

Five reasons why Invesco Diversified Dividend Fund can help you build better portfolios



Bryan Richardson
Senior Client Portfolio
Manager

Overview

- Invesco Diversified Dividend Fund seeks to deliver upside participation and better downside preservation over a full market cycle, and is suited to help serve as the foundation of a client's portfolio.
- The fund provides strategic exposure to dividend-payers, promotes holdings and risk diversification, boasts competitive fees, and seeks to provide alpha generation.

Executive summary

When it comes to building portfolios for investors, there is no universally "correct" approach. After all, each client's definition of success is unique, and their specific situations, goals, and risk tolerances must be reflected in the portfolios you create. However, it can be difficult to balance the demands of customized portfolios with the need to run an efficient practice. It's no surprise when financial professionals tell us they are trying to reduce the number of firms they work with, along with the volume of strategies they research, for this very reason.

Today, it's not enough that a fund "checks the box" for a particular style. A strategy's value proposition must be more dynamic for it to serve in a wide range of customized portfolios. We seek to deliver upside participation and better downside preservation over a full market cycle. We believe the fund is uniquely suited to serve as the foundation of your clients' custom portfolio offerings — here are five reasons why:

1. Offers strategic exposure to a vital asset class — dividend payers.
2. Promotes holdings diversification by providing a high-conviction portfolio with low market overlap.
3. Provides risk diversification — its conservative profile may complement more aggressive funds.
4. Boasts competitive fees.
5. Seeks to provide alpha generation.

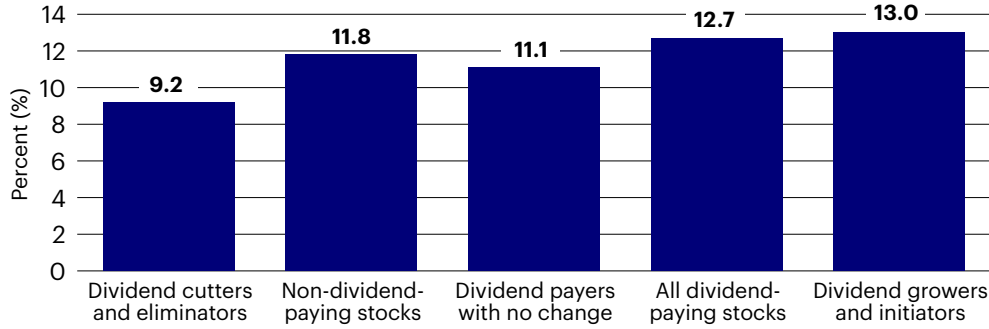
Strategic exposure to a vital asset class — dividend payers

We believe that one of the most important asset classes for investors to consider is dividend value investing because of the potential for dividends to appreciate over time. In addition to providing a stream of income to investors, dividend-paying stocks may help to buffer market volatility and are an important part of total return.

Invesco Diversified Dividend Fund is designed to pursue the market's full total return potential by only owning dividend-paying stocks and emphasizing companies that may grow their dividends.

Dividend growers have historically outperformed

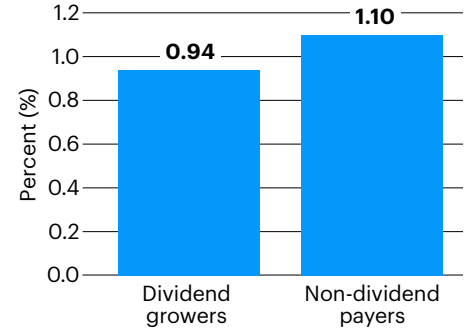
Average Annual Total Returns of the S&P 500 Index by Dividend Policy
50-Year Period Ended December 31, 2024



Source: 2023 Ned Davis Research, Inc. Investments cannot be made directly into an index. All stocks were categorized by the following methodology for total return of each 12-month period over the course of the period from 1/31/1973 – 12/31/2024: Dividend Cutters and Eliminators represents stocks in the S&P 500 that have lowered or eliminated their dividend; Non-Dividend Paying Stocks represents non-dividend paying stocks of the S&P 500; Dividend Payers With No Change represents all dividend-paying stocks of the S&P 500 that have maintained their existing dividend rate; All Dividend-Paying Stocks represents all dividend-paying stocks in the S&P 500; and Dividend Growers and Initiators represents all dividend-paying stocks of the S&P 500 that raised their existing dividend or initiated a new dividend. Past performance does not guarantee future results.

Dividend-paying stocks may help buffer market volatility

Historical beta by dividend policy



Sources: Ned Davis Research Inc., S&P Capital IQ, Compustat, Invesco. Past performance cannot guarantee comparable future results. Beta is a measure of the volatility or systematic risk, of a security or a portfolio in comparison to the market as a whole. Beta for dividend growers and non-dividend payers is based on the S&P 500 Index for rolling ten-year periods using monthly data with the first ten-year time period beginning Jan. 31, 1973 to Dec. 31, 2024.

