

Invesco Health Care Fund

Q1 2026

Key takeaways

- 1 The fund underperformed its benchmark**

Stock selection in pharmaceuticals, biotechnology and health care equipment detracted from relative performance during the quarter.
- 2 The health care sector underperformed the overall US stock market**

Given the level of geopolitical uncertainty and health care's reputation as a defensive sector, we are surprised the sector did not perform better relative to the overall market in the first quarter of 2026.
- 3 We remain focused on premier health care companies**

We combine in-depth health care experience with bottom-up fundamental analysis in an effort to evaluate company management, identify growth prospects and manage risk.

Investment objective

The fund seeks long-term growth of capital.

Fund facts

Fund AUM (\$M) 1,147.19

Portfolio managers

Joy Budzinski, Justin Livengood

Manager perspective and outlook

- We are surprised the health care sector did not perform better relative to the overall market in the first quarter of 2026, given the degree of geopolitical uncertainty and health care's historical reputation as a defensive sector.
- Declines in health care equipment, life sciences tools & services and managed care offset gains in pharmaceuticals, biotechnology and distributors.
- Health care equipment continued to pull back following strong fundamental performance in 2025 and in our view faces tough year-over-year revenue comparisons.
- Among life sciences tools & services, end market demand remained weak.
- We maintain a bearish outlook for managed care.
- Health care providers have continued to grow but at a slower pace as they cycle past several strong years of post-COVID demand for procedures and treatment.
- We see diagnostics, distributors and home health care providers as positive areas among the various health care industries.
- We believe improved clinical data and commercial product success are tailwinds for the biotechnology and pharmaceutical industries. Merger and acquisition activity in biotechnology has been accelerating as hoped and provides in our view a catalyst for biotech industry performance.
- We believe large-cap pharmaceuticals provide defensive exposure while uncertainty caused by the Iran War has continued.



Top issuers

(% of total market value)

	Fund	Index
Eli Lilly & Co	9.09	12.68
Johnson & Johnson	5.83	10.25
AstraZeneca PLC	4.35	0.00
Gilead Sciences Inc	4.11	3.01
AbbVie Inc	3.68	6.69
Cencora Inc	3.66	1.06
McKesson Corp	3.60	1.84
Argenx SE	3.38	0.00
Merck & Co Inc	2.27	5.19
Welltower Inc	2.08	0.00

As of 03/31/26. Holdings are subject to change and are not buy/sell recommendations.

Portfolio positioning

At quarter end, the fund's largest industry weights were in pharmaceuticals and biotechnology. Relative to the index, the fund was overweight biotechnology, distributors, health care REITs, services and facilities. The fund was underweight health care equipment, pharmaceuticals, managed care and life sciences tools & services.

During the quarter, the fund's weightings in pharmaceuticals and biotechnology increased the most, while weightings in health care equipment, facilities and life sciences tools & services decreased.

Within biotechnology, we added Arrowhead Pharmaceuticals, Dianthus Therapeutics, Mirum Pharmaceuticals, Palvella Therapeutics, Revolution Medicines and Twist Bioscience and sold ADMA Biologics and Exelixis. In health care equipment, we bought Globus Medical and sold Abbott Laboratories and Insulet. In health care services, we sold Hinge Health. In health care supplies, we bought Medline. In health care technology, we sold Waystar. In life sciences tools & services, we bought Bio-Techne and Charles River Laboratories and sold Agilent, ICON and West Pharmaceutical. In pharmaceuticals, we bought Merck and Phathom Pharmaceuticals.

First quarter 2026 additions to the fund:

Arrowhead Pharmaceuticals develops RNA interference therapeutics targeting cardiometabolic and rare diseases.

Dianthus Therapeutics is a clinical stage biotech company focused on autoimmune diseases.

Mirum Pharmaceuticals is a commercial stage biotech focused on treatments for rare cholestatic liver diseases.

Palvella Therapeutics is an early stage biotech company developing therapies for severe genetic dermatologic conditions.

Revolution Medicines is an oncology biotech targeting RAS driven cancers.

Twist Bioscience manufactures synthetic DNA for biotech, pharmaceutical and data storage applications.

Globus Medical is a medical device company specializing in spine and musculoskeletal treatments.

Medline is a medical supplies manufacturer and distributor serving hospitals and care facilities.

