

Invesco Dividend Income Fund

Q2 2024

Key takeaways

1 The fund performed in line with its benchmark

Stock selection in the information technology (IT) sector added the most to relative return.

2 Dual focus on free cash flows and healthy balance sheets

The fund is balanced across sectors and industries, with a focus on long-term growth areas and companies with sustainable free cash flow and healthy balance sheets, which results in an overall quality bias and defensive characteristics.

3 Renewed interest in dividend-paying stocks

In an environment characterized by high uncertainty and the possibility of more muted or even negative returns, we believe investors will place greater emphasis on companies with stable dividends.

Investment objective

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

Fund facts

Fund AUM (\$M) 3,587.50

Portfolio managers

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

Manager perspective and outlook

- Equity market performance diverged in the second quarter. While stocks related to Artificial Intelligence (AI) drove several equity indexes to all-time highs, other market segments declined.
- Stubbornly high inflation sent stocks broadly lower in April amid worries the US Federal Reserve (Fed) might be forced to keep interest rates higher for longer. However, in May and June, stocks rallied in response to signs of cooling inflation.
- Corporate earnings were generally positive with most S&P 500 constituents beating expectations.
- As expected, the Fed's June meeting produced no change to the federal funds rate, and meeting minutes suggested the committee anticipates just one rate cut in 2024.
- Though the market appears to be at a crossroads as investors seemingly try to determine when the Fed will begin to reduce interest rates, the driving principles of our investment process remain rooted in a total return approach that seeks to deliver appreciation, income and preservation over a full market cycle.
- No matter the backdrop, we focus on companies generating attractive free cash flow and we analyze their drivers and ability to support future dividend growth, as well as balance sheet strength and flexibility.
- We continue to emphasize the growth and sustainability of a company's dividend because history leads us to believe companies with these characteristics can outperform over a full market cycle.



Top issuers

(% of total net assets)

	Fund	Index
JPMorgan Chase & Co	3.52	2.75
Merck & Co Inc	3.38	1.21
Walmart Inc	3.21	1.36
Chevron Corp	2.99	1.27
Philip Morris International Inc	2.70	0.74
Morgan Stanley	2.47	0.53
Johnson & Johnson	2.47	1.66
Public Service Enterprise Group Inc	2.30	0.17
American International Group Inc	2.20	0.25
Chubb Ltd	2.17	0.49

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

Portfolio positioning

Compared to the Russell 1000 Value Index, the fund's positioning is generally balanced across sectors and industries, with exposure to areas benefiting from long-term secular growth tailwinds, including ecommerce, electric vehicles, cloud computing, industrial automation, medical technology and broadband. Importantly, our dual focus on companies generating sustainable levels of free cash flow and having healthy balance sheets also gives the fund a quality bias and provides defensive characteristics that we believe should prove valuable if market volatility persists in 2024.

Notable Additions to the fund

PepsiCo is in our view well positioned in growing beverage and snack categories with low private label penetration and has substantial brand recognition that is expected to support continued pricing power and strong international results.

Suncor Energy is a Canada-based energy company that we added to the fund because we believe its new management team is executing at a high level and building on operational consistency and cost reductions at a faster-than-expected pace.

Microchip Technology has been seeing signs of recovery despite continuing inventory corrections by some customers. Inventory on the company's books has remained high but management has some capacity to reduce inventory levels over time. We anticipate opportunity for outperformance as inventories bottom because a cyclical recovery in semiconductors is expected to develop soon.