Holdings diversification — a high-conviction portfolio with low overlap and high active share

When determining how a fund will fit into a portfolio, it's important to know how closely its holdings mirror its peers and benchmark so that you can avoid unintended overexposure to a sector, industry, or stock. Two measures can help determine this: Overlap and active share.

- Overlap measures how many of a fund's holdings mirror an index or another fund. The closer to 0%, the fewer holdings are the same.
- Active share measures how many of a fund's holdings are different from their benchmark index. The closer to 100%, the greater the difference between the fund and the index.

Many of our clients find Invesco Diversified Dividend Fund to be an attractive complement to other managers because it combines a low overlap and high active share:

- The fund's overlap with the S&P 500 Index and Russell 1000 Value Index was 22.30% and 29.70%, respectively, as of March 31, 2025.¹
- The fund's active share was 70.3% versus its benchmark Russell 1000 Value Index, as of March 31, 2025.

As the following chart illustrates, Invesco Diversified Dividend Fund has a consistent history of active share, which goes against the industry trend of becoming more index-centric and, consequently, more similar to one another over time.

History of high active share differentiates fund from benchmark

Invesco Diversified Dividend Fund

Active share vs. Russell 1000 Value Index as of March 31, 2025



1. Sources: Russell, Invesco.

An investment cannot be made directly into an index.

Sources: FactSet Research Systems Inc., StyleADVISOR, Russell, Morningstar Inc. Since strategy inception, December 31, 2002 – March 31, 2025.

Risk diversification — the fund’s conservative profile may complement more aggressive funds

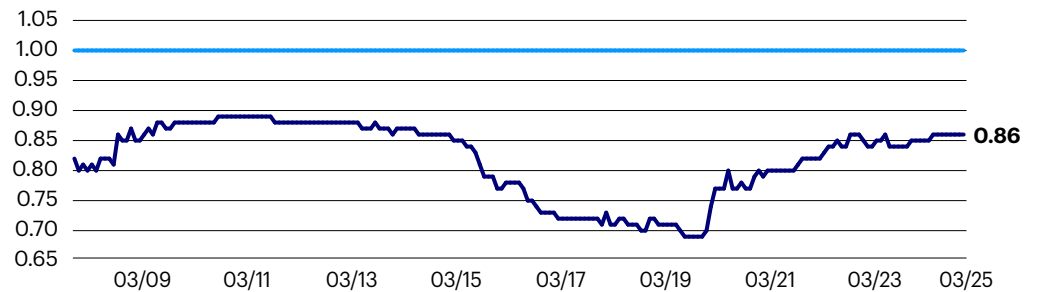
We believe investors can potentially benefit from choosing managers that have performed well at different points in the market cycle. This type of “conservative/aggressive” framework may help create a potentially smoother ride for investors over time. Invesco Diversified Dividend Fund may offer an attractive complement to managers with higher-beta, higher-risk profiles and allows for increased portfolio diversification.

- **Its risk profile has been consistently lower than that of the Russell 1000 Value Index.** Invesco Diversified Dividend Fund’s beta has ranged from 0.69 to 0.90 over time. As a result, this low-risk profile helps free up an investor’s risk budget for other parts of their allocation.

Invesco Diversified Dividend Fund

Historical beta profile

Manager vs. Russell 1000 Value Index Beta
60-month moving windows, computed monthly



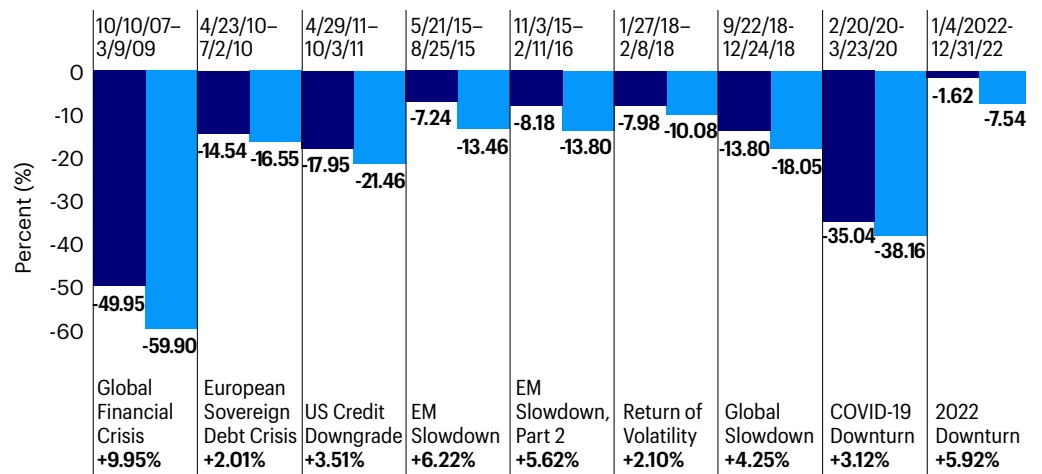
■ Invesco Diversified Dividend Fund Class A shares at NAV
■ Market benchmark: Russell 1000 Value Index

