

# Invesco Main Street Mid Cap Fund

## Q2 2024

## Key takeaways

- 1 The fund underperformed its benchmark its benchmark**

Underperformance mainly resulted from stock selection in the information technology (IT), utilities and industrials sectors. Stronger stock selection in the communication services, health care and consumer staples sectors partially offset these results.
- 2 Portfolio activity**

There was no significant change to the fund's overall positioning during the quarter as we sought to keep most sector, factor and other macro-related exposures similar to the Russell Midcap Index.
- 3 US equity market performance diverged during the quarter**

Larger cap growth stocks, mainly those related to Artificial Intelligence (AI), continued to rally while other market segments declined. Mid-cap stocks generally underperformed the broader market, with the Russell Midcap Index down 3.35%.

### Investment objective

The fund seeks capital appreciation.

### Fund facts

Fund AUM (\$M) 2,412.09

### Portfolio managers

Adam Weiner, Matthew Ziehl, Belinda Cavazos, Joy Budzinski, Magnus Krantz, Raman Vardharaj

## Manager perspective and outlook

- Equity market performance diverged in the second quarter. While stocks related to Artificial Intelligence (AI) continued to rally, other market segments declined. In this environment, the Russell Midcap Index declined 3.35% while the S&P 500 Index gained 4.28%.
- 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 evidence of cooling inflation. Consumer Price Index (CPI) and Gross Domestic Product (GDP) data came in below expectations, suggesting to us the US economy was finally slowing. Nonfarm payrolls also appeared to moderate, and the unemployment rate was largely unchanged at 4.0%. 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 as inflation has remained higher than its 2% target.
- Regardless of market sentiment and near-term economic trends, our investment process favors better-managed companies with strong balance sheets and competitive positioning. We seek to outperform through stock selection while minimizing any top-down macro, factor and sector exposures relative to the index.



## Top issuers

(% of total net assets)

	Fund	Index
Tenet Healthcare Corp	1.86	0.12
Raymond James Financial Inc	1.80	0.21
Tyler Technologies Inc	1.80	0.19
Howmet Aerospace Inc	1.75	0.27
Xylem Inc/NY	1.68	0.29
Trade Desk Inc/The	1.68	0.39
Hubbell Inc	1.68	0.18
TopBuild Corp	1.63	0.11
Marvell Technology Inc	1.63	0.54
Curtiss-Wright Corp	1.61	0.09

As of 06/30/24. 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 +/- 4% of the Russell Midcap Index.

The largest additions to the fund during the quarter included the following:

**PPL** is in our view a well-positioned utility with a strong balance sheet relative to its peers and stands to benefit from data center growth in its service area.

**Microchip Technology** is in our view a semiconductor manufacturer with a promising outlook that may also benefit as a cycle of negative earnings revisions ends.

**Fortune Brands** is a home and security product supplier with what we consider an attractive risk-reward profile.

**Vertiv** provides power delivery and management systems for data center servers. We believe it is well-positioned for expected growth of AI capabilities and data centers.

**Sysco** is a leading food service industry distributor with what we consider an attractive risk-reward outlook.

**Casella Waste** is a leading waste company with advantageous market positioning in the US Northeast.

**Intra-Cellular** has what we consider a promising pipeline of small molecule drugs to treat neuropsychiatric and neurological diseases and other disorders of the central nervous system.

Positions sold during the quarter included the following:

**Parker Hannifin** was sold after our investment thesis largely played out; we redirected the capital to **Vertiv**.

**Republic Services** was sold because we saw limited additional upside and invested the proceeds in Casella Waste.

**WEC Energy** was sold because we lost conviction in its upside potential.

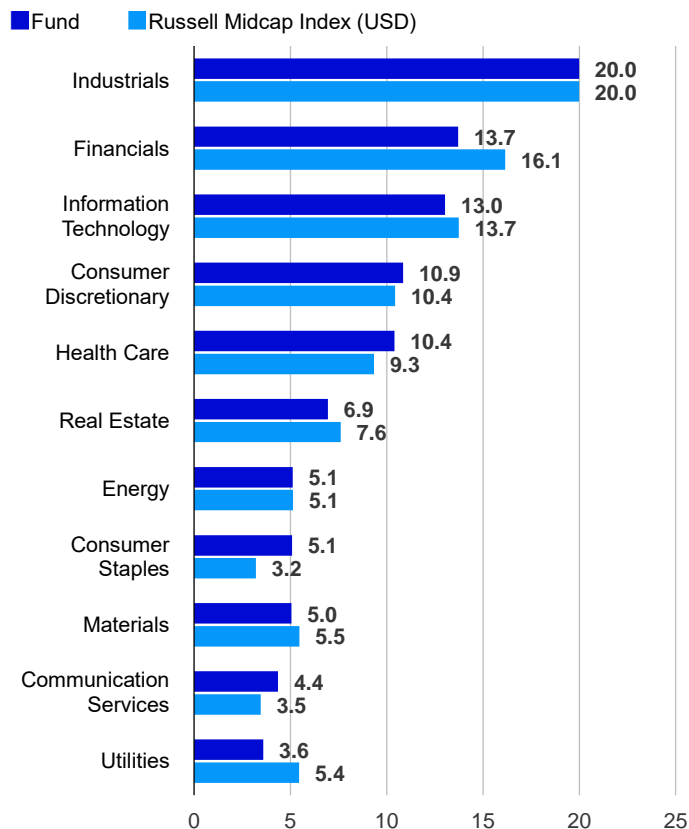
**ASGN** may take longer to realize potential upside than previously expected given a softer IT spending environment so we moved the capital to a new position in **Fortune Brands**.