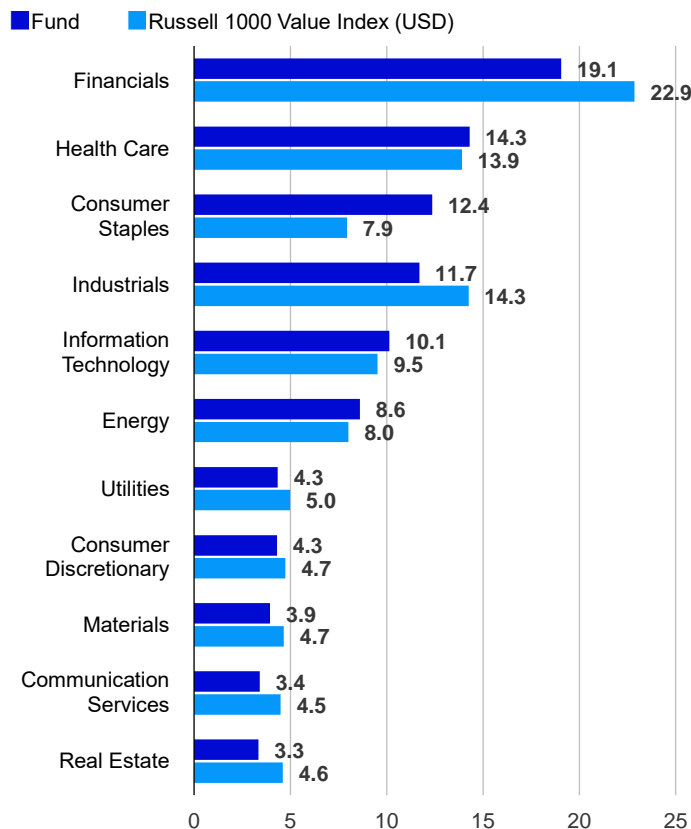
Notable Sales

Accenture is an IT services and consulting company that we removed from the fund due to deteriorating fundamentals; the company reduced annual revenue guidance, pointing to weakness in shorter term discretionary projects, elongated sales cycles and re-prioritization of IT budgets.

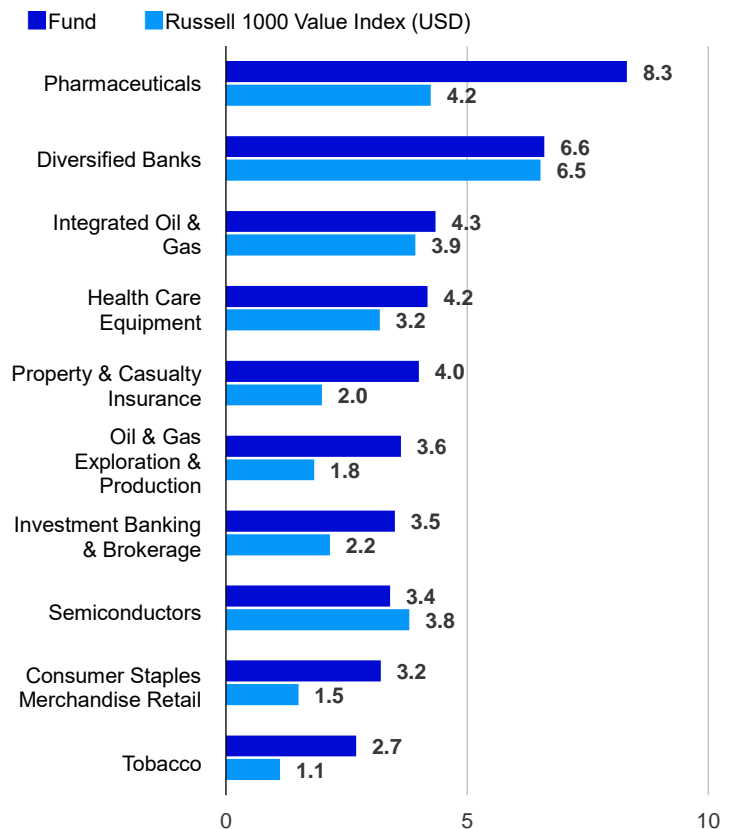
WEC Energy was sold during the quarter because we have lower conviction in the stock and believe there is less upside to our price target due to changes in the Illinois regulatory environment. At the time of purchase, Illinois was viewed as an accommodative jurisdiction, but recent negative regulatory decisions against three different utilities, including WEC Energy, increased the risk of operating in the state.

Starbucks has experienced deterioration in US store traffic as consumers rein in spending amid higher costs and interest rates. Geopolitical controversies have also continued to weigh on results in an already challenging restaurant environment. We removed the stock from the fund during the quarter.

Sector breakdown (% of total net assets)



Top industries (% of total net assets)



Top contributors (%)

Issuer	Return	Contrib. to return
Walmart Inc.	12.92	0.35
Philip Morris International Inc.	12.04	0.30
Dell Technologies Inc.	21.32	0.26
Analog Devices, Inc.	15.87	0.25
Public Service Enterprise Group Incorporated	11.27	0.23

Top detractors (%)

Issuer	Return	Contrib. to return
Walt Disney Company	-18.85	-0.37
CVS Health Corporation	-24.06	-0.28
Prologis, Inc.	-13.01	-0.25
Lowe's Companies, Inc.	-13.05	-0.25
Weyerhaeuser Company	-20.41	-0.25

Performance highlights

Market performance was mixed during the quarter, with IT, communication services and utilities delivering gains while most other sectors were flat or negative. Materials, industrials and energy had the lowest returns for the quarter. Led by AI, growth stocks outperformed value stocks as the Russell 1000 Growth Index returned 8.33% and the Russell 1000 Value Index declined, returning -2.17%. In this environment, the fund's return was similar to the Russell 1000 Value Index. The fund's stock selection in the IT, consumer staples and financials sectors added the most to relative return. An overweight in the consumer staples sector and an ancillary cash position helped to offset negative results. Conversely, stock selection in the real estate, consumer discretionary and industrials sectors detracted the most from relative return.

Contributors to performance

Walmart's share gains were driven by the retailer's mix of value offerings and convenience, which resonated across a variety of income demographics and supported year-to-date sales growth of roughly 15%.

