

Invesco Equally-Weighted S&P 500 Fund

Q2 2024

Key takeaways

- 1 The fund underperformed the S&P 500 Index**

The fund's holdings in information technology (IT) and industrials were the largest detractors from relative return.
- 2 Narrow market participation hindered relative performance**

Smaller stocks lagged mega-cap stocks. This created a headwind for the fund because its equal weight methodology naturally leads to underweights in the largest index stocks and overweights in smaller index stocks.
- 3 Potential opportunities for an equal weight strategy**

Keeping position sizes approximately equal reduces concentration risk compared to the S&P 500 Index where the biggest companies represent the largest exposures. Additionally, the fund has a lower valuation than the capitalization-weighted index.

Investment objective

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

Fund facts

Fund AUM (\$M)	6,504.35
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Portfolio managers

Anthony Seisser, Michael Jeanette, Peter Hubbard, Pratik Doshi

Manager perspective and outlook

- Similarities between the first and second quarters may have given investors a sense of déjà vu. In the second quarter, the S&P 500 Index's 4.28% return outperformed the S&P MidCap 400 Index (-3.45%) and the S&P SmallCap 600 Index (-3.11%), while the S&P 500 Growth Index outperformed the S&P 500 Value Index (9.59% vs. -2.10%). IT and communication services were two of the top performing sectors, and a narrow group of mega-cap growth companies had an outsized influence on index results. These trends are all reminiscent of the first quarter.
- The bifurcated returns were in our view symptomatic of cross currents in economic data. While some second quarter data pointed to a strong economy, others signaled to us potential weakness. Positive indicators – moderating inflation, a resilient labor market and prudent balance sheet management – helped fuel earnings acceleration. Negative surprises included the ISM Manufacturing PMI, which had its third consecutive month of contraction in June, and the University of Michigan Consumer Sentiment Survey, which fell to a seven-month low in June.
- The fund's equal weight methodology means the fund historically offers greater exposure to smaller stocks and stocks with lower valuations. Those exposures were a headwind in an environment where large-caps outperformed small- and mid-caps, and growth outperformed value.



Top issuers

(% of total net assets)

	Fund	Index
FedEx Corp	0.24	0.24
Carnival Corp	0.24	0.24
Norwegian Cruise Line Holdings Ltd	0.22	0.23
Synchrony Financial	0.22	0.22
Baker Hughes Co	0.22	0.22
MGM Resorts International	0.22	0.22
Tesla Inc	0.22	0.22
Salesforce Inc	0.22	0.22
Intuit Inc	0.22	0.22
Caesars Entertainment Inc	0.22	0.22

As of 06/30/24. Holdings are subject to change and are not buy/sell recommendations.

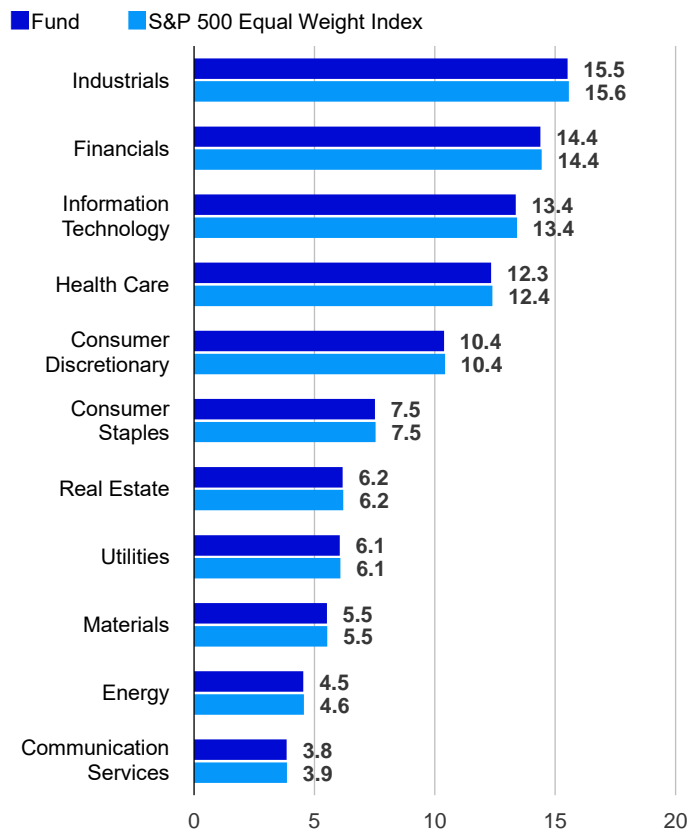
Portfolio positioning

Concentration appears to remain a concern in the large-cap US equity market as a small handful of constituents make up an increasingly large chunk of the market. Following a furious mega growth rally in the second quarter, concentration levels sprinted past the previous cycle high during the pandemic. The combined weight of the 10 largest companies in the S&P 500 Index ended the quarter at just over 37%. Though there are about 500 stocks in the index, over one-third of its value is concentrated in just 10 companies, the highest concentration at any point since the late 1970s. To put that in context, the average weight of the S&P 500 Index's top 10 holdings over the last 35 years has been about 21%, and before the recent post-pandemic cycle, the high was 27% (reached in June 2000, just before the Dot-Com bubble burst). Historic concentration extends to sectors as well. The technology weight was 32.4% at quarter end, above the previous cycle high of 29.2% achieved in 1999.

