

Invesco Main Street Mid Cap Fund

Q4 2023

Key takeaways

- 1 The fund underperformed its benchmark**
Underperformance mainly resulted from stock selection in the consumer discretionary, industrials and energy sectors. Stronger stock selection in the health care, information technology (IT) and communication services 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 equities rallied on anticipation of interest rate cuts**
Stocks rallied as favorable inflation news stoked investor optimism that the Federal Reserve (Fed) would soon begin to reduce interest rates. Fed Chair Powell also shared the Fed's expectations for an economic "soft landing" versus a recession.

Investment objective

The fund seeks capital appreciation.

Fund facts

Fund AUM (\$M) 2,425.95

Portfolio managers

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

Manager perspective and outlook

- Stocks rallied in the fourth quarter as favorable inflation news fueled optimism that the Fed would soon cut interest rates. Fed Chair Powell affirmed this sentiment in mid-December when he acknowledged that policy discussions had shifted toward the likelihood of cutting interest rates in 2024, while not ruling out more near-term hikes if inflation reaccelerates. He also shared the Fed's expectations for an economic "soft landing" versus a recession.
- Alongside good inflation news, economic growth moderated in the fourth quarter and some forward-looking manufacturing indicators turned negative. Employment and wage gains slowed but stayed positive. With wage growth generally higher than inflation, consumers recovered some recent losses in inflation-adjusted real income, which supported year-over-year gains in holiday spending.
- Regardless of market sentiment and near-term economic trends, our investment process favors better-managed companies with strong balance sheets and competitive positioning. While falling interest rates (if recent trends persist) do help more highly leveraged companies at the margin, this benefit depends on timing windows and all-in costs for debt refinancing. Slower inflation should in our view tilt the pricing advantage back to stronger competitors who provide greater customer value and can achieve higher pricing for their goods and services.



For more information, including prospectus and factsheet, please visit [Invesco.com/OPMSX](https://www.invesco.com/OPMSX)

Please keep in mind that high, double-digit returns are highly unusual and cannot be sustained.

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 net assets)

	Fund	Index
Republic Services Inc	2.00	0.32
Curtiss-Wright Corp	1.94	0.08
TopBuild Corp	1.79	0.11
DR Horton Inc	1.77	0.45
Howmet Aerospace Inc	1.73	0.19
Raymond James Financial Inc	1.71	0.20
Tyler Technologies Inc	1.70	0.16
Arthur J Gallagher & Co	1.64	0.45
Hubbell Inc	1.59	0.17
M&T Bank Corp	1.59	0.21

As of 12/31/23. 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 +/- 3% of the Russell Midcap Index.

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

Ameren was bought in place of **American Electric Power** in the utilities sector because we believe it has a more attractive risk-reward profile.

NOV was bought in place of **Cheniere** in the energy sector because we believe it has a more attractive risk-reward profile and we have a favorable view of the company's exposure to offshore drilling.

Biogen was bought in place of **Dexcom** in the health care sector because we anticipate revenue growth in the mid-single digits and earnings-per-share (EPS) growth in the mid-teens over the next few years.

Bio-Techne, a supplier to the biotechnology industry, was bought because we view it as having an attractive risk-reward profile and to reduce the fund's underweight in the life science & diagnostics sub-sector.

Autodesk is a leader in software design tools, with double-digit revenue growth and high operating margins historically, yet has been trading at a discount to its peers. We believe the company has a sustainable competitive advantage with high switching costs given its large data sets spanning multiple decades.

The largest positions sold during the quarter included the following companies:

American Electric Power was sold to buy **Ameren** given what we considered its more favorable risk-reward profile.

Synopsys stock reached our expected upside valuation, and we were concerned about reports the company was looking at making an acquisition.

