Invesco

QUARTERLY REVIEW

A: LCEAX | R6: LCEFX | Y: LCEYX

Invesco Diversified Dividend Fund

Q2 2026

Key takeaways

1 **Narrow market leadership**

Returns within the Russell 1000 Value Index were highly concentrated during the quarter as a small group of artificial intelligence (AI)-related, semiconductor and technology-adjacent companies accounted for a disproportionate share of index performance[1].

2 **Performance reflected the fund's disciplined process**

Relative underperformance primarily reflected the fund's disciplined adherence to dividend, valuation and quality requirements for portfolio holdings, which led us to avoid many of the stocks that drove the benchmark's advance during the quarter.

3 **Positioned for resilience across market environments**

The fund maintained its focus on high quality companies with sustainable free cash flow generation, strong balance sheets and durable competitive advantages, while maintaining exposure to long-term secular growth themes.

Investment objective

The fund seeks long-term growth of capital and, secondarily, current income.

Fund facts

Fund AUM ($M)	10,477.30

Portfolio managers

Peter Santoro, Caroline Le Feuvre, Christopher McMeans, Craig Leopold

Manager perspective and outlook

- US financial markets rebounded in the second quarter, a period marked by intermittent volatility spurred by shifting monetary policy expectations, geopolitics and mixed economic data. Equities rallied through much of April and May, supported by solid corporate earnings, resilient consumer spending and ongoing strength in AI-related industries. Equities then experienced bouts of volatility in June as investors appeared to react to a less accommodative tone from the US Federal Reserve (Fed) and uncertainty tied to Middle East tensions and elevated energy prices.
- Price pressures rose during the quarter. In May, the Fed's preferred inflation measure, Personal Consumption Expenditures (PCE), reached 4.1% year-over-year – its highest level since 2023[1] – driven by earlier energy price spikes and supply disruptions. Still, the economy remained resilient.
- First quarter GDP growth was revised up to 2.1%; second quarter estimates range from 2% to 3%. The labor market remained stable with payroll growth and May unemployment at 4.3%. Consumer spending held firm, supported by income gains and steady employment.
- The Fed left the federal funds rate unchanged in June and adopted a tone suggesting to us tighter monetary policy as it signaled concern about persistent price pressures and removed earlier indications of potential rate cuts. Treasury yields were volatile amid seemingly shifting expectations for Fed policy.

For more information, including prospectus and factsheet, please visit Invesco.com/LCEAX

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 market value)

	Fund	Index
JPMorgan Chase & Co	3.74	2.46
Johnson & Johnson	2.76	1.72
Microsoft Corp	2.57	3.89
Alphabet Inc	2.35	0.00
Cisco Systems Inc	2.27	1.30
Linde PLC	2.17	0.67
Chevron Corp	2.06	0.86
Philip Morris International Inc	2.03	0.79
Wells Fargo & Co	2.00	0.71
UnitedHealth Group Inc	1.93	1.05

As of 06/30/26. Holdings are subject to change and are not buy/sell recommendations.

Portfolio positioning

Compared to the Russell 1000 Value Index, the fund is generally balanced across sectors and industries, with exposure to areas benefiting from long-term secular growth tailwinds, including AI, cloud computing, e-commerce, industrial automation, medical technology, digital infrastructure and electrification. We believe our dual focus on companies generating sustainable free cash flows and having healthy balance sheets gives the fund a quality bias with defensive characteristics that should prove valuable if volatility persists.

Notable Additions

Corning's leadership in optical fiber and connectivity solutions positions it in our view to benefit from rising AI and data center spending. We believe its shift toward higher-growth end markets supports durable earnings growth and enhanced shareholder value creation over time.

Eli Lilly has in our observation leveraged leadership in obesity and diabetes drugs, a robust late-stage product pipeline and significant scale to drive durable earnings growth and create shareholder value.

RTX appears well positioned to benefit from rising global defense budgets, robust demand from commercial aerospace markets and ongoing operational improvements.