Sources: FactSet Research Systems Inc., StyleADVISOR, as of March 31, 2025.

- **A history of downside preservation.** Invesco Diversified Dividend Fund has outpaced the market in each of the seven largest downturns since 2007 by an average of 4.74%, as seen below.

Preservation: Invesco Diversified Dividend Fund has a history of outperformance in market downturns

Invesco Diversified Dividend Fund vs. Russell 1000 Value Index
Worst market downturns since 2007



■ Invesco Diversified Dividend Fund Class A shares at NAV
■ Market benchmark: Russell 1000 Value Index

An investment cannot be made directly into an index. Past performance cannot guarantee comparable future results.

Downturns		Russell 1000 Value Index (%)	Invesco Diversified Dividend Fund Class A shares at NAV (%)
Global Financial Crisis	10/10/07 – 3/9/09	-59.90	-49.95
European sovereign debt crisis	4/23/10 – 7/2/10	-16.55	-14.54
US Credit downgrade	4/29/11 – 10/3/11	-21.46	-17.95
EM slowdown	5/21/15 – 8/25/15	-13.46	-7.24
EM slowdown, part 2	11/3/15 – 2/11/16	-13.80	-8.18
Return of volatility	1/27/18 – 2/8/18	-10.08	-7.98
Global slowdown	9/22/18 – 12/24/18	-18.05	-13.80
COVID-19 downturn	2/20/20 – 3/23/20	-38.16	-35.04
2022 Downturn	1/4/22 – 12/31/22	-7.54	-1.62
Average		-22.11	-17.37
Average outperformance of Invesco Diversified Dividend Fund			4.74

Sources: Invesco, StyleADVISOR, FactSet Research Systems Inc. Returns shown are cumulative. **Past performance cannot guarantee comparable future results.** Downturns are defined as periods when the Russell 1000 Value Index declined by 10% or more.

Invesco Diversified Dividend Fund: Historical returns

As of March 31, 2025

Average annual total returns (%)	1 year	3 years	5 years	10 years	Since fund inception (12/31/01 to 03/31/25)
Class A shares at NAV	6.77	6.26	14.15	7.64	7.84
Class A shares at max 5.50% load	0.91	4.28	12.87	7.03	7.58
Russell 1000 Value Index	7.18	6.64	16.15	8.79	—

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. Visit invesco.com/performance 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. Index returns do not reflect any fees, expenses or sales charges. Fund performance reflects any applicable fee waivers and/or expense reimbursements. Had fees not been waived and/or expenses reimbursed currently or in the past, returns would have been lower. See current prospectus for more information. Performance shown at NAV does not include the applicable front-end sales charge, which would have reduced the performance.

Competitive fees

Expenses are always an important consideration when building a client's profile — but don't forget the importance of added value, as well. Remember, mutual fund returns are quoted on a net basis, after expenses. We believe that as long as a fund has a consistent history of outperformance, its expense ratio poses less of a concern.

Invesco Diversified Dividend Fund has below-median expense ratios across all share classes. The fund's class A share total expense ratio of 0.82% is lower than the median expense ratio for Morningstar Large Cap Value Funds class A shares of 0.99%, according to Morningstar, Inc. The fund's class Y share expense ratio is 0.57%, which is the intended share class for fee-based platforms. The median expense ratio for Morningstar Large Cap Value Funds is as of the most current prospectus date, with a run date of March 31, 2025.

Potential alpha generation

There are plenty of reports that question the ability of active management to deliver alpha — or excess returns over the market. We disagree. Instead, we believe active managers can potentially outperform over time, even after expenses. To measure consistency, we suggest evaluating a manager's alpha over a full market cycle — which is a bull and bear market combined — as well as over long-term rolling periods, such as five-year cycles.

Invesco Diversified Dividend Fund has historically outpaced its benchmark, the Russell 1000 Value Index, over each of the full market cycles since strategy inception on December 31, 2002.

