

# Invesco Health Care Fund

## Q2 2025

## Key takeaways

- 1 The fund outperformed its benchmark.**

Stock selection in biotechnology, managed care and health care equipment contributed to relative performance. An underweight in managed care and an overweight in health care equipment also added to relative performance.
- 2 The health care sector underperformed the overall US stock market.**

The health care sector underperformed all market sectors except energy during the quarter.
- 3 We remain bearish on the health care sector.**

We continue to monitor potential headwinds from tighter capital equipment spending, constrained biopharma research budgets, tariff pressure on profit margins, and potential provider reimbursement risk from government cost cutting.

### Investment objective

The fund seeks long-term growth of capital.

### Fund facts

Fund AUM (\$M) 1,190.38

### Portfolio managers

Justin Livengood

## Manager perspective and outlook

- Volatility continued in the second quarter as investors appeared to digest tariff policy effects, federal government cost cutting, ongoing wars in Ukraine and Israel, and reaffirming of artificial intelligence capital investment.
- The health care sector underperformed the overall US equity market as stocks rallied on optimism for tariff negotiations, hopes for Middle East de-escalation and accelerating momentum in artificial intelligence.
- We remain bearish on the health care sector, particularly managed care, pharmaceuticals and life sciences tools and services.
- We have observed growth in health care equipment, facilities, distributors, diagnostics and labs. We see healthy volume for medical procedures and hospital utilization, along with positive trends at health care distributors.
- We continue to monitor potential headwinds from tighter spending on health care capital equipment, constrained biopharma research budgets, tariff policy pressure on profit margins, and potential risk to health care provider reimbursement levels due to government cost cutting.
- We invest in premier health care companies that we believe are positioned to compound multi-year growth. We combine in-depth health care experience with bottom-up fundamental analysis to evaluate company management, identify growth prospects and manage risk.



## Top issuers

(% of total net assets)

	Fund	Index
Boston Scientific Corp	9.78	3.01
Eli Lilly & Co	8.47	11.61
Stryker Corp	4.98	2.58
Cencora Inc	4.14	0.98
AbbVie Inc	4.01	6.21
Abbott Laboratories	3.75	4.48
Intuitive Surgical Inc	3.30	3.69
Vertex Pharmaceuticals Inc	3.28	2.17
Encompass Health Corp	2.47	0.23
McKesson Corp	2.33	1.74

As of 06/30/25. Holdings are subject to change and are not buy/sell recommendations.

## Portfolio positioning

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

During the quarter, the fund's weights in health care equipment, health care services and health care distributors increased. Weights in managed care, life sciences tools and services, and health care supplies decreased.

Within health care equipment, we added Penumbra and iRhythm Technologies, and we sold Globus Medical and Inspire Medical. In biotechnology, we added Soleno Therapeutics, Madrigal Pharmaceuticals and Caris Life Sciences, and we sold Krystal Biotech, United Therapeutics, SpringWorks Therapeutics, Vaxcyte, Cytokinetics, CareDx, Nuvalent, Revolution Medicines and Janux Therapeutics. In pharmaceuticals, we added Verona Pharma and sold Phathom Pharmaceuticals and Intra-Cellular Therapies. In health care facilities, we sold Select Medical. In life sciences tools and services, we sold Bio-Techne. In health care services, we added Cigna and Quest Diagnostics. In health care technology, we added Certara.

Second quarter 2025 additions:

**Penumbra** makes devices to treat strokes and aneurysms.

**iRhythm Technologies** makes wearable cardiac monitoring devices.

**Soleno Therapeutics** treats rare metabolic and neurobehavioral diseases, including Prader-Willi Syndrome, a genetic disorder that affects childhood development, behavior and mental capabilities.

