96
MSCI Europe Index (USD)	-6.18	-2.84	-0.40	25.51	-14.86	23.77	5.38	16.30	-15.06	19.89

### Portfolio characteristics\*

	Fund	Index
No. of holdings	51	425
Top 10 issuers (% of AUM)	30.93	21.99
Wtd. avg. mkt. cap (\$M)	81,046	104,563
Price/earnings	17.55	13.54
Price to book	2.71	2.03
Est. 3 – 5 year EPS growth (%)	10.45	8.82
ROE (%)	21.10	18.02
Long-term debt to capital (%)	30.05	33.96
Operating margin (%)	19.83	19.06

### Risk statistics (5 year)\*

	Fund	Index
Alpha (%)	-2.89	0.00
Beta	1.02	1.00
Sharpe ratio	0.19	0.37
Information ratio	-0.66	0.00
Standard dev. (%)	20.52	19.61
Tracking error (%)	4.87	0.00
Up capture (%)	95.92	100.00
Down capture (%)	104.83	100.00
Max. drawdown (%)	36.77	28.83

## Quarterly performance attribution

### Sector performance analysis (%)

Sector	Allocation effect	Selection effect	Total effect
Communication Services	0.00	0.34	0.34
Consumer Discretionary	-0.02	0.27	0.25
Consumer Staples	-0.09	-0.31	-0.40
Energy	0.26	0.07	0.33
Financials	-0.03	1.41	1.38
Health Care	0.35	0.66	1.01
Industrials	0.95	0.34	1.29
Information Technology	-0.31	0.01	-0.31
Materials	-0.06	0.19	0.13
Real Estate	0.02	-0.10	-0.08
Utilities	-0.17	0.00	-0.17
Cash	-0.06	0.00	-0.06
<b>Total</b>	<b>0.82</b>	<b>2.88</b>	<b>3.71</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.**

### Region performance analysis (%)

Region	Allocation effect	Selection effect	Total effect
<b>Developed</b>	<b>0.00</b>	<b>3.99</b>	<b>3.99</b>
Asia/Pacific Ex Japan	0.06	0.00	0.06
Europe	-0.01	3.37	3.36
North America	-0.06	0.63	0.57
<b>Emerging</b>	<b>0.32</b>	<b>-0.54</b>	<b>-0.22</b>
Europe	-0.21	0.00	-0.21
Latin America	-0.01	0.00	-0.01
<b>Cash</b>	<b>-0.06</b>	<b>0.00</b>	<b>-0.06</b>
<b>Total</b>	<b>0.26</b>	<b>3.45</b>	<b>3.71</b>

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## Performance attribution (cont'd)

### Performance analysis by country — top 5 (%)

	Total effect	Avg. weight	Total return
United Kingdom	1.81	22.15	15.34
France	0.60	18.38	13.57
Italy	0.58	5.73	22.45
United States	0.57	9.37	16.40
Sweden	0.31	7.45	21.71

### Performance analysis by country — bottom 5 (%)

	Total effect	Avg. weight	Total return
Switzerland	-0.24	4.62	5.30
Hungary	-0.21	3.03	4.04
Denmark	-0.15	4.53	9.89
Netherlands	-0.10	12.96	13.51
Portugal	-0.01	0.00	0.00

Unless otherwise specified, all information is as of 12/31/23. Unless stated otherwise, Index refers to MSCI Europe Index (USD).

• On February 28, 2022, Invesco European Growth Fund was renamed Invesco EQV European Equity Fund. Please see prospectus for more information.

The MSCI Europe Index is an unmanaged index considered representative of European stocks. An investment cannot be made directly in an index.

#### About risk

To the extent an investment focuses on securities issued or guaranteed by companies in a particular industry, the investment's performance will depend on the overall condition of those industries, which may be affected by the following factors: the supply of short-term financing, changes in government regulation and interest rates, and overall economy.

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.

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

The performance of an investment concentrated in issuers of a certain region or country is expected to be closely tied to conditions within that region and to be more volatile than more geographically diversified investments.

Growth stocks tend to be more sensitive to changes in their earnings and can be more volatile.

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.

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

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**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.**