Invesco Equity and Income Fund

Q1 2023

Key takeaways

1. **The fund lagged its benchmark**
Underperformance was driven by stock selection in the fund's equity sleeve, particularly in financials. Selection in consumer discretionary and an overweight in information technology (IT) added to relative performance.

2. **Fund activity**
The team used market volatility to add new equity holdings in the industrials, health care, consumer staples and IT sectors. These purchases were funded by reductions in better performing holdings.

3. **Value stocks underperformed growth**
In a reversal of the general trend since late 2020, growth stocks significantly outperformed value stocks in the first quarter. The Russell 1000 Growth Index gained 14.37%, while the Russell 1000 Value returned just 1.01%.

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

Fund facts

Fund AUM ($M)	11,644.65

Portfolio managers
Matthew Titus, Brian Jurkash, Chuck Burge, Sergio Marcheli

Manager perspective and outlook

- Sector leadership within the Russell 1000 Value Index reflected a reversal of the trend from 2022 as last year's laggards (communication services and IT) led in the first quarter. On the flipside, health care, financials, energy and utilities had negative returns.
- Despite noise in the month-to-month data, we believe inflation appears to have peaked. However, market volatility is likely to continue, as recent bank failures have exposed vulnerabilities that could spread further into the financial system. In our view, contagion fears, coupled with the Fed's bias toward tighter monetary policy, have raised the likelihood a US recession.
- Higher interest rates have increased the cost of capital for businesses, while data suggest a slowing economy. Both factors are likely to weigh on corporate earnings.
- Global energy concerns and geopolitical tensions involving China and Russia may also weaken equity returns in the near term.
- We believe market disruptions such as the March banking crisis or COVID pandemic present unique buying opportunities. We are focused on our fundamental work so we can move quickly to take advantage of new opportunities as they become available.
- Regardless of the macro 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.

For more information, including prospectus and factsheet, please visit Invesco.com/ACEIX

Top equity issuers
(% of total net assets)

	Fund	Index
Wells Fargo & Co	2.26	0.78
ConocoPhillips	1.96	0.66
Exxon Mobil Corp	1.74	2.46
Bank of America Corp	1.61	1.09
Parker-Hannifin Corp	1.57	0.18
General Motors Co	1.54	0.28
CBRE Group Inc	1.48	0.06
Sanofi	1.46	0.00
Merck & Co Inc	1.42	0.85
American International Group Inc	1.36	0.20

As of 03/31/23. Holdings are subject to change and are not buy/sell recommendations.

Portfolio positioning

In the first quarter, the team used market volatility to add several undervalued equity names to the fund. The team did not eliminate any equity positions from the fund, but instead chose to fund new purchases by slightly trimming holdings that had performed well. The team also added several new convertible securities.

New Equity Holdings

Salesforce: Salesforce provides clients with a comprehensive, cloud-based customer relationship management platform. Salesforce had experienced rapid growth in recent years, but higher interest rates have put pressure on software companies with low profitability. The stock price had fallen significantly, so we initiated a small position in late January. To improve profit margins, the company has undertaken a cost cutting plan that includes reducing head count, advertising spending and its real estate footprint. Activist investors have become involved, and they are pushing for further cost cuts and emphasis on profit margins, which we believe should ultimately help the stock.

GE Healthcare: GE Healthcare is a recent spinoff from former parent company GE. The company provides medical technology, pharmaceutical diagnostics and digital solutions in areas like medical imaging, ultrasound, patient care and diagnostics. Our analysis led us to believe the company is undervalued relative to its peers and profit margins are below long-term targets. The company has strong recurring revenue and should benefit from new product launches. We believe margins will improve as supply chain headwinds ease and China fully reopens.