**Madrigal Pharmaceuticals** treats fatty liver disease.

**Caris Life Sciences** provides cancer diagnostics using DNA and RNA sequencing.

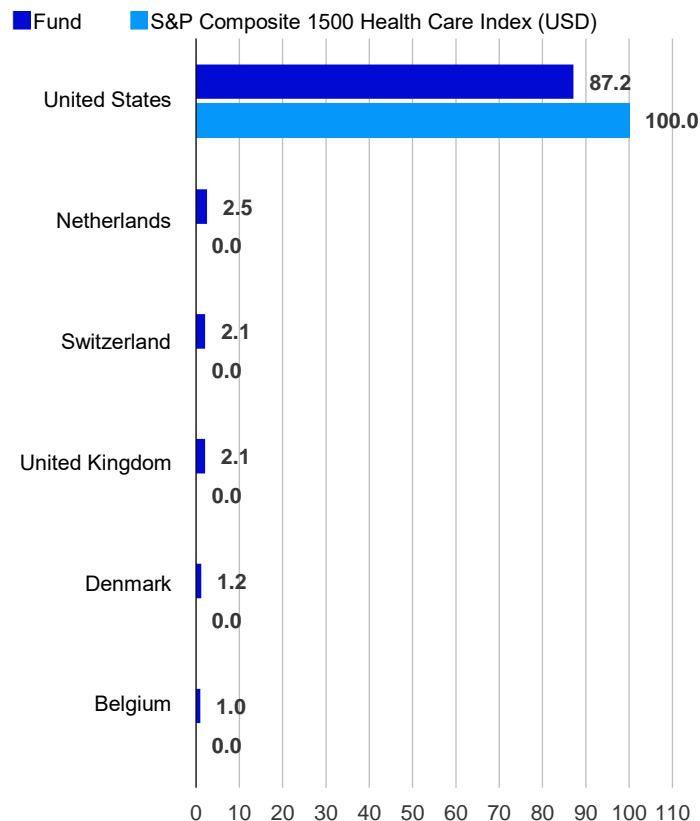
**Verona Pharma** treats respiratory diseases, including COPD, non-cystic fibrosis bronchiectasis, cystic fibrosis and asthma.

**Cigna** provides health care, dental, vision and Medicare Advantage insurance and services.

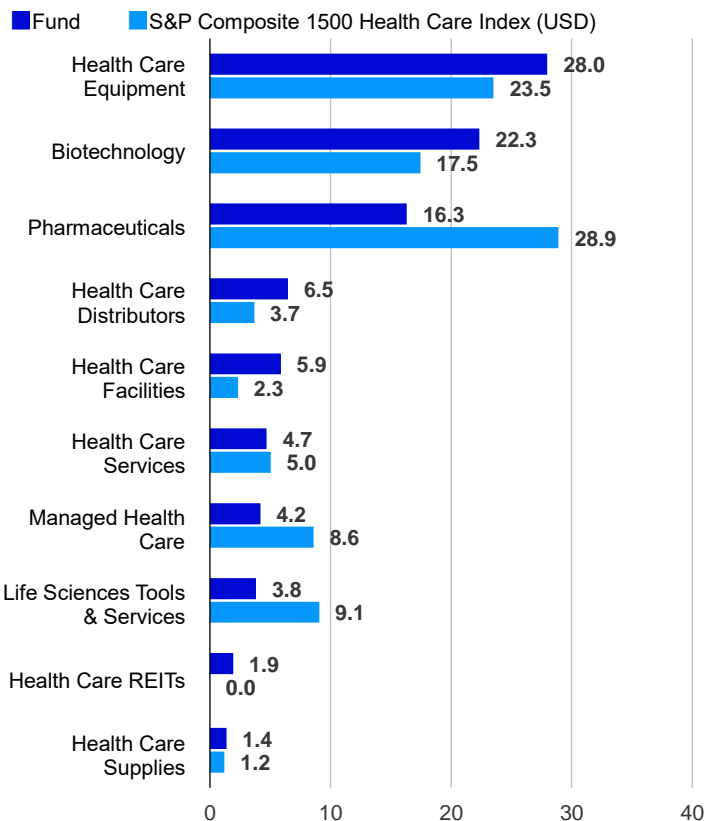
**Quest Diagnostics** provides laboratory testing and diagnostic services.

**Certara** provides bio-simulation software and services for biopharma research and development.

## Top countries (% of total net assets)



## Top industries (% of total net assets)



## Top contributors (%)

Issuer	Return	Contrib. to return
Boston Scientific Corporation	6.47	0.65
Encompass Health Corporation	21.28	0.44
Alnylam Pharmaceuticals, Inc.	20.77	0.33
Tenet Healthcare Corporation	30.86	0.33
Stryker Corporation	6.51	0.31

## Top detractors (%)

Issuer	Return	Contrib. to return
UnitedHealth Group Incorporated	-40.01	-2.53
AbbVie Inc.	-10.59	-0.51
Eli Lilly and Company	-5.43	-0.44
Vertex Pharmaceuticals Incorporated	-8.17	-0.35
Thermo Fisher Scientific Inc.	-18.43	-0.30

## Performance highlights

Stock selection in biotechnology, managed care and health care equipment contributed to relative performance. An underweight in managed care and an overweight in health care equipment also added to relative return. Stock selection in health care supplies and an underweight in health care services detracted from relative performance.

### Contributors to performance

**Boston Scientific** makes surgical devices and medical equipment to treat cardiovascular, gastrointestinal and pulmonological conditions. The company reported continued organic sales growth driven by its cardiovascular segment and also raised its earnings guidance.

**Encompass Health** operates in-patient rehabilitation care hospitals for patients recovering from strokes, brain injuries, spinal cord injuries, amputations and complex orthopedic conditions. The company continued to deliver volume and pricing growth, as well as reporting growth from new facilities and facility expansions.

