

# Invesco Main Street Fund

## Q4 2023

## Key takeaways

- 1 The fund underperformed its benchmark**

Underperformance mainly resulted from stock selection in the consumer staples, consumer discretionary and energy sectors. Stock selection in the industrials, financials and communication services sectors were key contributors to relative results.
- 2 Portfolio activity**

There was no significant change to overall positioning as we sought to keep most sector, factor and other macro-related exposures similar to the S&P 500 Index. Within that context, portfolio activity was above historical average due to changes in the risk-reward profiles of certain companies.
- 3 US equities rallied on anticipation of interest rate cuts**

Stocks rallied as favorable inflation news stoked investor optimism that the Federal Reserve (Fed) would soon reduce interest rates. Fed Chair Powell shared the Fed's expectations for an economic "soft landing" versus a recession.

### Investment objective

The fund seeks capital appreciation.

### Fund facts

Fund AUM (\$M) 9,661.93

### Portfolio managers

Manind Govil, Benjamin Ram

## Manager perspective and outlook

- Stocks rallied in the fourth quarter as favorable inflation news fueled optimism that the Fed would soon cut interest rates. Fed Chair Powell affirmed this sentiment in mid-December when he acknowledged a shift in policy discussions toward the likelihood of cutting interest rates in 2024, while not ruling out more near-term hikes if inflation reaccelerates. He also shared the Fed's expectations for an economic "soft landing" versus recession.
- Alongside good inflation news, economic growth moderated in the fourth quarter and some forward-looking manufacturing indicators turned negative. Employment and wage gains slowed but stayed positive. With wage growth generally higher than inflation, consumers recovered some recent losses in inflation-adjusted real income, which supported year-over-year gains in holiday spending.
- Regardless of market sentiment and near-term economic trends, our investment process favors better-managed companies with strong balance sheets and competitive positioning. While falling interest rates (if recent trends persist) do help more highly leveraged companies at the margin, this benefit depends on timing windows and all-in costs for debt refinancing. Slower inflation should, in our view, tilt the pricing advantage back to stronger competitors who provide greater customer value and can achieve higher pricing for their goods and services.



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

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
Microsoft Corp	8.12	6.98
Apple Inc	5.80	7.03
Alphabet Inc	3.96	3.82
Amazon.com Inc	3.80	3.45
NVIDIA Corp	3.51	3.06
Meta Platforms Inc	2.84	1.96
Exxon Mobil Corp	2.68	1.00
JPMorgan Chase & Co	2.41	1.23
Constellation Brands Inc	2.39	0.10
Boeing Co/The	2.29	0.37

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

## Portfolio positioning

We maintain our valuation discipline and our focus on companies with competitive advantages and skilled management teams that we believe are executing better than their peers. These companies historically tend to have higher profit margins and returns on invested capital, rising market shares and consistently strong pricing power. As of quarter end, all sector weights were within +/- 5% of the S&P 500 Index.

The largest new purchases during the quarter included the following companies:

**Philip Morris** is a leader in reduced risk tobacco products. Its IQOS and Zyn brands have had higher profit margins than legacy combustible products and have been growing faster. We view the stock's valuation as attractive and believe it is supported by a strong dividend.

**Verizon** has been deleveraging due to improved operating metrics and free cash flow generation, helped by its industry's stable competitive environment. We viewed valuation as being attractive after the stock underperformed.

**Texas Instruments** has experienced apparent negative investor sentiment given an aggressive capital investment plan and has underperformed its peers, a scenario we believe should reverse as gross profit margins and free cash flow shift to an upward trend.

**Marathon Oil** was bought in place of **Schlumberger**, which we exited, because we view Marathon Oil as having a favorable risk-reward profile in the energy sector.

**Autodesk** is a leader in software design tools, with double-digit revenue growth and high operating margins, yet trades at a discount to its peers. We believe the company has a sustainable competitive advantage with high switching costs given its large data sets spanning multiple decades.

The largest positions sold during the quarter included the following companies:

**Coca-Cola** was sold due to concerns about secular growth challenges for carbonated soft drinks, which account for about 75% of the company's volumes. This is especially challenging in the US and other developed markets.