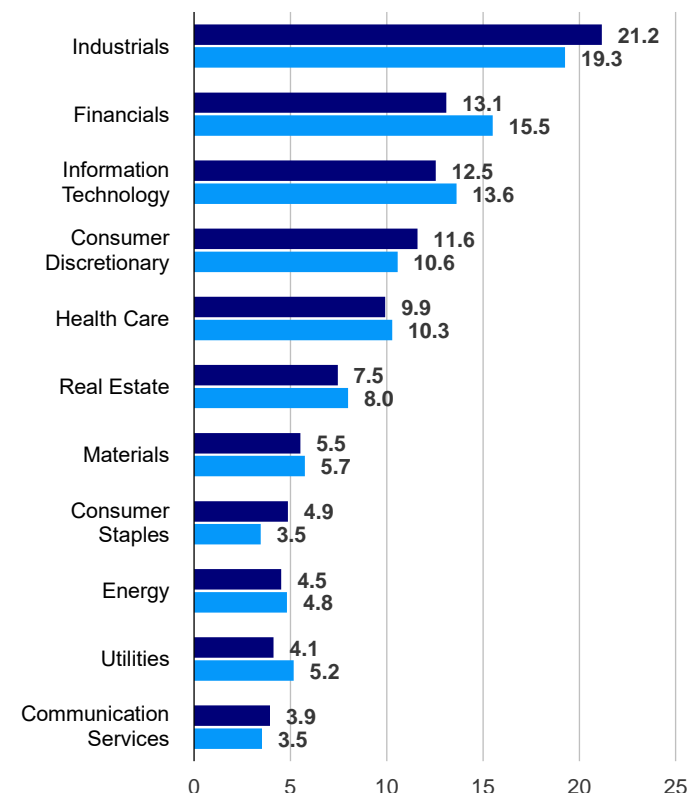
Cheniere was sold to buy **NOV**.

Dexcom was sold after a recovery in its stock price to purchase **Biogen** given what we considered its more favorable risk-reward profile.

Crown, a maker of packaging products for consumer goods, was sold due to our concerns about the company's outlook given consumer weakness.

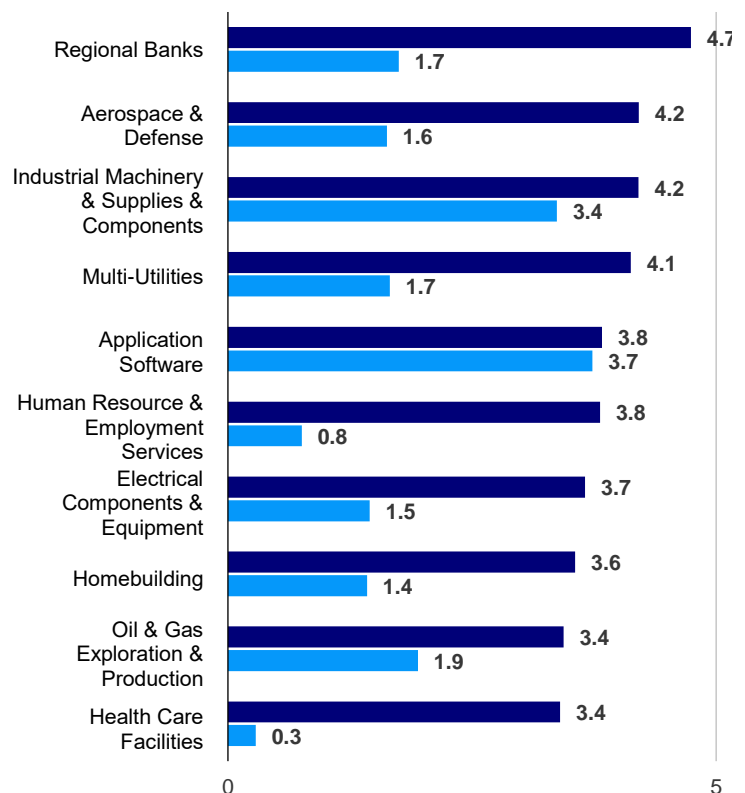
Sector breakdown (% of total net assets)

■ Fund ■ Russell Midcap Index (USD)



Top industries (% of total net assets)

■ Fund ■ Russell Midcap Index (USD)



Top contributors (%)

Issuer	Return	Total effect
TopBuild Corp.	48.75	0.44
D.R. Horton, Inc.	41.75	0.29
Pinterest, Inc.	37.03	0.29
KLA Corporation	27.08	0.20
Webster Financial Corporation	27.20	0.18

Top detractors (%)

Issuer	Return	Total effect
APA CORPORATION	-12.18	-0.34
Aptiv PLC	-9.00	-0.28
Visteon Corporation	-9.54	-0.27
Chesapeake Energy Corporation	-10.16	-0.27
Marathon Oil Corporation	-9.29	-0.27

Performance highlights

The fund's Class A shares at net asset value (NAV) returned 10.64% for the quarter, underperforming the Russell Midcap Index, which returned 12.82%. The fund's underperformance mainly resulted from stock selection in the consumer discretionary, industrials and energy sectors. Stronger stock selection in the health care, IT and communication services sectors partially offset these results.