**Alnylam Pharmaceuticals** makes RNA interference genetic therapies to treat genetic, cardio-metabolic, infectious, central nervous system and ocular diseases. The company reported strong sales and received FDA approval to expand use of its existing drug AMVUTTRA for use with cardiomyopathy patients.

### Detractors from performance

**UnitedHealth** is a large-cap managed care company that provides health care benefits, services, data and analytics. The stock declined in response to weaker-than-expected quarterly results due to higher-than-expected medical losses, the abrupt resignation of its CEO, and news of a Department of Justice investigation into the company's Medicare billing practices. The stock detracted from absolute return, but the fund was underweight in UnitedHealth so it added to relative performance.

**AbbVie** makes aesthetic treatments and drugs to treat autoimmune, oncological, central nervous system, ocular, endocrine and pulmonary conditions. Despite reporting strong quarterly results, the stock declined. The company faced potential biosimilar competition for Humira, its arthritis treatment, while economic concerns pressured consumer spending on aesthetic treatments.

**Eli Lilly** is a large-cap pharmaceutical company that makes drugs to treat Alzheimer's, cancer, diabetes, obesity, pain and autoimmune diseases. The stock faced headwinds from potential competition for its GLP-1 obesity treatment, including Novo Nordisk's (not a fund holding) product becoming the preferred GLP-1 drug for pharmacy benefits manager CVS Caremark (not a fund holding).

## Standardized performance (%) as of June 30, 2025

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
Class A shares inception: 08/07/89	NAV	-0.41	3.16	-4.95	5.34	4.74	4.34	9.81
	Max. Load 5.5%	-5.89	-2.51	-10.17	3.37	3.56	3.75	9.64
Class R6 shares inception: 04/04/17	NAV	-0.31	3.35	-4.59	5.70	5.10	4.62	-
Class Y shares inception: 10/03/08	NAV	-0.34	3.29	-4.69	5.61	5.00	4.60	9.16
S&P Composite 1500 Health Care Index (USD)		-6.85	-1.69	-5.96	3.12	7.47	7.94	-
Total return ranking vs. Morningstar Health category (Class A shares at NAV)		-	-	43% (62 of 176)	25% (45 of 164)	44% (71 of 150)	64% (83 of 118)	-

Expense ratios per the current prospectus: Class A: Net: 1.05%, Total: 1.05%; Class R6: Net: 0.71%, Total: 0.71%; Class Y: Net: 0.80%, Total: 0.80%.

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 (%)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Class A shares at NAV	2.98	-11.71	15.46	0.46	32.00	14.45	12.19	-13.53	3.05	3.97
Class R6 shares at NAV	2.98	-11.71	15.72	0.79	32.38	14.81	12.56	-13.22	3.42	4.30
Class Y shares at NAV	3.23	-11.50	15.75	0.73	32.32	14.71	12.48	-13.31	3.33	4.22
S&P Composite 1500 Health Care Index (USD)	7.41	-2.05	22.47	6.71	20.87	14.55	24.85	-3.31	1.92	2.81

### Portfolio characteristics\*

	Fund	Index
No. of holdings	74	166
Top 10 issuers (% of AUM)	46.75	50.83
Wtd. avg. mkt. cap (\$M)	153,390	215,976
Price/earnings	29.40	21.02
Price to book	6.58	4.36
Est. 3 – 5 year EPS growth (%)	13.54	14.26
ROE (%)	14.61	27.76
Long-term debt to capital (%)	43.21	43.73
Operating margin (%)	19.05	22.08

### Risk statistics (5 year)\*

	Fund	Index
Alpha (%)	-2.41	0.00
Beta	1.01	1.00
Sharpe ratio	0.12	0.33
Information ratio	-0.46	0.00
Standard dev. (%)	15.65	14.23
Tracking error (%)	5.89	0.00
Up capture (%)	88.08	100.00
Down capture (%)	102.61	100.00
Max. drawdown (%)	21.99	14.54

## Quarterly performance attribution

### Industry performance analysis (%)

Sector	Allocation effect	Selection effect	Total effect
Biotechnology	-0.10	2.09	1.99
Health Care Distributors	0.39	-0.15	0.23
Health Care Equipment	0.40	0.45	0.85
Health Care Facilities	0.47	0.29	0.77
Health Care Reits	0.14	0.00	0.14
Health Care Services	-0.18	0.40	0.22
Health Care Supplies	0.03	-0.13	-0.09
Health Care Technology	0.07	0.03	0.11
Life Sciences Tools & Services	0.08	0.22	0.31
Managed Health Care	0.71	0.32	1.03
Pharmaceuticals	0.08	0.66	0.74
Cash	0.40	0.00	0.40
<b>Total</b>	<b>0.55</b>	<b>6.15</b>	<b>6.70</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.**

Unless otherwise specified, all information is as of 06/30/25. 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.

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### 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. Developing markets may especially be volatile.

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.

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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.**