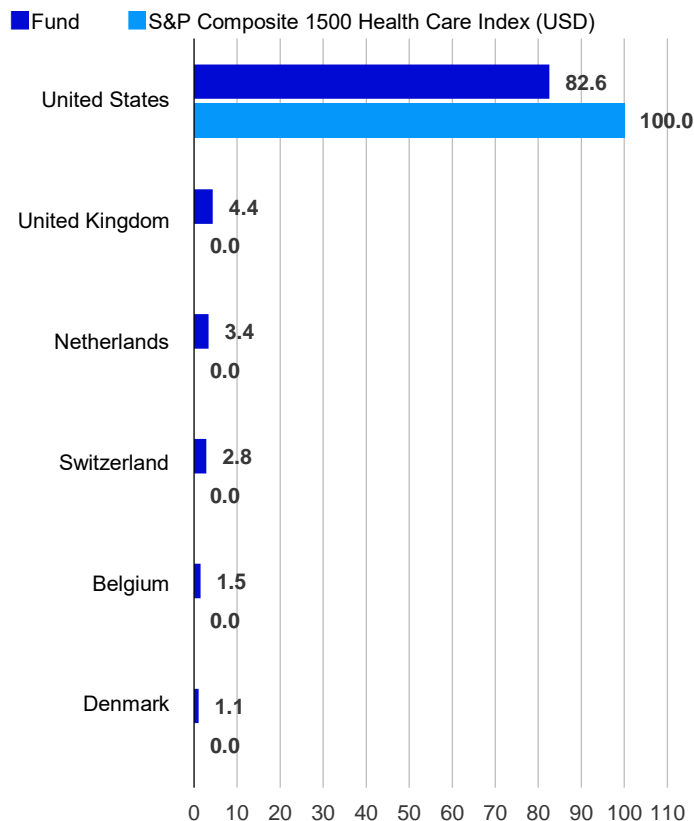
Bio-Techne provides life science reagents, instruments and diagnostics.

Charles River Laboratories is a pre-clinical research and manufacturing services provider to biopharma.

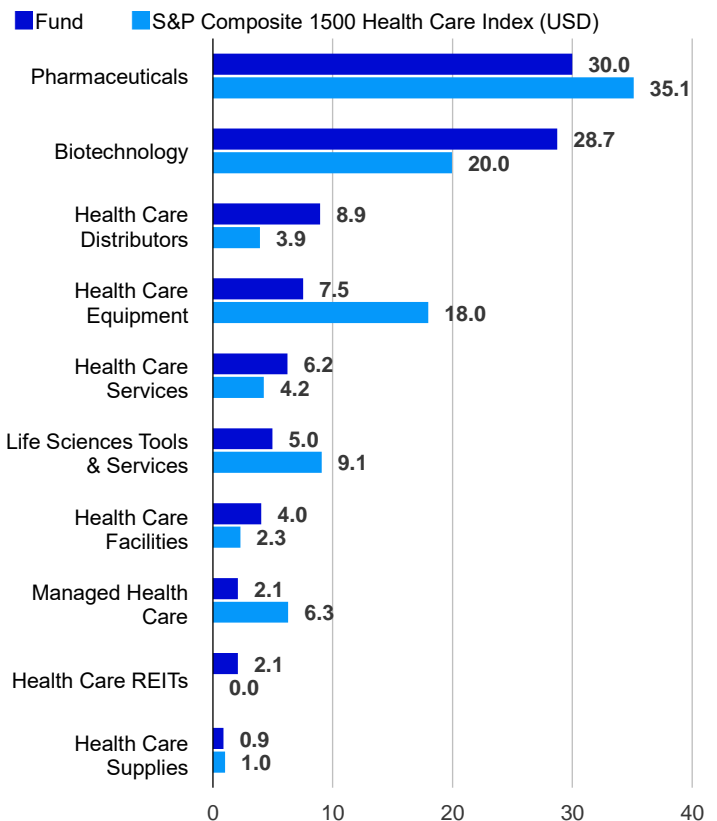
Merck is a global pharmaceutical company with leadership in oncology and vaccines.

Phathom Pharmaceuticals is a commercial stage biotech focused on gastrointestinal diseases.

Top countries (% of total market value)



Top industries (% of total market value)



Top contributors (%)

Issuer	Return	Contrib. to return
Johnson & Johnson	18.74	0.45
Gilead Sciences, Inc.	14.19	0.42
Royalty Pharma plc	24.79	0.33
AstraZeneca PLC	6.75	0.27
United Therapeutics Corporation	21.70	0.23

Top detractors (%)

Issuer	Return	Contrib. to return
Eli Lilly and Company	-14.27	-1.42
Boston Scientific Corporation	-34.19	-1.31
argenx SE	-13.16	-0.45
Thermo Fisher Scientific Inc.	-15.09	-0.38
Intuitive Surgical, Inc.	-18.60	-0.36

Performance highlights

The fund underperformed its benchmark for the quarter. Stock selection in pharmaceuticals, biotechnology and health care equipment detracted from relative performance during the quarter.

An underweight in pharmaceuticals also detracted. These results were partially offset by underweights in managed care and health care equipment, as well as an overweight in biotechnology.

Contributors to performance

Johnson & Johnson is a diversified health care company spanning pharmaceuticals and medical devices. The company reported better-than-expected earnings and guidance, driven by growth in its oncology segment, robust adoption of its cardiovascular devices and advancements in its immunology pipeline.