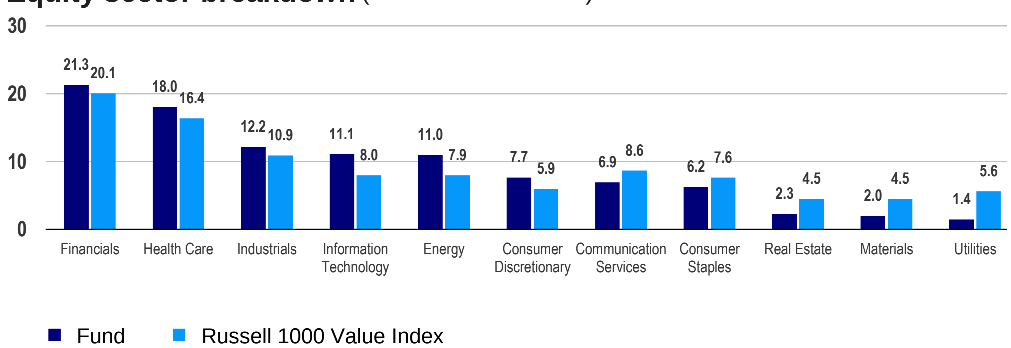
Kraft Heinz: Kraft Heinz is a multinational food and beverage company with a wide array of leading brands and products. The company is trading well below its normal P/E compared to other food category peers and has strong free cash flow and an attractive dividend. A recent CEO change has resulted in divestment of slow growing brands and categories. Higher inflation has dampened volumes, but pricing power has been relatively strong. We believe there is potential for profit margin improvement as supply chain costs decline. The stock's pullback in March provided an attractive entry point for the fund.

Stanley Black & Decker: The power and hand tool maker had pandemic-related supply chain and inventory issues that resulted in market share losses. Volume declines and higher priced inventories have also depressed earnings and margins. The company had a recent CEO change that should help rationalize its brand portfolio and reduce inventory, which we believe should boost profit margins and free cash flow.

Asset mix

Dom Common Stock	61.53
Dom Government Bond	12.01
Dom Corporate Bond	9.02
Dom Convertible Bond	8.31
Intl Common Stock	3.38
Intl Corporate Bond	1.29
Other	1.06
Cash	3.41

Equity sector breakdown (% of total net assets)



Top equity contributors

Issuer	Return	Contrib. to return
Meta Platforms, Inc.	76.12	0.45
Booking Holdings Inc.	30.39	0.28
Parker-Hannifin Corporation	15.94	0.24
Sanofi	13.58	0.22
Lam Research Corporation	26.57	0.22

Top equity detractors

Issuer	Return	Contrib. to return
Charles Schwab Corporation	-36.89	-0.48
American International Group, Inc.	-19.86	-0.45
ConocoPhillips Company	-15.02	-0.43
Cigna Group	-22.54	-0.39
Citizens Financial Group, Inc.	-22.09	-0.37

Performance highlights

Selection in financials was the largest detractor from relative performance as regional bank failures weighed on the sector. Selection and an underweight in communication services also detracted from relative return. Security selection and an overweight in consumer discretionary was the largest contributor to the fund's relative return. An overweight in IT also aided relative return.

Contributors to performance:

Meta Platforms: Following steep losses in 2022, Meta's shares rose sharply in the first quarter. The company reported an increase in user engagement across its platforms, which boosted advertising revenue.
Booking: The online travel company reported improving earnings, robust booking growth and an increase in market share in the US.
Parker-Hannifin: The industrial firm reported strong earnings with a double-digit increase in revenues, driven by growth across its diversified industrial, international and aerospace business segments.
Fixed income: The fund holds high grade bonds as a source of income and to help provide a measure of stability in volatile markets. The fund's bond holdings outperformed the index and aided relative performance.

Detractors from performance:

Charles Schwab: Shares declined following regional bank failures, as investors became concerned about capital access in the company's banking operation. While Schwab's deposits have exposure to bond losses, we believe the company has adequate liquidity and reserves.
AIG: The insurer reported better-than-expected earnings due to underwriting income from its general insurance division. However, shares sold off along with other financial stocks during the bank panic in March.
ConocoPhillips: After posting a double-digit gain in 2022, the stock retreated in the first quarter amid declining oil prices and recession fears.
Cigna: The health insurer reported better-than-expected earnings, but revenues came in slightly below expectations.
Citizens Financial: Shares declined in tandem with a broader selloff in banks following the regional bank crisis. We believe the stock was unduly punished given its high capital levels and higher quality deposit base compared to similar banks of its size.

