

# Invesco Comstock Fund

## Q4 2023

## Key takeaways

- 1 The fund underperformed the Russell 1000 Value Index**  
Stock selection in financials, information technology (IT) and consumer staples boosted relative return. Stock selection in industrials, materials and consumer discretionary, an underweight in real estate, and an overweight in energy detracted.
- 2 Fund activity**  
Portfolio activity was somewhat muted for the quarter. We added one new holding to the portfolio but had no full eliminations. Notable additions and reductions to existing holdings were not concentrated in any particular sector.
- 3 Normalizing interest rates would likely benefit value stocks**  
Although value stocks underperformed the broad market in 2023, we believe lower chance of a recession should benefit value stocks in the near term, while an environment of moderate interest rates/inflation would be a long-term tailwind.

### Investment objective

The fund seeks total return through growth of capital and current income.

### Fund facts

Fund AUM (\$M)	10,583.12
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### Portfolio managers

Devin Armstrong, Kevin Holt, Jay Warwick

## Manager perspective and outlook

- Energy was the only sector within the Russell 1000 Value Index to have a negative return. Real estate, financials and information technology had the largest returns.
- The Federal Reserve (Fed) kept rates steady at its mid-December meeting and signaled there could be three rate cuts in 2024. Chairman Powell noted that "our policy rate is likely at or near its peak for this tightening cycle," which prompted a strong equity rally into year end.
- Normalizing interest rates should, in our view, reduce the risk of a deep recession, given relatively strong consumer demand and a robust job market.
- The full effects of the Fed's monetary tightening have not yet made their way through the economy. Tighter bank lending standards and rising corporate defaults could be a signal that the US economy may weaken in the second half of 2024.
- Of the S&P 500 companies issuing earnings guidance for the fourth quarter of 2023, 65% issued negative guidance. In addition, expectations for corporate profit for S&P 500 companies have fallen almost 6% since September, apparently eroding investor confidence that earnings growth will continue into 2024.
- OPEC's cut in oil production and reduced refining capacity due to closures on the US west coast have acted as a "floor" for oil prices. However, toward quarter end, consumer demand for gas declined, showing potential for oil price weakness heading into 2024.



For more information, including prospectus and factsheet, please visit [Invesco.com/ACSTX](https://www.invesco.com/ACSTX)

Please keep in mind that high, double-digit returns are highly unusual and cannot be sustained.

Not a Deposit Not FDIC Insured Not Guaranteed by the Bank May Lose Value  
Not Insured by any Federal Government Agency

## Top issuers

(% of total net assets)

	Fund	Index
Wells Fargo & Co	2.76	0.89
Meta Platforms Inc	2.71	0.00
Microsoft Corp	2.49	0.00
Philip Morris International Inc	2.49	0.72
Bank of America Corp	2.49	1.15
American International Group Inc	2.24	0.24
Chevron Corp	2.14	1.27
Elevance Health Inc	2.10	0.48
State Street Corp	1.93	0.12
QUALCOMM Inc	1.86	0.10

As of 12/31/23. Holdings are subject to change and are not buy/sell recommendations.

## Portfolio positioning

We added one new holding to the portfolio but had no full eliminations. Notable additions and reductions to existing holdings were not concentrated in any particular sector. At quarter end, the fund was overweight in IT and communication services, and to a lesser extent, energy and consumer staples, compared to the Russell 1000 Value Index. Conversely, the fund was underweight in real estate, utilities, industrials and materials.

### Additions to existing positions

**Charter Communications:** We added to this cell tower company on share price weakness due to management guidance indicating a substantial increase in its capital spending for network upgrades that would last until 2025.

**Sysco:** We added to this wholesale food distributor, taking advantage of share price weakness resulting from two quarters of negative earnings guidance, which management attributed to the effect of slowing inflation on pricing power and declining demand.