Contributors to performance

TopBuild, which installs and distributes insulation and other building products, outperformed after reporting better-than-expected third quarter results and 2024 guidance. The company also benefited from falling mortgage rates given its exposure to new home sales.

D.R. Horton, a homebuilder, also benefited from falling mortgage rates as homebuilders in general experienced stock price gains because investors appear hopeful that a reduction in mortgage rates will stimulate demand for new homes.

Pinterest reported strong revenue growth and profitability driven by higher user growth and improving engagement metrics.

Detractors from performance

APA and the energy sector in general underperformed as oil prices declined and market leadership rotated into areas that had previously underperformed.

Aptiv was affected by slowing growth of electric vehicle penetration in the US, as well as by Chinese auto manufacturing companies accelerating their market share gains.

Visteon underperformed after several top automakers noted that electric vehicle demand was falling short of expectations. As a result, the stocks of many auto suppliers came under pressure in the fourth quarter as investors appeared to recalibrate expectations for the transition from traditional internal combustion engines to electric vehicles.

Standardized performance (%) as of December 31, 2023

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 08/02/99	NAV	10.64	14.48	14.48	6.45	11.71	7.54	9.67
	Max. Load 5.5%	4.54	8.18	8.18	4.47	10.45	6.93	9.41
Class R6 shares inception: 10/26/12	NAV	10.76	14.92	14.92	6.87	12.17	7.99	10.42
Class Y shares inception: 08/02/99	NAV	10.71	14.74	14.74	6.72	12.00	7.81	10.05
Russell Midcap Index (USD)		12.82	17.23	17.23	5.92	12.68	9.42	-
Total return ranking vs. Morningstar Mid-Cap Blend category (Class A shares at NAV)		-	-	67% (270 of 423)	60% (211 of 388)	65% (220 of 366)	73% (161 of 244)	-

Expense ratios per the current prospectus: Class A: Net: 1.06%, Total: 1.06%; Class R6: Net: 0.68%, Total: 0.68%; 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	83	814
Top 10 issuers (% of AUM)	17.45	5.16
Wtd. avg. mkt. cap (\$M)	21,714	24,487
Price/earnings	18.36	19.13
Price to book	3.02	2.81
Est. 3 – 5 year EPS growth (%)	11.19	10.07
ROE (%)	16.88	15.20
Long-term debt to capital (%)	42.12	42.88
Operating margin (%)	18.49	16.48

Risk statistics (5 year)*

	Fund	Index
Alpha (%)	-0.51	0.00
Beta	0.96	1.00
Sharpe ratio	0.47	0.50
Information ratio	-0.28	0.00
Standard dev. (%)	20.93	21.50
Tracking error (%)	3.45	0.00
Up capture (%)	88.81	100.00
Down capture (%)	97.50	100.00
Max. drawdown (%)	27.75	27.07

Quarterly performance attribution

Sector performance analysis (%)

Sector	Allocation effect	Selection effect	Total effect
Communication Services	-0.01	0.14	0.13
Consumer Discretionary	0.04	-0.77	-0.73
Consumer Staples	-0.13	-0.03	-0.16
Energy	0.04	-0.40	-0.35
Financials	-0.06	-0.39	-0.45
Health Care	0.04	0.30	0.34
Industrials	0.00	-0.59	-0.58
Information Technology	0.04	0.20	0.24
Materials	0.00	0.02	0.01
Real Estate	-0.07	0.06	-0.02
Utilities	0.03	-0.18	-0.15
Cash	-0.20	0.00	-0.20
Total	-0.28	-1.63	-1.91

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 12/31/23. 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.

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 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.

Morningstar

Source: ©2023 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. Open-end mutual funds and exchange-traded funds are considered a single population for comparison purposes. Had fees not been waived and/or expenses reimbursed currently or in the past, the ranking would have been lower. Rankings for other share classes may differ due to different performance characteristics.

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.