



Invesco Energy Fund

Quarterly Performance Commentary

Nasdaq: A: IENAX C: IEFCX Investor: FSTEX Y: IENYX

Investment objective

The fund seeks long-term growth of capital.

Portfolio management

Norman MacDonald

Portfolio information

Total Net Assets	\$383,080,764
Total Number of Holdings	38

Top holdings

% of total net assets

Royal Dutch ADR 'A'	6.47
Chevron	6.43
BP	6.31
Suncor Energy	5.92
Noble Energy	5.59
Canadian Natural Resources	5.59
Hess	5.29
Exxon Mobil	4.94
PrairieSky Royalty	4.37
Devon Energy	3.84

Top contributors

% of total net assets

1. Anadarko Petroleum	0.00
2. Royal Dutch Shell	6.47
3. Oceaneering International	1.29
4. Hess	5.29
5. Chevron	6.43

Top detractors

% of total net assets

1. Range Resources	3.02
2. Superior Energy Services	0.38
3. Halliburton	3.04
4. Occidental Petroleum	3.15
5. Noble Energy	5.59

Market overview

- Equity markets continued to rise in the second quarter of 2019, with the S&P 500 Index posting a modest gain despite higher volatility related to lingering US/China trade issues, potential for new tariffs and slowing global growth.
- The Federal Reserve left interest rates unchanged but signaled a less restrictive stance, leading some investors to anticipate a future rate cut.
- Oil prices declined during the quarter on fear of lower demand as investors weighed the impact of the ongoing US/China trade war and potential for new tariffs on Mexican imports.
- Both West Texas Intermediate (WTI) and Brent oil prices declined during the quarter, averaging \$59.91/bbl and \$68.47/bbl, respectively.¹

Performance highlights

- Invesco Energy Fund Class A shares at net asset value (NAV) underperformed its benchmark, the MSCI World Energy Index. (Please see the investment results table on page 2 for fund and index performance.)

Contributors to performance

- The fund's underweight in the oil & gas refining & marketing subsector benefited relative performance as this was an underperforming subsector within the benchmark. The fund's lack of exposure to the coal & consumable fuel subsector also benefited relative performance as this was the benchmark's worst performing subsector during the quarter.
- We sold the fund's position in **Anadarko** because we believed it had reached fair value as the bidding war between **Occidental** and **Chevron** concluded. We used the proceeds to increase the fund's weightings in existing holdings that exhibit higher return potential compared to the acquisition offer for **Anadarko**.

Detractors from performance

- The fund underperformed its benchmark primarily due to security selection and an overweight in the oil & gas equipment & services subsector. Security selection and an overweight in the exploration & production (E&P) subsector also hindered relative performance during the quarter.
- Shares of **Range Resources**, an independent oil and gas exploration and production company, declined due to short-term weakness in natural gas prices. Given the company's premium land position in the Marcellus Shale, the team still feels comfortable with the upside return potential from where the stock is trading today.

Positioning and outlook

- While oil prices have seen some recovery since the latter part of 2018, we continue to believe that the industry requires an even higher commodity price level to encourage reinvestment in the business. The team sees a significant disconnect in the underlying cash flow generation capabilities of companies within the fund relative to their current stock prices. This is evident in the many holdings that have experienced share buybacks and dividend increases over the course of the last year.
- Overall, we believe E&P companies are spending prudently in the current oil environment and the price-to-cash flow multiples are cheap compared to historical levels.
- Further, if there is a shift to higher spending in the energy sector, we believe the service companies will benefit due to their pricing power.
- We continue to focus on companies with high quality assets, high free cash flow, led by capable management teams. We have used market volatility to increase the fund's core positions, and we have positioned the fund for a return to an appreciation of long-term company fundamentals.
- The fund is positioned with overweights in E&P and service companies. The fund has underweights in integrated oil and transportation.

Investment results								
Average annual total returns (%) as of June 30, 2019								
Period	Class A Shares		Class C Shares		Investor Class Shares		Class Y Shares	
	Inception: 03/28/02	Max Load	Inception: 02/14/00	Max CDSC	Inception: 01/19/84	Inception: 10/03/08	Style-Specific Index	MSCI World Energy Index
Inception	3.68	4.02	5.21	5.21	6.34	-1.84	-	-
10 Years	-2.16	-1.60	-2.34	-2.34	-1.60	-1.36	3.23	3.23
5 Years	-15.55	-14.59	-15.22	-15.22	-14.58	-14.37	-5.47	-5.47
3 Years	-9.05	-7.33	-8.01	-8.01	-7.31	-7.10	2.72	2.72
1 Year	-29.59	-25.50	-26.78	-26.06	-25.46	-25.32	-11.07	-11.07
Quarter	-11.84	-6.72	-7.78	-6.85	-6.70	-6.67	-1.56	-1.56

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. Visit invesco.com/performance 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, and you may have a gain or a loss when you sell shares. No contingent deferred sales charge (CDSC) will be imposed on redemptions of Class C shares following one year from the date shares were purchased. Performance shown at NAV does not include applicable CDSC or front-end sales charges, which would have reduced the performance. The Investor Class shares have no sales charge; therefore, performance is at NAV. Class Y shares have no sales charge; therefore, performance is at NAV. Returns less than one year are cumulative; all others are annualized. Fund performance reflects any applicable fee waivers and/or expense reimbursements. Had the adviser not waived fees and/or reimbursed expenses currently or in the past, returns would have been lower. See current prospectus for more information. Index returns do not reflect any fees, expenses, or sales charges.

Index source: FactSet Research Systems Inc.

Asset mix (%)		Expense ratios	
		% net	% total
Dom Common Stock	60.28	Class A Shares	1.33
Intl Common Stock	39.13	Class C Shares	2.08
Cash	0.59	Investor Class Shares	1.33
Dom Convert Bonds	0.00	Class Y Shares	1.08
Other	0.00	Per the current prospectus	

Top industries	% of total net assets
Integrated Oil & Gas	36.98
Oil & Gas Exploration & Production	36.08
Oil & Gas Equipment & Services	11.30
Oil & Gas Refining & Marketing	3.60
Oil & Gas Drilling	3.41
Diversified Metals & Mining	2.65
Specialty Chemicals	2.04
Oil & Gas Storage & Transportation	1.99
Commodity Chemicals	1.35

For more information you can visit us at www.invesco.com/us

1 Source: Bloomberg L.P.

Class Y shares and Investor Class shares are available only to certain investors. See the prospectus for more information.

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.

Bbl is an abbreviation denoting a barrel of oil. Mcf is a unit of measurement and denotes one thousand cubic feet of natural gas. Diversification does not guarantee a profit or eliminate the risk of loss.

The MSCI World Energy Index is a free float-adjusted market capitalization index that represents the energy segment in global developed market equity performance. An investment cannot be made directly in an index.

The S&P 500® Index is an unmanaged index considered representative of the US stock market. An investment cannot be made directly in an index.

About risk

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.

Businesses in the energy sector may be adversely affected by foreign, federal or state regulations governing energy production, distribution and sale as

well as supply-and-demand for energy resources. Short-term fluctuations in energy prices may cause price fluctuations in fund shares.

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.

Stocks of small and mid-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.

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

Before investing, investors should carefully read the prospectus and/or summary prospectus and carefully consider the investment objectives, risks, charges and expenses. For this and more complete information about the fund(s), investors should ask their advisors for a prospectus/summary prospectus or visit [invesco.com/fundprospectus](https://www.invesco.com/fundprospectus).

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. Advisors, please contact your home office.

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. Holdings are subject to change and are not buy/sell recommendations.

All data provided by Invesco unless otherwise noted.