**Biogen** was sold as a source of funds for stocks where we had higher conviction and viewed as having more upside potential.

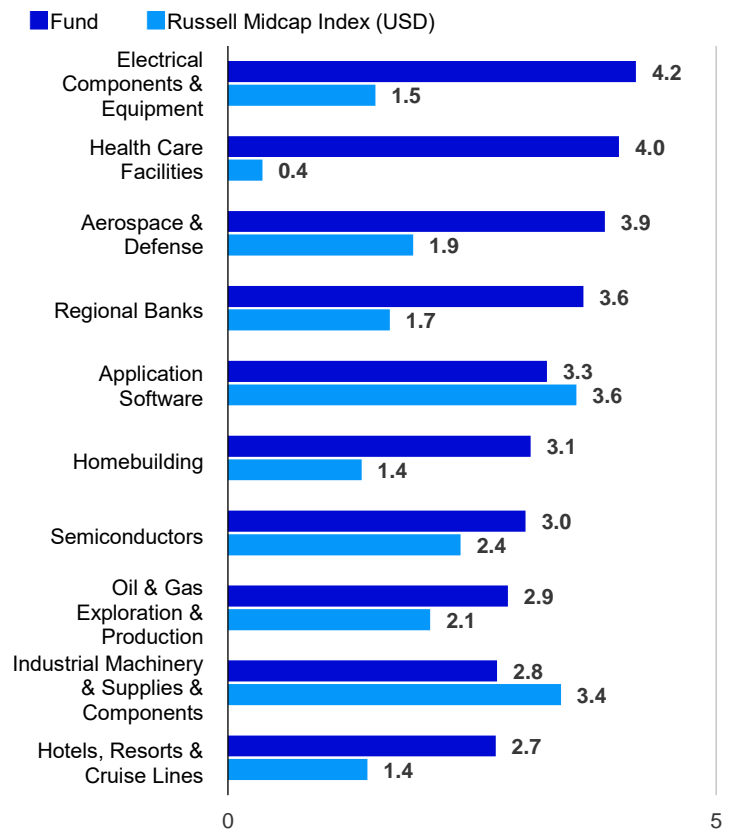
**Autodesk** was sold because it began to show deteriorating fundamentals.

**Lamb & Weston** reported disappointing results and provided forward guidance that made us view our case for upside potential as less likely in the near term.

## Sector breakdown (% of total net assets)



## Top industries (% of total net assets)



## Top contributors (%)

Issuer	Return	Total effect
Tenet Healthcare Corporation	26.56	0.47
Tyler Technologies, Inc.	18.30	0.28
Pinterest, Inc.	27.11	0.27
Howmet Aerospace Inc.	13.51	0.21
BJ's Wholesale Club Holdings, Inc.	16.11	0.21

## Top detractors (%)

Issuer	Return	Total effect
MongoDB, Inc.	-30.30	-0.35
Lincoln Electric Holdings, Inc.	-25.87	-0.29
Summit Materials, Inc.	-17.86	-0.22
Paylocity Holding Corporation	-23.28	-0.21
LKQ Corporation	-21.60	-0.19

## Performance highlights

The fund's Class A shares at net asset value (NAV) returned -4.11% for the quarter, underperforming the Russell Midcap Index, which returned -3.35%. The fund's underperformance mainly resulted from stock selection in the IT, utilities and industrials sectors. Stronger stock selection in the communication services, health care and consumer staples sectors partially offset these results.

### Contributors to performance

**Tenet** reported a strong quarter driven by revenue growth in its ambulatory surgery centers (ASC) and hospitals. More procedures have been moving from acute care hospitals into ambulatory surgical centers, which has been helping to boost the company's EBITDA (earnings before interest, taxes, depreciation and amortization) margin.

**Tyler Technologies** outperformed as management reported strong results amid a healthy demand backdrop. The company has benefited from its leadership position in end-to-end software information management solutions for state and local governments.

**Pinterest** outperformed due to accelerating revenue growth along with user growth and

increased user engagement. The company appears to have benefited from product improvements that provided better user recommendations and ad targeting.