Standardized performance (%) as of March 31, 2023

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 08/03/60	NAV	0.29	0.29	-6.57	14.51	5.89	7.28	9.83
	Max. Load 5.5%	-5.21	-5.21	-11.69	12.36	4.70	6.67	9.74
Class R6 shares inception: 09/24/12	NAV	0.38	0.38	-6.30	14.95	6.28	7.69	8.24
Class Y shares inception: 12/22/04	NAV	0.36	0.36	-6.41	14.77	6.14	7.54	6.90
Russell 1000 Value Index		1.01	1.01	-5.91	17.93	7.50	9.13	-
Total return ranking vs. Morningstar Allocation--70% to 85% Equity category (Class A shares at NAV)		-	-	46% (140 of 322)	17% (33 of 294)	40% (99 of 279)	36% (72 of 225)	-

Calendar year total returns (%)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Class A shares at NAV	24.96	9.07	-2.35	14.83	10.88	-9.65	20.08	9.97	18.02	-7.72
Class R6 shares at NAV	25.47	9.52	-1.93	15.32	11.34	-9.29	20.44	10.45	18.43	-7.37
Class Y shares at NAV	25.27	9.34	-2.10	15.13	11.16	-9.42	20.37	10.16	18.42	-7.57
Russell 1000 Value Index	32.53	13.45	-3.83	17.34	13.66	-8.27	26.54	2.80	25.16	-7.54

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

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. 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.

Portfolio characteristics*

	Fund	Index
No. of holdings	322	849
Top 10 issuers (% of AUM)	20.95	18.18
Wtd. avg. mkt. cap ($M)	128,431	154,730
Price/earnings	13.25	14.98
Price to book	2.09	2.28
Est. 3 – 5 year EPS growth (%)	9.76	6.73
ROE (%)	20.09	15.04
Long-term debt to capital (%)	40.69	39.90
Operating margin (%)	20.45	20.43

Risk statistics (5 year)*

	Fund	Index
Alpha (%)	-0.54	0.00
Beta	0.79	1.00
Sharpe ratio	0.30	0.32
Information ratio	-0.33	0.00
Standard dev. (%)	15.07	18.82
Tracking error (%)	4.92	0.00
Up capture (%)	61.65	100.00
Down capture (%)	84.10	100.00
Max. drawdown (%)	20.00	26.73

Quarterly performance attribution

Sector performance analysis (%)

Sector	Allocation effect	Selection effect	Total effect
Communication Services	-0.39	-0.22	-0.61
Consumer Discretionary	0.04	0.55	0.59
Consumer Staples	0.06	0.06	0.12
Currency Forward	-0.05	0.00	-0.05
Energy	-0.09	-0.39	-0.48
Financials	0.11	-0.78	-0.66
Health Care	0.10	-0.14	-0.04
Industrials	-0.03	-0.28	-0.30
Information Technology	0.19	0.06	0.25
Materials	-0.12	0.00	-0.12
Other	-0.10	0.00	-0.10
Real Estate	-0.03	-0.15	-0.17
Utilities	0.19	0.00	0.20
Cash	-0.04	0.00	-0.04
Total	**-0.15**	**-1.28**	**-1.43**

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 03/31/23. Unless stated otherwise, Index refers to Russell 1000 Value Index.

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.

The Russell 1000® Growth Index is an unmanaged index considered representative of large-cap growth stocks. The Russell 1000 Growth Index is a trademark/service mark of the Frank Russell Co. Russell® is a trademark of the Frank Russell Co.

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.

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

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.

Active trading results in added expenses and may result in a lower return and increased tax liability.

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.

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.

Warrants may be significantly less valuable on their relevant expiration date or they may expire worthless. They may be postponed or terminated early resulting in partial or total investment loss and may also be subject to illiquidity.

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. **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. **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. **Information Ratio** is a measurement of portfolio returns beyond the returns of a benchmark, usually an index, compared to the volatility of those 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.

Morningstar

 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 for a prospectus/summary prospectus containing this information. Read it carefully before investing.