Gilead Sciences is a large biopharma company with leadership in antivirals and oncology. The company delivered better-than-expected results in its oncology segment.

Royalty Pharma acquires biopharmaceutical royalties, providing capital to health care

innovators. The stock benefited from seemingly positive investor sentiment toward its defensive cash-flow profile.

Detractors from performance

Eli Lilly is a large-cap pharmaceutical company that makes drugs to treat Alzheimer's, cancer, diabetes, obesity, pain and autoimmune diseases. Concerns about pricing competition for GLP-1 obesity treatments and valuation concerns appeared to pressure the stock during the quarter.

Boston Scientific is a medical device company focused on cardiovascular, rhythm management and endoscopy technologies. Compression of price-to-earnings multiples among medical device companies, along with apparent investor concerns about medical procedure growth, seemed to pressure the stock.

Argenx is a biotechnology company developing antibody-based therapies for autoimmune diseases. Following strong performance in 2025, the company's earnings multiple compressed amid lack of near-term catalysts and a broader investor shift seemingly away from biotechnology stocks with high multiples.

Standardized performance (%) as of March 31, 2026

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
Class A shares inception: 08/07/89	NAV	-6.17	-6.17	4.62	6.01	2.99	7.19	9.75
	Max. Load 5.5%	-11.32	-11.32	-1.14	4.04	1.83	6.58	9.58
Class R6 shares inception: 04/04/17	NAV	-6.07	-6.07	4.99	6.38	3.34	7.50	-
Class Y shares inception: 10/03/08	NAV	-6.09	-6.09	4.89	6.29	3.25	7.46	9.06
S&P Composite 1500 Health Care Index (USD)		-4.82	-4.82	2.54	5.73	5.78	9.87	-
Total return ranking vs. Morningstar Health category (Class A shares at NAV)		-	-	75% (140 of 171)	51% (96 of 164)	50% (92 of 151)	78% (101 of 119)	-

Expense ratios per the current prospectus: Class A: Net: 1.07%, Total: 1.07%; Class R6: Net: 0.72%, Total: 0.72%; Class Y: Net: 0.82%, Total: 0.82%.

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 (%)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Class A shares at NAV	-11.71	15.46	0.46	32.00	14.45	12.19	-13.53	3.05	3.97	15.49
Class R6 shares at NAV	-11.71	15.72	0.79	32.38	14.81	12.56	-13.22	3.42	4.30	15.87
Class Y shares at NAV	-11.50	15.75	0.73	32.32	14.71	12.48	-13.31	3.33	4.22	15.76
S&P Composite 1500 Health Care Index (USD)	-2.05	22.47	6.71	20.87	14.55	24.85	-3.31	1.92	2.81	13.71

Portfolio characteristics*

	Fund	Index
No. of holdings	78	167
Top 10 issuers (% of AUM)	42.74	54.54
Wtd. avg. mkt. cap (\$M)	194,891	274,937
Price/earnings	25.72	21.20
Price to book	7.37	4.57
Est. 3 – 5 year EPS growth (%)	12.98	12.17
ROE (%)	17.77	19.94
Long-term debt to capital (%)	47.86	46.55
Operating margin (%)	22.86	25.79

Risk statistics (5 year)*

	Fund	Index
Alpha (%)	-2.50	0.00
Beta	1.01	1.00
Sharpe ratio	-0.03	0.16
Information ratio	-0.51	0.00
Standard dev. (%)	15.87	14.73
Tracking error (%)	5.46	0.00
Up capture (%)	93.41	100.00
Down capture (%)	105.09	100.00
Max. drawdown (%)	21.99	15.68

Quarterly performance attribution

Industry performance analysis (%)

Sector	Allocation effect	Selection effect	Total effect
Biotechnology	0.68	-1.57	-0.89
Health Care Distributors	0.26	-0.17	0.09
Health Care Equipment	0.66	-1.05	-0.39
Health Care Facilities	0.08	-0.19	-0.10
Health Care Reits	0.20	0.00	0.20
Health Care Services	0.01	-0.07	-0.06
Health Care Supplies	0.00	0.05	0.05
Health Care Technology	-0.07	0.05	-0.03
Life Sciences Tools & Services	0.32	-0.07	0.25
Managed Health Care	0.63	0.10	0.73
Pharmaceuticals	-0.56	-0.81	-1.37
Other	0.00	0.00	0.00
Cash	0.24	0.00	0.24
Total	0.44	-1.71	-1.27

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 03/31/26. Unless stated otherwise, Index refers to S&P Composite 1500 Health Care Index (USD).

The S&P Composite 1500® Health Care Index comprises those companies included in the S&P Composite 1500 that are classified as members of the GICS® Health Care sector.

About Risk

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

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.

The health care industry is subject to risks relating to government regulation, obsolescence caused by scientific advances and technological innovations.

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.

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.