Notable Sales

Ross Stores was sold after new management successfully executed the operational turnaround that underpinned our investment thesis. As fundamentals improved, shares appreciated closer to our estimate of full value.

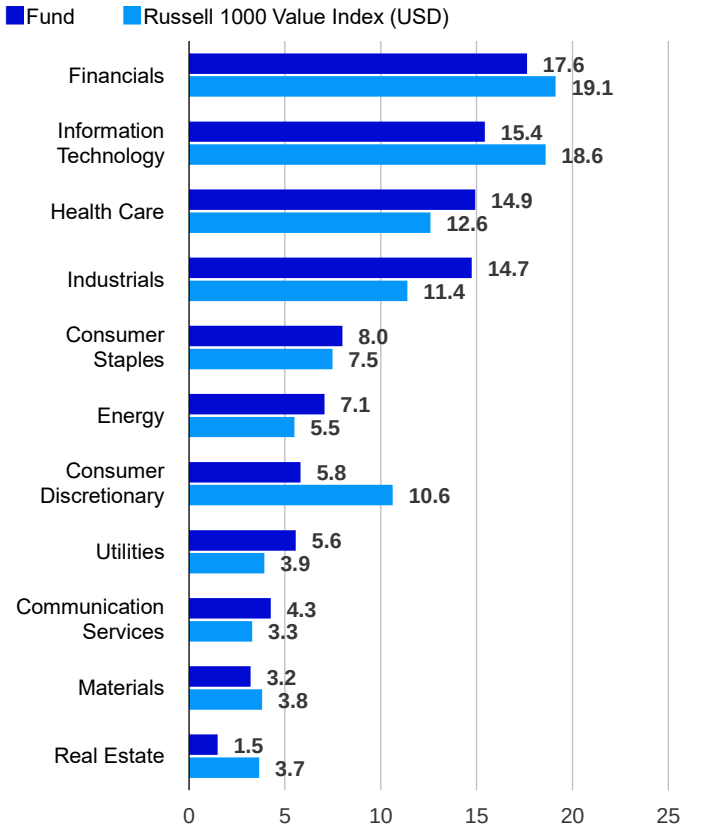
CBOE was sold after strong operating execution and share price appreciation. While we still view the company favorably, the stock price increasingly reflected full value, and we believed prospective upside was more limited.

Intuit was sold because growing uncertainty related to AI disruption and other company specific challenges reduced our confidence that it could achieve our expected return objectives within our investment horizon.

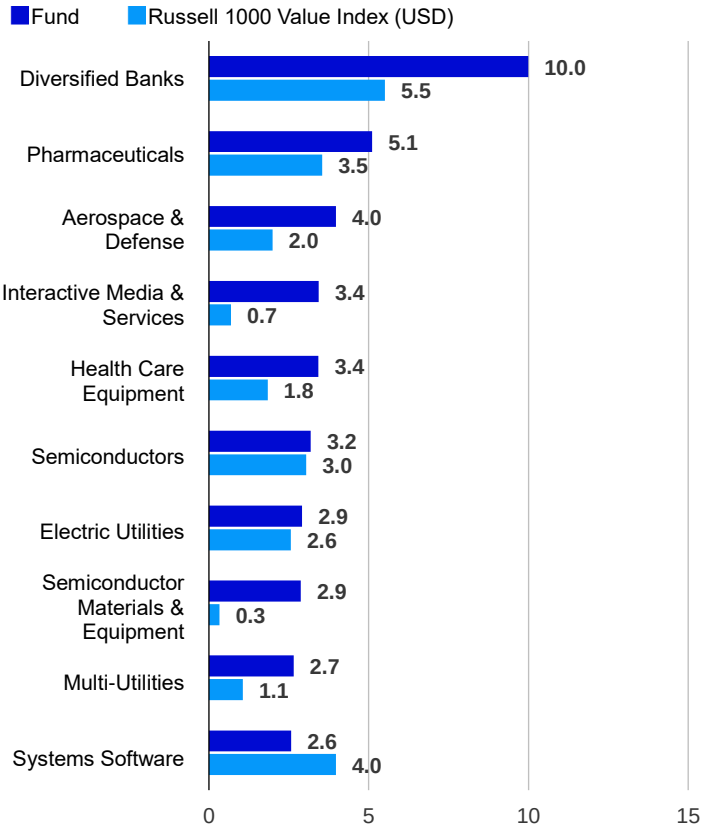
Recent market leadership has been concentrated among a narrow group of lower yielding and non-dividend-paying stocks – particularly semiconductor and other higher growth companies – which has hampered performance relative to the fund's benchmark. Recent changes to the Russell 1000 Value Index may help reduce this headwind to relative results.