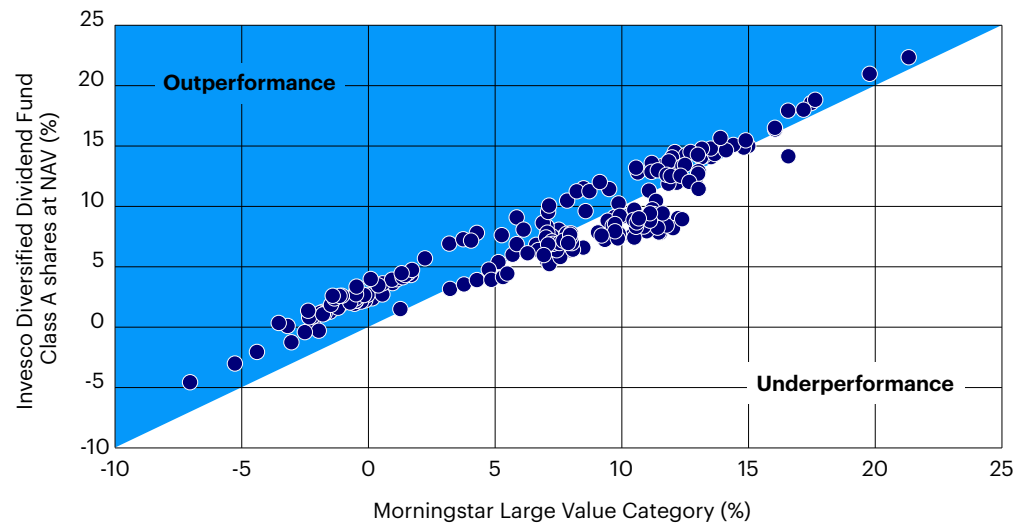
Invesco Diversified Dividend Fund market cycle annual returns (%)

	Bull market (3/12/03 to 10/9/07)	Bear market (10/10/07 to 3/9/09)	Full market cycle (3/12/03 to 3/9/09)	Bull market (3/10/09 to 2/19/20)	Full market cycle (10/10/07 to 2/19/20)	COVID-19 bear market (2/20/20 to 3/23/20)	Bull market (3/24/20 to 1/3/22)	2022 Bear Market (1/4/22 to 12/31/22)	Current Bull Market (1/1/23 to 03/31/25)
Class A shares at NAV	17.60	-38.66	0.85	15.29	7.25	-35.04	85.12	-1.62	10.53
Class A shares at max 5.50% load	16.16	-41.05	-0.10	14.70	6.76	-38.62	74.91	-7.02	7.80
Russell 1000 Value Index	20.94	-47.53	-0.72	16.54	6.36	-38.16	106.32	-7.54	12.46

Sources: Morningstar Inc., FactSet Research Systems Inc., StyleADVISOR.

A history of outperformance

Strategy inception performance — Invesco Diversified Dividend Fund
Monthly rolling 5-year annualized returns (%)
December 2002 – March 2025



The fund's class A shares at net asset value (NAV) have outperformed Morningstar Large Cap Value peers 62% of the time (128/208) in rolling five-year periods since strategy inception.

Sources: StyleADVISOR, Morningstar Inc. Strategy inception date range is December 31, 2002 – March 31, 2025.
Past performance is not a guarantee of future results.

Summary

Customized portfolios are an effective way to serve your clients' unique needs, but they can be time consuming to develop. Invesco Diversified Dividend Fund was designed to serve as the foundation of your investors' custom portfolios by offering the potential for upside participation and downside preservation, as well as holdings and risk diversification — all with competitive expense ratios.

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.

Before investing, investors should carefully read the prospectus and/or summary prospectus and carefully consider the investment objectives, risks, charges and expenses. For this and more complete information about the fund(s), investors should ask their financial professional for a prospectus/summary prospectus or visit [invesco.com/fundprospectus](https://www.invesco.com/fundprospectus).

The opinions expressed are those of the author, are based on current market conditions. These opinions may differ from those of other Invesco investment professionals. The information presented represents how the portfolio management team generally applies its investment processes under normal market conditions. The investment techniques and risk analysis used by the fund's portfolio managers may not produce the desired results. The author's opinions and portfolio characteristics are subject to change without notice.

There is no guarantee or assurance that companies will declare dividends in the future or that if declared, they will remain at current levels or increase over time.

Diversification does not guarantee a profit or eliminate the risk of loss.

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.

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 Col. Russell® is a trademark of the Frank Russell Co.

©2025 Morningstar, Inc. All rights reserved. The information contained herein is proprietary to Morningstar and/or its content providers. It may not be copied or distributed and is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

Beta is a measure of the volatility or systematic risk, of a security or a portfolio in comparison to the market as a whole. All data provided by Invesco unless otherwise noted.

Note: Not all products, materials or services available at all firms. Financial professionals, please contact your home office.