**Synopsys** stock reached our expected upside valuation.

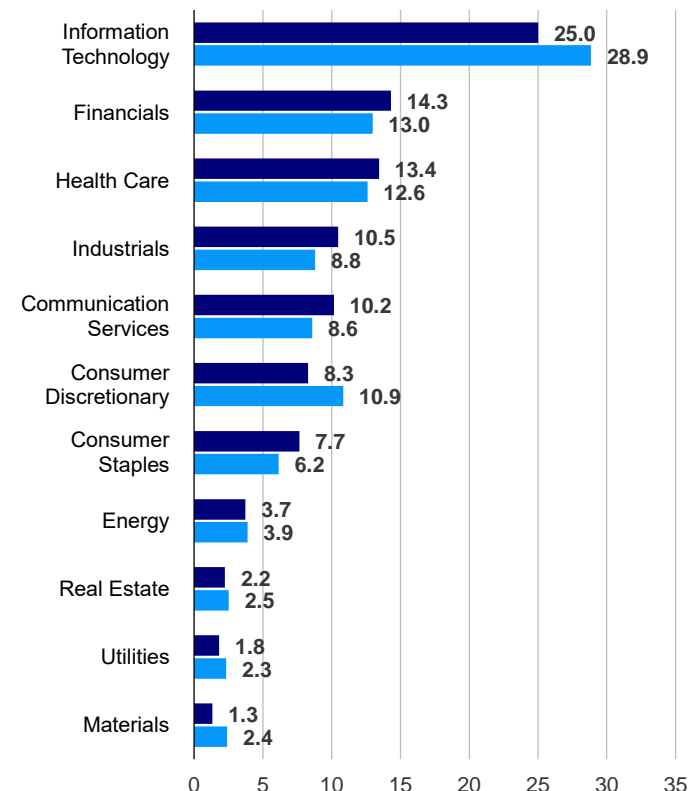
**Vulcan Materials** was sold to purchase **CRH**, which we viewed as having a better risk-reward profile with similar exposure to the construction industry and infrastructure projects.

**Astrazeneca** was sold due to increased caution regarding pharmaceutical companies in an election year.

**Taiwan Semiconductor** was sold to purchase **Texas Instruments**.

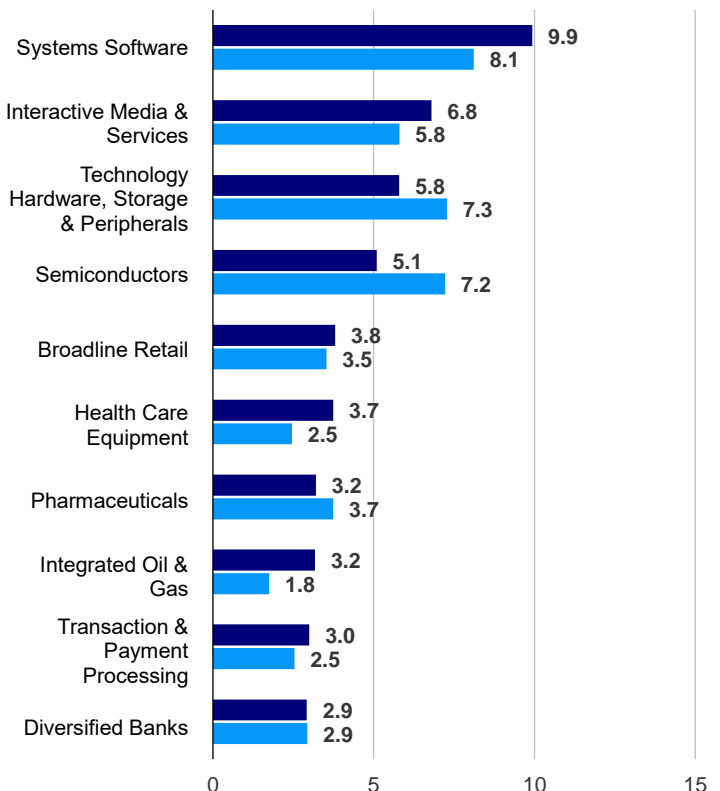
## Sector breakdown (% of total net assets)

■ Fund ■ S&P 500 Index (USD)



## Top industries (% of total net assets)

■ Fund ■ S&P 500 Index (USD)



## Top contributors (%)

Issuer	Return	Total effect
Boeing Company	35.99	0.42
Equifax Inc.	35.25	0.29
American Express Company	26.08	0.23
Charles Schwab Corporation	25.90	0.23
ServiceNow, Inc.	26.39	0.21

## Top detractors (%)

Issuer	Return	Total effect
Exxon Mobil Corporation	-14.19	-0.57
Constellation Brands, Inc.	-3.45	-0.37
Broadcom Inc.	0.00	-0.23
United Parcel Service, Inc.	2.06	-0.18
Schlumberger N.V.	-9.37	-0.17

## Performance highlights

The fund's Class A shares at net asset value (NAV) returned 10.84% for the quarter, underperforming the S&P 500 Index, which returned 11.69%. The fund's underperformance mainly resulted from stock selection in the consumer staples, consumer discretionary and energy sectors. Stock selection in the industrials, financials and communication services sectors were key contributors to relative results.