We remain committed to the fund's long-term investment philosophy, emphasizing high quality dividend-paying companies with durable free cash flow generation, strong balance sheets, attractive valuations and sustainable dividend growth potential, while maintaining exposure to secular growth opportunities in cloud computing, automation and health care innovation.

Sector breakdown (% of total market value)



Top industries (% of total market value)



Top contributors (%)

Issuer	Return	Contrib. to return
Cisco Systems, Inc.	52.19	0.91
Lam Research Corporation	102.95	0.86
CVS Health Corporation	45.26	0.68
Alphabet Inc.	24.35	0.68
UnitedHealth Group, Inc.	54.47	0.60

Top detractors (%)

Issuer	Return	Contrib. to return
Chevron Corporation	-19.16	-0.55
AT&T Inc.	-27.85	-0.36
ConocoPhillips	-20.67	-0.34
Intuit Inc.	-40.19	-0.34
Northrop Grumman Corporation	-25.01	-0.33

Performance highlights

The fund delivered a positive return during the quarter but underperformed the Russell 1000 Value Index. Relative results reflected a highly concentrated market environment in which a small group of semiconductor and AI-related companies generated a disproportionate share of the benchmark's return[1]. Consistent with its dividend-growth, valuation and quality disciplines, the fund had limited exposure to many of these companies.

Offsetting a portion of this headwind, strong stock selection in materials, communication services and health care, along with an overweight in health care, added to performance.

Contributors to performance

Cisco's shares advanced during the quarter as investors increasingly seemed to recognize the company's role as a key beneficiary of AI infrastructure spending.

Lam Research stock moved higher as accelerating demand for advanced processors and high-bandwidth memory seemingly drove expectations for sustained growth in wafer fabrication equipment spending.

CVS Health shares advanced as investors appeared to gain confidence that operational challenges within the company's insurance business were beginning to stabilize. Improving earnings visibility, progress in addressing Medicare Advantage profit margin pressures and better-than-expected financial results also supported the stock's recovery from depressed valuation levels.

Detractors from performance

Chevron shares declined as markets seemed to begin adjusting to eventual oil supply normalization and potentially lower commodity prices.

AT&T shares declined as concerns about cash flow conversion, competitive intensity in wireless markets, and the company's capital-intensive business model appeared to weigh on investor sentiment.

ConocoPhillips was particularly affected by apparent concerns about future oil prices given its position as a pure upstream (exploration, drilling and production) energy producer with greater sensitivity to commodity prices compared to integrated peers that also have exposure to transportation and processing.

Standardized performance (%) as of June 30, 2026

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
Class A shares inception: 12/31/02	NAV	6.47	6.66	15.82	13.64	9.43	8.82	8.27
	Max. Load 5.5%	0.63	0.77	9.43	11.52	8.20	8.20	8.02
Class R6 shares inception: 09/24/12	NAV	6.57	6.86	16.24	14.05	9.83	9.23	10.52
Class Y shares inception: 10/03/08	NAV	6.47	6.79	16.10	13.92	9.70	9.08	9.97
Russell 1000 Value Index (USD)		13.87	16.26	27.12	17.79	11.17	11.52	-
Total return ranking vs. Morningstar Large Value category (Class A shares at NAV)		-	-	80% (889 of 1108)	80% (846 of 1056)	75% (752 of 995)	93% (773 of 835)	-

Expense ratios per the current prospectus: Class A: Net: 0.83%, Total: 0.83%; Class R6: Net: 0.47%, Total: 0.47%; Class Y: Net: 0.58%, Total: 0.58%.

