

Invesco Health Care Fund

Q1 2025

Key takeaways

- 1 The fund underperformed its benchmark.**

Stock selection in biotechnology, health care services, health care equipment and managed care detracted from relative performance, as did an underweight in health care services.
- 2 The health care sector outperformed the overall US stock market.**

The health care sector outperformed all market sectors except energy during the quarter.
- 3 We are less bearish on the health care sector.**

The health care sector has in our view served as a defensive “port” in the “storm” of recent market volatility. We also observed an easing of some industry-specific headwinds during the quarter.

Investment objective

The fund seeks long-term growth of capital.

Fund facts

Fund AUM (\$M)	1,226.29
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Portfolio managers

Justin Livengood

Manager perspective and outlook

- US stocks fell in the first quarter amid considerable volatility and economic uncertainty. The health care sector outperformed the overall US equity market and outperformed all sectors except energy.
- We are less bearish on the sector, as health care has in our view served as a defensive “port” in the “storm” of recent market volatility. Also, we observed an easing of some industry-specific headwinds throughout the quarter.
- During the period, we added defensive exposure to the portfolio, including areas such as high-quality health care equipment, large-cap biotech, commercial-stage biotech, royalty revenue-driven pharmaceuticals, managed care, distribution, diagnostics and health care technology.
- We have continued to see healthy volumes for medical procedures and hospital utilization, along with positive trends at health care distributors.
- We have been monitoring potential headwinds from tighter spending on health care capital equipment, constrained biopharma research budgets, tariff policy pressure on profit margins, and potential reimbursement risk for health care providers 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 in order to evaluate company management, identify growth prospects and manage risk.



Top issuers

(% of total net assets)

	Fund	Index
Boston Scientific Corp	8.93	2.60
Eli Lilly & Co	8.73	11.38
UnitedHealth Group Inc	6.34	8.43
Stryker Corp	4.55	2.24
AbbVie Inc	4.27	6.47
Vertex Pharmaceuticals Inc	4.16	2.18
Cencora Inc	4.12	0.84
Intuitive Surgical Inc	4.04	3.09
Abbott Laboratories	2.81	4.03
Argenx SE	2.18	0.00

As of 03/31/25. Holdings are subject to change and are not buy/sell recommendations.

Portfolio positioning

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

Within health care equipment, we added IDEXX Laboratories and Kestra Medical Technologies. In biotechnology, we added BridgeBio and Revolution Medicines and sold Amgen, Crinetics Pharmaceuticals, Ultragenyx Pharmaceutical, Viking Therapeutics and Regeneron. In pharmaceuticals, we added Royalty Pharma, Sandoz and Ligand Pharmaceuticals and sold Intra-Cellular Therapies, Merck and Collegium Pharmaceuticals. In managed care, we bought Molina Healthcare and Alignment Healthcare. In life science tools & services, we bought BioLife Solutions. In health care facilities, we sold Brookdale Senior Living. In health care distributors, we bought McKesson. In health care supplies, we sold Cooper Cos. and RxSight. In health care services, we bought Guardant Health and sold Cigna. In health care technology, we bought Waystar and Doximity.

First quarter 2025 additions:

IDEXX Laboratories makes veterinary, livestock and water testing diagnostic tests, instruments and software.

Kestra Medical Technologies makes wearable cardiac monitors and defibrillators.

BridgeBio makes therapies for genetic diseases and cancers.

Revolution Medicines is a clinical-stage oncology company.

Royalty Pharma co-funds late-stage clinical trials.

Sandoz makes generic and bio-similar biopharma medicines.

Ligand Pharmaceuticals invests in royalty assets with revenue streams from treatments for cancer, kidney disease, diabetes and other rare diseases.

Molina Healthcare provides health insurance across Medicaid, Medicare and state insurance marketplaces.

Alignment Healthcare provides health insurance through Medicare Advantage plans.

BioLife Solutions supplies biopharma tools and services.