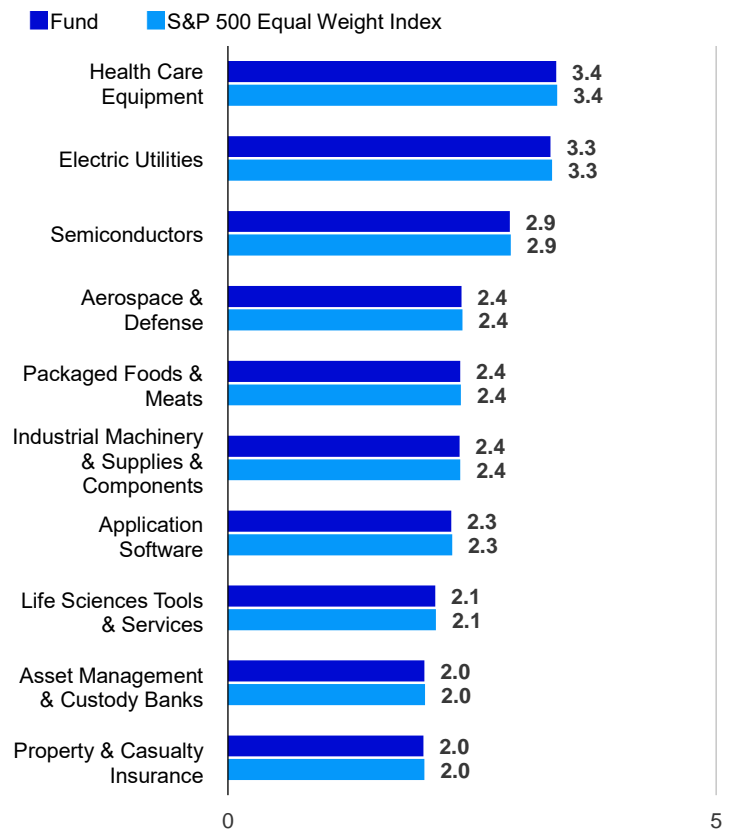
Although the current period of extreme concentration has been a headwind for the fund's relative performance, if concentration reverts to a less extreme level, that may be beneficial to the fund's relative return.

Investors have recently appeared to assign a higher growth premium to the S&P 500 Index than to the S&P 500 Equal Weight Index, which has contributed to the outperformance of the former over the latter. For example, the S&P 500 Index's year-over-year earnings fell 0.9% in 2023, while earnings for the S&P 500 Equal Weight Index actually grew 2.9%. Yet, the S&P 500 Index still outperformed the S&P 500 Equal Weight Index by 12.4% in 2023, as the S&P 500 Index's price-to-earnings ratio (P/E ratio) rose 25.2% compared to a 9.6% increase in the P/E of the S&P 500 Equal Weight Index. With the tailwind of more favorable year-over-year earnings comparisons heading into 2024, analysts are forecasting 10.6% earnings growth for the S&P 500 Index in 2024 versus 6.2% for the S&P 500 Equal Weight Index (Source: Bloomberg). Once again, the S&P 500 Index's year-to-date outperformance of the Equal Weight Index has been assisted by multiple expansion. The S&P 500 Index's P/E ratio rose 11.3% through June 30th versus 2.8% for the Equal Weight Index. At quarter end, the S&P 500 Index's 25.6x P/E represented a 21.5% premium to its 21.5x average over the last 10 years. The S&P 500 Equal Weight Index's 19.6x P/E ratio represented a 2.9% discount to its 20.2x average over the last 10 years.

Sector breakdown (% of total net assets)



Top industries (% of total net assets)



Top contributors (%)

Issuer	Return	Contrib. to return
First Solar, Inc.	33.57	0.08
NVIDIA Corporation	36.74	0.08
Teradyne, Inc.	31.54	0.07
NetApp, Inc.	23.29	0.05
Apple Inc.	22.99	0.05

Top detractors (%)

Issuer	Return	Contrib. to return
Walgreens Boots Alliance, Inc.	-43.45	-0.10
Builders FirstSource, Inc.	-33.63	-0.07
Estee Lauder Companies Inc.	-30.61	-0.07
Paycom Software, Inc.	-27.97	-0.06
Intel Corporation	-29.60	-0.06

Performance highlights

Invesco Equally-Weighted S&P 500 Fund returned -2.77%, while the S&P 500 Index returned 4.28% for the quarter. Over the course of the quarter, market participation decreased and breadth was narrow, with less participation from smaller stocks.