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. Visit 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.

Calendar year total returns (%)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Class A shares at NAV	14.33	8.20	-7.77	25.02	0.12	18.93	-1.62	8.76	13.14	15.46
Class R6 shares at NAV	14.77	8.64	-7.45	25.58	0.54	19.38	-1.31	9.15	13.47	15.95
Class Y shares at NAV	14.60	8.42	-7.53	25.37	0.39	19.22	-1.42	9.09	13.41	15.73
Russell 1000 Value Index (USD)	17.34	13.66	-8.27	26.54	2.80	25.16	-7.54	11.46	14.37	15.91

Portfolio characteristics*

	Fund	Index
No. of holdings	75	870
Top 10 issuers (% of AUM)	23.88	27.90
Wtd. avg. mkt. cap ($M)	506,051	684,732
Price/earnings	22.17	20.35
Price to book	3.71	3.35
Est. 3 – 5 year EPS growth (%)	12.18	12.20
ROE (%)	20.50	17.71
Long-term debt to capital (%)	43.61	39.02
Operating margin (%)	24.06	21.17

Risk statistics (5 year)*

	Fund	Index
Alpha (%)	-0.70	0.00
Beta	0.86	1.00
Sharpe ratio	0.44	0.51
Information ratio	-0.48	0.00
Standard dev. (%)	13.21	14.93
Tracking error (%)	3.60	0.00
Up capture (%)	75.69	100.00
Down capture (%)	90.28	100.00
Max. drawdown (%)	14.41	17.75

Quarterly performance attribution

Sector performance analysis (%)

Sector	Allocation effect	Selection effect	Total effect
Communication Services	0.33	0.05	0.37
Consumer Discretionary	-0.04	-0.89	-0.93
Consumer Staples	-0.04	0.08	0.04
Energy	-0.26	0.06	-0.19
Financials	0.01	-0.16	-0.15
Health Care	-0.15	0.31	0.16
Industrials	0.05	-0.57	-0.52
Information Technology	-1.57	-4.09	-5.66
Materials	0.13	0.10	0.23
Real Estate	0.10	-0.09	0.01
Utilities	-0.18	-0.01	-0.19
Cash	-0.38	0.00	-0.38
Total	**-2.01**	**-5.21**	**-7.22**

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.**

1 Source: Invesco

Unless otherwise specified, all information is as of 06/30/26. Unless stated otherwise, Index refers to Russell 1000 Value Index (USD).

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

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.

About Risk

Securities that pay high dividends as a group can fall out of favor with the market, causing such companies to underperform companies that do not pay high dividends. Also changes in the dividend policies of the companies and the capital resources available for such companies' dividend payments may affect the fund.

The risks of investing in securities of foreign issuers can include fluctuations in foreign currencies, political and economic instability, and foreign taxation issues.

The Fund's value may be affected by changes in the stock markets. Stock markets may experience significant short-term volatility and may fall or rise sharply at times. Adverse events in any part of the equity or fixed-income markets may have unexpected negative effects on other market segments. Different stock markets may behave differently from each other and U.S. stock markets may move in the opposite direction from one or more foreign stock markets.

The investment techniques and risk analysis used by the portfolio managers may not produce the desired results.

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.

Morningstar

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Before investing, consider the Fund's investment objectives, risks, charges and expenses. Visit invesco.com/fundprospectus for a prospectus/summary prospectus containing this information. Read it carefully before investing.