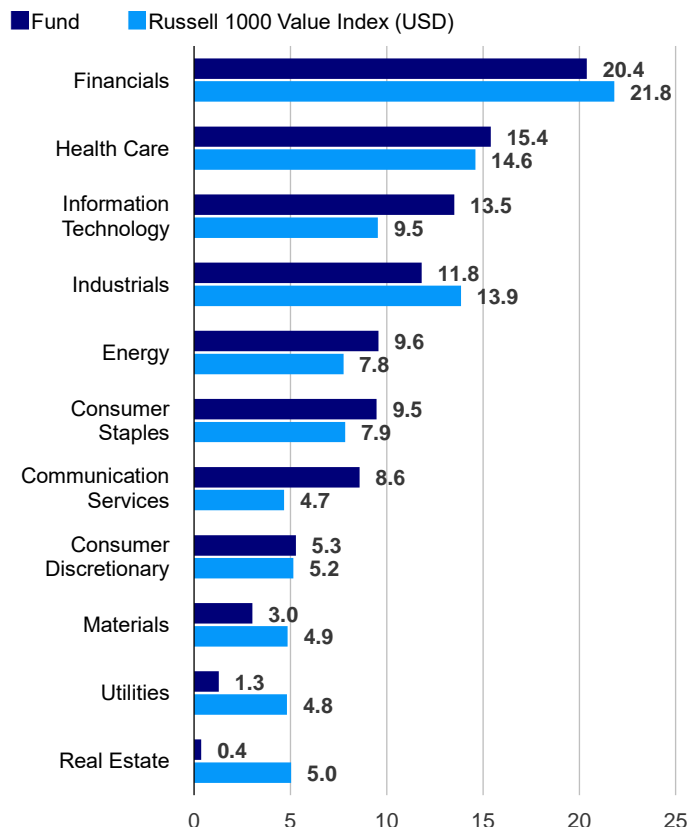
**Coca-Cola and Keurig Dr. Pepper:** We added to both positions on weakness resulting from apparent concerns that weight loss drugs like Ozempic and Wegovy will cause customers to consume fewer calories, concerns that we believe are overblown.

### Notable reductions to existing positions

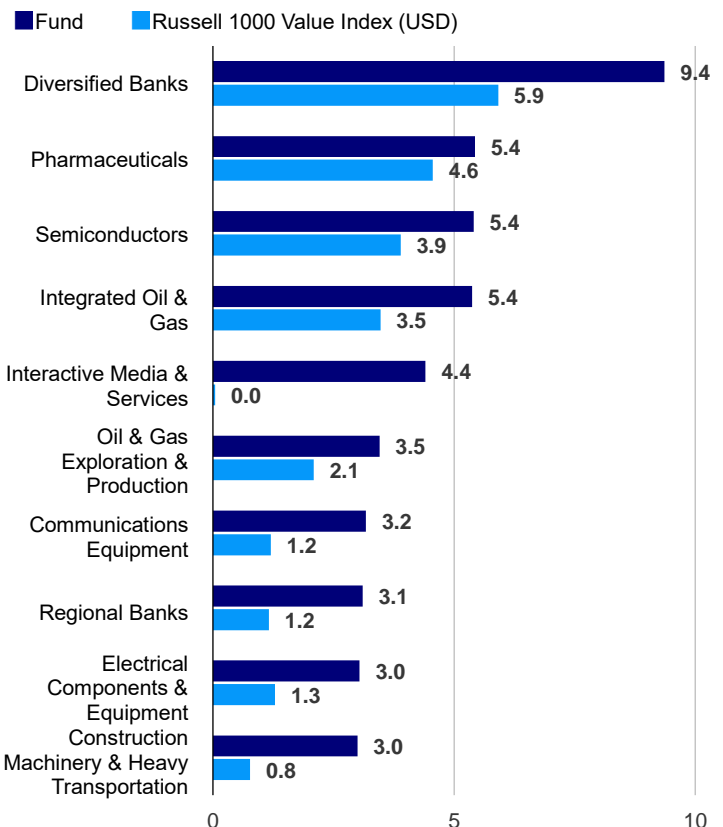
**ConocoPhillips and Pioneer Natural Resources:** We reduced these positions based on increased valuation as energy stocks rebounded through mid-October along with oil prices. Energy stocks and oil prices subsequently trended lower and declined for the full quarter.

**T-Mobile:** We reduced this position based on recent strength in the stock price as T-Mobile outpaced its industry on customer and service revenue growth and reported the highest cash flow in company history in the third quarter.

## Sector breakdown (% of total net assets)



## Top industries (% of total net assets)



## Top contributors (%)

Issuer	Return	Contrib. to return
Intel Corporation	41.82	0.57
Wells Fargo & Company	21.50	0.54
Bank of America Corporation	23.94	0.53
QUALCOMM Incorporated	31.04	0.50
Microsoft Corporation	19.34	0.48

## Top detractors (%)

Issuer	Return	Contrib. to return
Chevron Corporation	-10.60	-0.34
Exxon Mobil Corporation	-14.19	-0.21
Sanofi	-7.29	-0.17
Suncor Energy Inc.	-5.67	-0.13
Cisco Systems, Inc.	-5.34	-0.12

## Performance highlights

Stock selection in financials, IT and consumer staples boosted relative return. Stock selection in industrials, materials and consumer discretionary, an underweight in real estate, and an overweight in energy detracted.

### Contributors to performance

**Financials:** Stock selection in financials, notably within banks and insurance companies, added to relative return. Among banks, regional bank **Fifth Third Bancorp** and large money center bank **Wells Fargo** were the top performers. Banks generally performed well, with many reporting earnings that outpaced analyst estimates. Within insurance, overweights in **Allstate** and **American International Group (AIG)** were the top contributors.