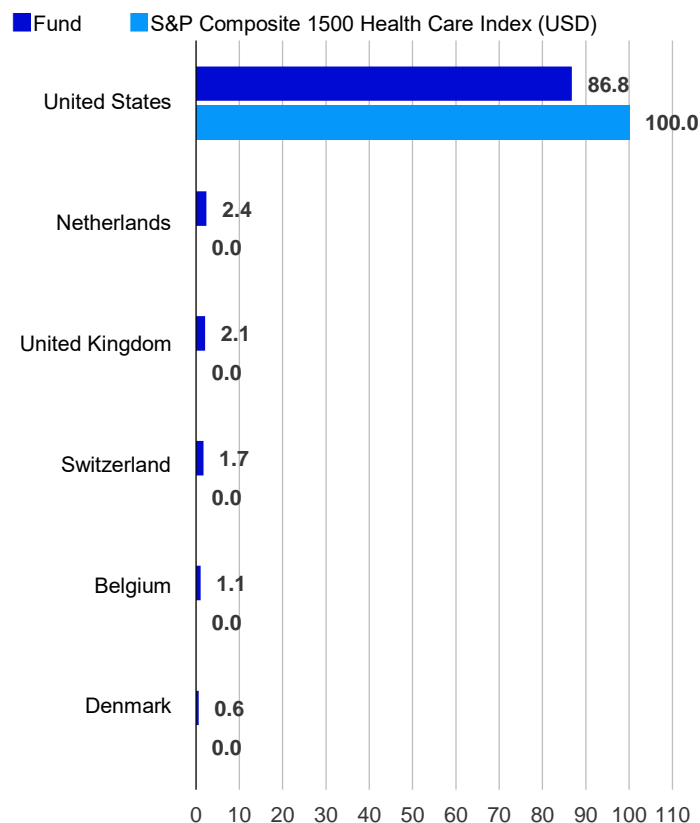
McKesson provides pharmaceutical distribution, medical supplies and health care services.

Guardant Health provides blood-based diagnostic and monitoring tests for cancer treatment.

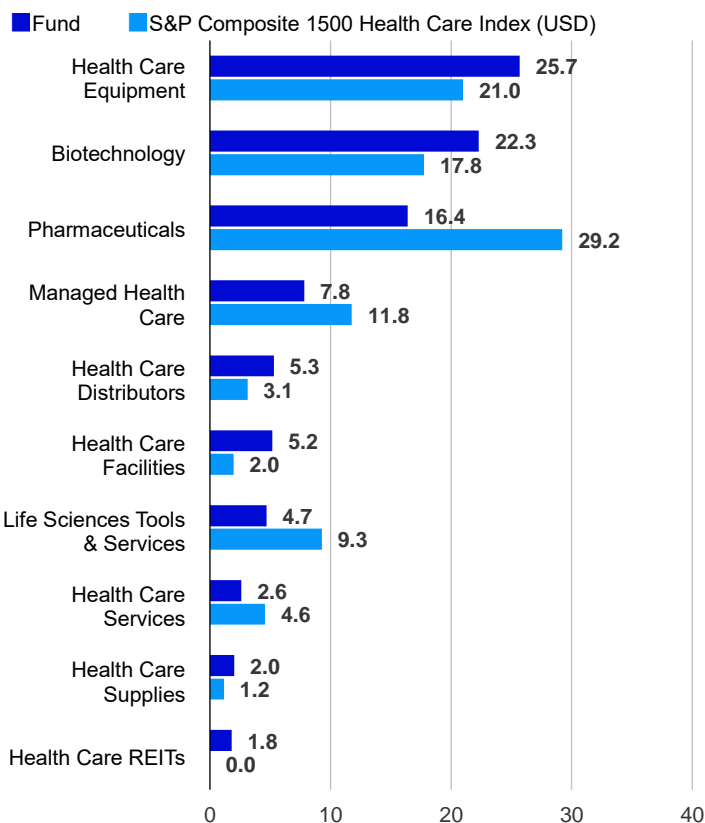
Waystar provides cloud-based systems to manage information for patients and health care providers.

Doximity provides an on-line social network and services connecting health care professionals.

Top countries (% of total net assets)



Top industries (% of total net assets)



Top contributors (%)

Issuer	Return	Contrib. to return
Boston Scientific Corporation	12.94	1.02
Cencora, Inc.	24.05	0.71
Vertex Pharmaceuticals Incorporated	20.39	0.67
AbbVie Inc.	19.04	0.55
Eli Lilly and Company	7.17	0.52

Top detractors (%)

Issuer	Return	Contrib. to return
Vaxcyte, Inc.	-53.87	-0.36
Glaukos Corporation	-34.36	-0.27
Intuitive Surgical, Inc.	-5.11	-0.25
Danaher Corporation	-10.56	-0.23
RadNet, Inc.	-28.81	-0.16

Performance highlights

Stock selection in biotechnology, health care services, equipment and managed care detracted from relative performance. An underweight in health care services also detracted.