The fund's underperformance of the S&P 500 Index in the second quarter largely resulted from its equal weight methodology, which causes a natural tilt toward smaller stocks within the index.

Contributors to performance

First Solar: The semi-conductor company is a primary beneficiary of the emerging focus on electrification and rising power demand due to widespread adoption and implementation of artificial intelligence (AI). Analysts highlighted the direct impact of AI on First Solar's business results and forecasted a surge in earnings per share as big tech companies appear to look for sustainable energy sources to power AI.

NVIDIA: The semi-conductor and equipment company remained the darling of the AI secular growth trend. NVIDIA's most recent quarterly report extended the company's run of beating analysts' expectations. Management's revenue guidance also surpassed analysts' expectations.

Detractors from performance

Walgreens Boots Alliance: The share price for this consumer staples company declined after management lowered its fiscal year earnings guidance, citing a worsening retail environment. Walgreen's management also announced an increase in planned store closures, which further dragged on the stock price.

Builders FirstSource: The homebuilder-products company saw its share price tumble as management highlighted a weakening apartment market and higher mortgages rates as headwinds. Management mentioned expectations for another big decline in multifamily housing, with a consistent year-over-year decline through the end of 2024.

Standardized performance (%) as of June 30, 2024

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 07/28/97	NAV	-2.77	4.81	11.23	4.30	10.37	9.46	9.06
	Max. Load 5.5%	-8.11	-0.96	5.11	2.35	9.13	8.84	8.83
Class R6 shares inception: 09/24/12	NAV	-2.68	4.99	11.62	4.66	10.77	9.85	12.07
Class Y shares inception: 07/28/97	NAV	-2.70	4.94	11.52	4.56	10.65	9.73	9.32
S&P 500 Equal Weight Index		-2.63	5.08	11.79	4.84	10.94	10.04	-
Total return ranking vs. Morningstar Large Blend category (Class A shares at NAV)		-	-	94% (1336 of 1417)	90% (1207 of 1304)	88% (1061 of 1197)	88% (788 of 893)	-

Expense ratios per the current prospectus: Class A: Net: 0.52%, Total: 0.52%; Class R6: Net: 0.18%, Total: 0.18%; Class Y: Net: 0.27%, Total: 0.27%.

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	13.75	-2.73	14.11	18.26	-8.10	28.61	12.34	28.96	-11.99	13.32
Class R6 shares at NAV	14.19	-2.37	14.53	18.70	-7.78	29.11	12.76	29.39	-11.68	13.72
Class Y shares at NAV	14.04	-2.49	14.40	18.56	-7.87	28.93	12.60	29.30	-11.78	13.61
S&P 500 Equal Weight Index	14.49	-2.20	14.80	18.90	-7.64	29.24	12.83	29.63	-11.45	13.87

Portfolio characteristics*

	Fund	Index
No. of holdings	503	503
Top 10 issuers (% of AUM)	2.25	2.26
Wtd. avg. mkt. cap (\$M)	97,308	97,276
Price/earnings	19.64	19.64
Price to book	2.80	2.80
Est. 3 – 5 year EPS growth (%)	9.86	9.86
ROE (%)	18.63	18.63
Long-term debt to capital (%)	43.53	43.53
Operating margin (%)	19.06	19.06

Risk statistics (5 year)*

	Fund	Index
Alpha (%)	-0.51	0.00
Beta	1.00	1.00
Sharpe ratio	0.41	0.44
Information ratio	-6.23	0.00
Standard dev. (%)	20.10	20.08
Tracking error (%)	0.09	0.00
Up capture (%)	98.53	100.00
Down capture (%)	100.64	100.00
Max. drawdown (%)	26.84	26.70

Quarterly performance attribution

Sector performance analysis (%)

Sector	Allocation effect	Selection effect	Total effect
Communication Services	0.00	0.00	0.00
Consumer Discretionary	0.00	0.00	0.00
Consumer Staples	0.00	0.00	0.00
Energy	0.00	0.00	0.00
Financials	0.00	0.00	0.00
Health Care	0.00	0.00	0.00
Industrials	0.00	0.00	0.00
Information Technology	0.00	0.00	0.00
Materials	0.00	0.00	0.00
Other	0.00	0.00	0.00
Real Estate	0.00	0.00	0.00
Utilities	0.00	0.00	0.00
Cash	0.00	0.00	0.00
Total	0.00	0.00	0.00

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 06/30/24. Unless stated otherwise, Index refers to S&P 500 Equal Weight Index.

The S&P 500® Equal Weight Index is the equally weighted version of the S&P 500® Index, which is considered representative of the US stock market.

About risk

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.

Because the fund operates as a passively managed index fund, adverse performance of a particular stock ordinarily will not result in its elimination from the fund's portfolio. Ordinarily, the Adviser will not sell the fund's portfolio securities except to reflect changes in the stocks that comprise the S&P 500 Index, or as may be necessary to raise cash to pay fund shareholders who sell fund shares.

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 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.