**Information technology:** Stock selection and an overweight in IT stocks assisted relative return. Most notably, within semiconductor companies, **Intel**, **NXP Semiconductors** and **Qualcomm** were large contributors. Semiconductor stocks generally had a robust quarter, with the industry group posting a return above 50%.

**Consumer staples:** Within the consumer staples sector, the fund benefited from not

holding **Proctor & Gamble** and **Walmart** as both companies performed poorly compared to their peers.

### Detractors from performance

**Industrials:** Stock selection in industrials, notably within capital goods, detracted from relative return. Not owning **Boeing** and having an overweight in **Emerson Electric** were leading detractors in the capital goods group. Emerson Electric shares dropped after the company's fiscal fourth quarter earnings and revenue fell short of analyst projections.

**Materials:** In materials, **CF industries** and **International Paper** were notable detractors from relative return. CF Industries reported lower earnings and revenues for the third due to lower nitrogen fertilizer prices.

**Real estate:** Having little exposure to real estate stocks hurt relative performance as that was the quarter's best performing sector. Real estate stocks generally rallied following a major selloff in October.

**Energy:** As energy was the only sector with a negative return for the quarter, the fund's overweight negatively affected relative performance.

## Standardized performance (%) as of December 31, 2023

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 10/07/68	NAV	8.12	12.24	12.24	14.69	13.41	8.90	10.79
	Max. Load 5.5%	2.16	6.07	6.07	12.55	12.13	8.28	10.67
Class R6 shares inception: 09/24/12	NAV	8.20	12.67	12.67	15.12	13.84	9.34	11.35
Class Y shares inception: 10/29/04	NAV	8.19	12.53	12.53	14.98	13.69	9.17	8.50
Russell 1000 Value Index (USD)		9.50	11.46	11.46	8.86	10.91	8.40	-
Total return ranking vs. Morningstar Large Value category (Class A shares at NAV)		-	-	44% (499 of 1220)	4% (37 of 1136)	19% (158 of 1080)	33% (232 of 825)	-

Expense ratios per the current prospectus: Class A: Net: 0.82%, Total: 0.82%; Class R6: Net: 0.45%, Total: 0.45%; Class Y: Net: 0.57%, Total: 0.57%.

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. 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 (%)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Class A shares at NAV	9.12	-5.93	17.83	17.77	-12.24	25.34	-0.79	33.32	0.81	12.24
Class R6 shares at NAV	9.56	-5.52	18.32	18.33	-11.88	25.82	-0.38	33.84	1.17	12.67
Class Y shares at NAV	9.39	-5.69	18.08	18.11	-12.02	25.65	-0.56	33.70	1.04	12.53
Russell 1000 Value Index (USD)	13.45	-3.83	17.34	13.66	-8.27	26.54	2.80	25.16	-7.54	11.46

### Portfolio characteristics\*

	Fund	Index
No. of holdings	79	849
Top 10 issuers (% of AUM)	23.22	16.62
Wtd. avg. mkt. cap (\$M)	226,319	139,002
Price/earnings	14.24	16.05
Price to book	2.07	2.35
Est. 3 – 5 year EPS growth (%)	8.11	6.62
ROE (%)	16.62	15.42
Long-term debt to capital (%)	39.52	39.98
Operating margin (%)	19.97	19.21

### Risk statistics (5 year)\*

	Fund	Index
Alpha (%)	1.63	0.00
Beta	1.12	1.00
Sharpe ratio	0.53	0.48
Information ratio	0.48	0.00
Standard dev. (%)	21.62	18.93
Tracking error (%)	5.17	0.00
Up capture (%)	121.53	100.00
Down capture (%)	102.37	100.00
Max. drawdown (%)	32.33	26.73

## Quarterly performance attribution

### Sector performance analysis (%)

Sector	Allocation effect	Selection effect	Total effect
Communication Services	0.05	-0.16	-0.11
Consumer Discretionary	0.01	-0.25	-0.24
Consumer Staples	-0.09	0.26	0.17
Currency Forward	-0.05	0.00	-0.05
Energy	-0.33	0.09	-0.25
Financials	-0.14	0.82	0.68
Health Care	-0.04	-0.16	-0.20
Industrials	-0.08	-0.71	-0.79
Information Technology	0.18	0.23	0.41
Materials	0.01	-0.26	-0.25
Real Estate	-0.33	0.03	-0.30
Utilities	0.02	-0.02	0.01
Cash	-0.21	0.00	-0.21
<b>Total</b>	<b>-0.99</b>	<b>-0.13</b>	<b>-1.12</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 12/31/23. Unless stated otherwise, Index refers to Russell 1000 Value Index (USD).

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.

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#### About risk

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

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.

Investments in real estate related instruments may be affected by economic, legal, or environmental factors that affect property values, rents or occupancies of real estate.

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.

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.

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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#### 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.**