Stock selection in pharmaceuticals, health care distributors and supplies added to relative return. An underweight in life sciences tools & services and overweights in biotechnology and health care REITs also added to relative performance.

Contributors to performance

Boston Scientific makes surgical devices and medical equipment to treat cardiovascular, gastrointestinal and pulmonological conditions. The stock rallied following the announcement of its intent to acquire Bolt Medical (not a fund holding), which makes a laser-based platform to treat coronary and peripheral artery disease. Boston Scientific continued to report positive results.

Cencora distributes pharmaceuticals, medical supplies and health care equipment, while also providing services to health care providers, manufacturers and pharmacies. The stock advanced on better-than-expected earnings and guidance, driven by continued positive trends in health care utilization, prescription distribution growth and demand for GLP-1 obesity treatments.

Vertex Pharmaceuticals is a large-cap biotechnology company that makes treatments for cystic fibrosis, viral infections, bacterial infections, influenza, rheumatoid arthritis, cancer, inflammatory bowel disease, pain and multiple sclerosis. The stock rose following FDA approval of the company's non-opioid pain treatment, Journavx.

Detractors from performance

Vaxcyte makes vaccines and therapies to prevent and treat bacterial infectious diseases. The stock declined on weaker-than-expected Phase 2 clinical trial results for its VAX-24 pneumococcal conjugate vaccine candidate for healthy infants.

Glaukos makes therapies to treat glaucoma, corneal disorders and retinal diseases. The stock declined on concerns about increased competition in minimally invasive glaucoma surgery (MIGS) devices and sustained-release drug implants. The market's rotation away from high growth, high valuation stocks also pressured the share price.

Intuitive Surgical makes robotic surgical equipment. The stock declined on concerns about the potential impact of tariffs on the company's imports into the US from manufacturing facilities in Mexico. The market's rotation away from high growth, high valuation stocks also pressured the share price.

Standardized performance (%) as of March 31, 2025

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
Class A shares inception: 08/07/89	NAV	3.58	3.58	-2.41	1.52	8.09	4.68	9.90
	Max. Load 5.5%	-2.11	-2.11	-7.78	-0.38	6.87	4.09	9.72
Class R6 shares inception: 04/04/17	NAV	3.67	3.67	-2.08	1.87	8.46	4.95	-
Class Y shares inception: 10/03/08	NAV	3.64	3.64	-2.15	1.78	8.37	4.94	9.32
S&P Composite 1500 Health Care Index (USD)		5.54	5.54	-0.13	3.29	11.91	9.02	-
Total return ranking vs. Morningstar Health category (Class A shares at NAV)		-	-	36% (59 of 175)	39% (73 of 165)	55% (88 of 149)	64% (83 of 117)	-

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	79	167
Top 10 issuers (% of AUM)	51.46	53.22
Wtd. avg. mkt. cap (\$M)	183,884	249,847
Price/earnings	32.29	24.03
Price to book	6.07	4.66
Est. 3 – 5 year EPS growth (%)	16.53	14.95
ROE (%)	14.95	19.65
Long-term debt to capital (%)	41.06	44.49
Operating margin (%)	19.62	21.79

Risk statistics (5 year)*

	Fund	Index
Alpha (%)	-3.65	0.00
Beta	1.05	1.00
Sharpe ratio	0.33	0.62
Information ratio	-0.69	0.00
Standard dev. (%)	16.68	14.95
Tracking error (%)	5.55	0.00
Up capture (%)	88.82	100.00
Down capture (%)	106.27	100.00
Max. drawdown (%)	21.99	13.86

Quarterly performance attribution

Industry performance analysis (%)

Sector	Allocation effect	Selection effect	Total effect
Biotechnology	0.32	-1.59	-1.28
Health Care Distributors	0.14	0.16	0.30
Health Care Equipment	-0.12	-0.62	-0.75
Health Care Facilities	0.07	-0.01	0.06
Health Care Reits	0.23	0.00	0.23
Health Care Services	-0.32	-0.67	-0.99
Health Care Supplies	-0.13	0.35	0.22
Health Care Technology	-0.09	0.01	-0.09
Life Sciences Tools & Services	0.67	0.00	0.67
Managed Health Care	-0.04	-0.24	-0.29
Pharmaceuticals	-0.01	0.37	0.36
Cash	-0.20	0.00	-0.20
Total	0.03	-1.78	-1.75

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 03/31/25. 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.

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.

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.