### Detractors from performance

**MongoDB** reported disappointing results as both new customer additions and growth within its installed base had slower starts for its fiscal year. The pressure appeared to be macroeconomic related, similar to commentary from multiple software vendors. Mongo has continued to gain share in the large database software market.

**Lincoln Electric** lagged after reporting softer-than-expected first quarter sales while management provided guidance that reduced forward expectations for 2024. The company has been affected by mixed global manufacturing trends as well as headwinds from higher interest rates and customer inventory destocking.

**Summit Materials** underperformed after reporting soft volumes and providing a cautious outlook suggesting that larger private non-residential construction projects might be delayed if interest rates remain higher for longer.

## Standardized performance (%) as of June 30, 2024

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 08/02/99	NAV	-4.11	4.79	8.91	2.97	8.49	7.15	9.67
	<b>Max. Load 5.5%</b>	-9.39	-0.99	2.90	1.05	7.27	6.54	9.42
Class R6 shares inception: 10/26/12	NAV	-4.01	4.98	9.33	3.36	8.93	7.59	10.41
Class Y shares inception: 08/02/99	NAV	-4.05	4.92	9.21	3.23	8.77	7.42	10.05
Russell Midcap Index (USD)		-3.35	4.96	12.88	2.37	9.46	9.04	-
Total return ranking vs. Morningstar Mid-Cap Blend category (Class A shares at NAV)		-	-	82% (358 of 429)	61% (219 of 401)	76% (269 of 368)	77% (182 of 255)	-

Expense ratios per the current prospectus: Class A: Net: 1.06%, Total: 1.06%; Class R6: Net: 0.69%, Total: 0.69%; Class Y: Net: 0.82%, Total: 0.82%.

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	12.27	-7.22	13.42	14.68	-12.25	32.15	9.13	23.02	-14.35	14.48
Class R6 shares at NAV	12.78	-6.85	13.92	15.18	-11.89	32.74	9.60	23.50	-14.00	14.92
Class Y shares at NAV	12.56	-6.99	13.67	14.98	-12.03	32.48	9.44	23.31	-14.10	14.74
Russell Midcap Index (USD)	13.22	-2.44	13.80	18.52	-9.06	30.54	17.10	22.58	-17.32	17.23

### Portfolio characteristics\*

	Fund	Index
No. of holdings	87	808
Top 10 issuers (% of AUM)	17.12	6.24
Wtd. avg. mkt. cap (\$M)	22,326	27,690
Price/earnings	18.27	20.11
Price to book	2.95	2.85
Est. 3 – 5 year EPS growth (%)	11.38	11.20
ROE (%)	17.18	16.46
Long-term debt to capital (%)	39.70	41.58
Operating margin (%)	16.08	16.69

### Risk statistics (5 year)\*

	Fund	Index
Alpha (%)	-0.60	0.00
Beta	0.95	1.00
Sharpe ratio	0.31	0.35
Information ratio	-0.29	0.00
Standard dev. (%)	20.18	20.96
Tracking error (%)	3.30	0.00
Up capture (%)	88.32	100.00
Down capture (%)	97.54	100.00
Max. drawdown (%)	27.75	27.07

### Quarterly performance attribution

#### Sector performance analysis (%)

Sector	Allocation effect	Selection effect	Total effect
Communication Services	0.04	0.41	0.44
Consumer Discretionary	-0.01	-0.17	-0.18
Consumer Staples	-0.07	0.32	0.25
Energy	0.00	0.04	0.04
Financials	0.00	0.11	0.11
Health Care	-0.06	0.40	0.34
Industrials	0.00	-0.22	-0.22
Information Technology	-0.02	-0.84	-0.86
Materials	0.02	-0.10	-0.08
Real Estate	-0.03	-0.06	-0.09
Utilities	-0.10	-0.23	-0.33
Cash	0.07	0.00	0.07
<b>Total</b>	<b>-0.17</b>	<b>-0.35</b>	<b>-0.51</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 06/30/24. Unless stated otherwise, Index refers to Russell Midcap Index (USD).

The Russell Midcap® Index is an unmanaged index considered representative of mid-cap stocks. The Russell Midcap 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.

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#### 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.

Stocks of medium-sized companies tend to be more vulnerable to adverse developments, may be more volatile, and may be illiquid or restricted as to resale.

Most MLPs operate in the energy sector and are subject to the risks generally applicable to companies in that sector, including commodity pricing risk, supply and demand risk, depletion risk and exploration risk. MLPs are also subject to the risk that regulatory or legislative changes could eliminate the tax benefits enjoyed by MLPs which could have a negative impact on the after-tax income available for distribution by the MLPs and/or the value of the portfolio's investments.

Investments in real estate related instruments may be affected by economic, legal, or environmental factors that affect property values, rents or occupancies of real estate. Real estate companies, including REITs or similar structures, tend to be small and mid-cap companies and their shares may be more volatile and less liquid.

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.**