Philip Morris delivered another strong quarter of earnings results and raised its forward-looking guidance. Favorable results

were driven by surging demand for its tobacco-less Zyn nicotine pouches, which had volume grow of 80% year-over-year.

Analog Devices has continued to benefit from strong and growing demand for semiconductor chips, driven by artificial intelligence and machine learning capabilities.

Detractors from performance

Walt Disney reported underwhelming financial results. Management provided cautious commentary regarding traffic at its amusement parks and its cruise ship investments, which together in our view will be a near-term headwind to growth of operating income in the segment.

CVS Health was sold during the quarter following underwhelming financial results and management's reduction of forward-looking guidance due to macroeconomic headwinds and higher costs, which could lead to a dividend cut.

Prologis shares were weak after reporting earnings from the California market that fell short of expectations. Prologis' properties in other states have been operating at or above expectations, providing good visibility into future earnings. We continue to believe the shares offer material upside.

Standardized performance (%) as of June 30, 2024

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Investor shares inception: 06/02/86	NAV	-2.38	4.78	9.82	6.19	7.42	7.36	8.29
Class A shares inception: 03/28/02	NAV	-2.41	4.79	9.80	6.19	7.42	7.36	8.11
	Max. Load 5.5%	-7.77	-0.96	3.77	4.20	6.22	6.76	7.84
Class R6 shares inception: 09/24/12	NAV	-2.33	4.92	10.15	6.53	7.81	7.75	9.06
Class Y shares inception: 10/03/08	NAV	-2.31	4.91	10.05	6.44	7.68	7.63	8.75
Russell 1000 Value Index (USD)		-2.17	6.62	13.06	5.52	9.01	8.23	-
Total return ranking vs. Morningstar Large Value category (Class Investor shares at NAV)		-	-	87% (1011 of 1182)	56% (647 of 1103)	87% (916 of 1039)	81% (637 of 813)	-

Expense ratios per the current prospectus: Class Investor: Net: 0.94%, Total: 0.94%; Class A: Net: 0.93%, Total: 0.93%; Class R6: Net: 0.59%, Total: 0.59%; Class Y: Net: 0.69%, Total: 0.69%.

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. On Feb. 6, 2013, the fund's investment strategy eliminated a requirement to concentrate its investments primarily in the securities of issuers in utilities-related industries. Results prior to Feb. 6, 2013, reflect the performance of the fund's previous strategy. Index source: FactSet Research Systems Inc. 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 Investor, Y and R6 shares have no sales charge; therefore, performance is at NAV. Class Y shares are available only to certain investors. Class Investor and 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 Investor shares at NAV	15.82	3.41	15.71	9.05	-7.37	18.31	0.57	18.98	0.61	7.03
Class A shares at NAV	15.83	3.42	15.69	9.08	-7.38	18.31	0.58	18.97	0.63	7.03
Class R6 shares at NAV	16.17	3.81	16.17	9.45	-7.03	18.76	1.01	19.41	0.93	7.42
Class Y shares at NAV	16.11	3.67	16.00	9.37	-7.14	18.60	0.84	19.24	0.84	7.31
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	63	846
Top 10 issuers (% of AUM)	27.41	17.98
Wtd. avg. mkt. cap (\$M)	232,978	158,195
Price/earnings	18.18	17.58
Price to book	2.65	2.40
Est. 3 – 5 year EPS growth (%)	7.98	9.21
ROE (%)	17.48	14.57
Long-term debt to capital (%)	42.19	39.61
Operating margin (%)	20.83	17.82

Risk statistics (5 year)*

	Fund	Index
Alpha (%)	-0.23	0.00
Beta	0.78	1.00
Sharpe ratio	0.35	0.37
Information ratio	-0.27	0.00
Standard dev. (%)	14.91	18.44
Tracking error (%)	5.98	0.00
Up capture (%)	63.35	100.00
Down capture (%)	84.23	100.00
Max. drawdown (%)	20.10	26.73

Quarterly performance attribution

Sector performance analysis (%)

Sector	Allocation effect	Selection effect	Total effect
Communication Services	0.02	-0.09	-0.07
Consumer Discretionary	-0.02	-0.34	-0.36
Consumer Staples	0.11	0.12	0.23
Energy	0.00	0.02	0.02
Financials	-0.04	0.10	0.07
Health Care	-0.01	-0.10	-0.11
Industrials	0.01	-0.28	-0.27
Information Technology	0.00	0.82	0.83
Materials	0.02	-0.12	-0.10
Real Estate	-0.02	-0.36	-0.38
Utilities	0.07	-0.03	0.04
Cash	0.10	0.00	0.10
Total	0.24	-0.25	-0.01

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 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.

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.

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](https://www.invesco.com/fundprospectus) for a prospectus/summary prospectus containing this information. Read it carefully before investing.