### Contributors to performance

**Boeing** outperformed as the company showed progress addressing manufacturing issues related to its 737-MAX airplane. However, after quarter end, there was another MAX plane incident, and it remains to be determined if that might materially affect Boeing's previous progress.

**Equifax** outperformed in the fourth quarter after underperforming during the first three quarters of the year. This was mainly due to a decline in interest rates, which could increase loan applications. The company is likely sensitive to increased lending as more loan

applications should, in our view, increase the company's earnings.

**American Express** rallied as declining interest rates appeared to increase conviction for a soft economic landing, which we believe should benefit its credit card business.

### Detractors from performance

**ExxonMobil** and the energy sector in general underperformed as oil prices declined and market leadership rotated into areas that had previously underperformed.

**Constellation Brands** underperformed due to higher raw material costs affecting profit margins and apparent concerns that volume growth may decelerate compared to previous strong market share gains.

**UPS** appeared to dissappoint investors with a mixed earnings report and weak outlook as the new Teamsters contract came with elevated cost pressures. The company also lost market share from customers who sought to avoid a potential labor disruption prior to the deal's completion.

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

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 02/03/88	NAV	10.84	23.06	23.06	7.83	13.60	9.95	11.09
	Max. Load 5.5%	4.75	16.29	16.29	5.81	12.32	9.33	10.91
Class R6 shares inception: 12/29/11	NAV	10.90	23.42	23.42	8.16	13.97	10.36	12.53
Class Y shares inception: 11/01/96	NAV	10.89	23.34	23.34	8.07	13.85	10.20	8.35
S&P 500 Index (USD)		11.69	26.29	26.29	10.00	15.69	12.03	-
Total return ranking vs. Morningstar Large Blend category (Class A shares at NAV)		-	-	56% (831 of 1432)	76% (994 of 1302)	70% (823 of 1197)	72% (639 of 903)	-

Expense ratios per the current prospectus: Class A: Net: 0.80%, Total: 0.80%; Class R6: Net: 0.49%, Total: 0.49%; 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. As the result of a reorganization on May 24, 2019, the returns of the fund for periods on or prior to May 24, 2019 reflect performance of the Oppenheimer predecessor fund. Share class returns will differ from the predecessor fund due to a change in expenses and sales charges. 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	10.46	3.12	11.41	16.74	-7.89	31.94	14.37	27.60	-20.17	23.06
Class R6 shares at NAV	10.95	3.55	11.90	17.19	-7.52	32.48	14.74	28.02	-19.92	23.42
Class Y shares at NAV	10.72	3.36	11.70	16.99	-7.66	32.23	14.63	27.88	-19.98	23.34
S&P 500 Index (USD)	13.69	1.38	11.96	21.83	-4.38	31.49	18.40	28.71	-18.11	26.29

### Portfolio characteristics\*

	Fund	Index
No. of holdings	65	503
Top 10 issuers (% of AUM)	37.81	30.86
Wtd. avg. mkt. cap (\$M)	721,390	721,160
Price/earnings	21.74	22.71
Price to book	4.38	4.32
Est. 3 – 5 year EPS growth (%)	12.58	11.00
ROE (%)	24.47	25.68
Long-term debt to capital (%)	43.55	40.53
Operating margin (%)	23.25	23.14

### Risk statistics (5 year)\*

	Fund	Index
Alpha (%)	-1.40	0.00
Beta	0.96	1.00
Sharpe ratio	0.65	0.75
Information ratio	-0.77	0.00
Standard dev. (%)	18.06	18.52
Tracking error (%)	2.72	0.00
Up capture (%)	85.17	100.00
Down capture (%)	97.69	100.00
Max. drawdown (%)	25.98	23.87

### Quarterly performance attribution

#### Sector performance analysis (%)

Sector	Allocation effect	Selection effect	Total effect
Communication Services	-0.11	0.26	0.15
Consumer Discretionary	-0.01	-0.12	-0.13
Consumer Staples	-0.10	-0.48	-0.58
Energy	-0.03	-0.39	-0.42
Financials	0.01	0.30	0.32
Health Care	-0.01	0.06	0.05
Industrials	0.02	0.48	0.50
Information Technology	-0.12	-0.10	-0.22
Materials	0.01	-0.03	-0.02
Real Estate	-0.04	0.00	-0.04
Utilities	0.01	-0.10	-0.09
Cash	-0.17	0.00	-0.17
<b>Total</b>	<b>-0.53</b>	<b>-0.12</b>	<b>-0.64</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 S&P 500 Index (USD).

Asset allocation/diversification does not guarantee a profit or eliminate the risk of loss.

The S&P 500® Index is an unmanaged index considered representative of the US stock market. An investment cannot be made directly in an index.

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#### About risk

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

Growth stocks tend to be more sensitive to changes in their earnings and can be more volatile.

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.**