

# Invesco Health Care Fund

## Q1 2024

### Key takeaways

**1 The fund outperformed its benchmark**  
Stock selection in health care equipment, pharmaceuticals, life science tools & services, distributors and managed care contributed to relative performance.

**2 The health care sector underperformed the overall US stock market**  
Managed care, biotechnology and life science tools & services underperformed the most during the quarter. Pharmaceuticals, facilities and distributors outperformed the market during quarter.

**3 Our outlook for the sector is neutral but we see signs of improving trends**  
Health care utilization levels and procedure activity have been higher and the biopharma research funding environment has been improving. GLP-1 obesity drug headlines seem to be less of a headwind for companies that treat obesity-related disease.

#### Investment objective

The fund seeks long-term growth of capital.

#### Fund facts

Fund AUM (\$M)	1,374.55
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#### Portfolio managers

Justin Livengood

### Manager perspective and outlook

- The US equity market rallied during the first quarter as investors appeared to digest the likely peak in interest rates and the US Federal Reserve's pivot to easier monetary policy.
- The health care sector underperformed the overall US equity market during the first quarter. Health care outperformed consumer discretionary, real estate and consumer staples, but lagged technology, communication services and financials.
- Our outlook for the health care sector is now neutral and we are seeing signs of potentially improving growth trends.
- We have been observing higher levels of health care utilization and procedure activity, which are a tailwind for health care equipment, distributors and facilities, while a headwind for managed care. We also see signs of a potentially improving environment for biopharma research funding, which is positive for life science tools & services. Headlines about GLP-1 obesity drugs have continued to be positive for biopharma companies and now appear to be less of a headwind for equipment and services companies that treat obesity-related diseases and diabetes.
- We invest in premier health care companies that we believe are positioned to compound multi-year growth. We combine in-depth health care experience with bottom-up fundamental analysis to evaluate company management, identify growth prospects and manage risk.



### Top issuers

(% of total net assets)

	Fund	Index
Eli Lilly & Co	9.10	10.69
Boston Scientific Corp	5.32	1.73
UnitedHealth Group Inc	5.24	7.88
McKesson Corp	4.18	1.22
Merck & Co Inc	3.66	5.76
Stryker Corp	3.55	2.08
Regeneron Pharmaceuticals Inc	3.53	1.75
Vertex Pharmaceuticals Inc	3.47	1.86
Intuitive Surgical Inc	3.26	2.42
Thermo Fisher Scientific Inc	3.21	3.87

As of 03/31/24. Holdings are subject to change and are not buy/sell recommendations.

### Portfolio positioning

The fund's largest absolute industry weights are in pharmaceuticals, health care equipment, biotechnology and life science tools & services. At quarter end, the fund was overweight health care distributors, facilities, biotechnology and life science tools & services, while underweight pharmaceuticals, services, managed care and health care equipment. During the quarter, the fund's weightings in health care equipment, life science tools & services, facilities and distributors increased. The fund's weightings in managed care and biotechnology decreased. Within the pharmaceuticals industry, we added Collegium and sold Sanofi. In biotechnology, we bought Sarepta, Viking, Ionis, IDEAYA, Insmmed, Kyverna, Scholar Rock and Vericel. We sold Exact Sciences, Gilead, Biogen, Immunogen, Karuna and Arrowhead. In health care equipment, we added to existing large-cap equipment positions and bought Edward Lifesciences and iRhythm Technologies, while selling Axonics, CONMED and Atricure. In life science tools & services we bought Lonza and sold 10X Genomics. In supplies, we added RxSight and sold Haemonetics. In services, we bought BrightSpring Health Services and sold NeoGenomics and Privia Health.

First quarter 2024 additions to the portfolio:

**Collegium Pharmaceuticals** makes pain treatments.

**Sarepta Therapeutics** makes genetic treatments for muscular dystrophy and central nervous system disorders.

**Viking Therapeutics** is a clinical stage biotechnology company that makes a liver disease treatment.

**Ionis Pharmaceuticals** makes RNA treatments for spinal muscular atrophy, neuropathy and endocrine disorders.

**IDEAYA Biosciences** makes drugs to treat cancer.

**Insmmed** makes treatments for pulmonary disorders and hypertension.

**Kyverna Therapeutics** makes cell therapies to treat autoimmune diseases.

**Scholar Rock** makes treatments for spinal muscular atrophy.

**Vericel** makes treatments for orthopedic conditions and severe burns.

**Edwards LifeSciences** makes heart valves and cardiovascular surgical devices.

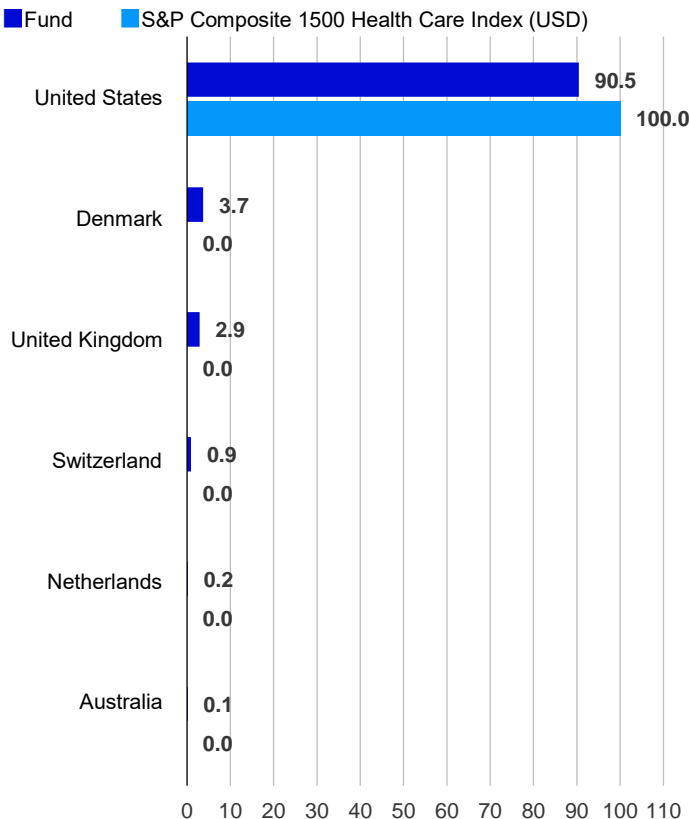
**iRhythm Technologies** makes innovative wearable cardiac monitoring devices.

**Lonza** is an outsource manufacturing service provider for biopharma companies.

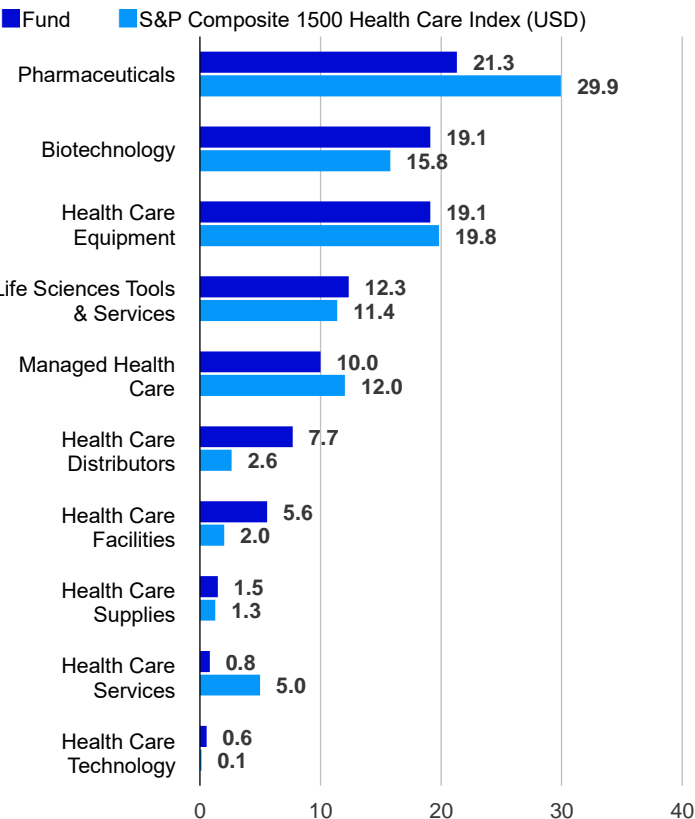
**RxSight** makes implantable synthetic eye lenses used in cataract surgery.

**BrightSpring Health Services** provides home health care, rehabilitation and hospice care services.

### Top countries (% of total net assets)



### Top industries (% of total net assets)



## Top contributors (%)

Issuer	Return	Contrib. to return
Eli Lilly and Company	33.69	2.66
Boston Scientific Corporation	18.47	0.90
Merck & Co., Inc.	21.81	0.72
Novo Nordisk A/S	24.24	0.64
Stryker Corporation	19.77	0.63

## Top detractors (%)

Issuer	Return	Contrib. to return
UnitedHealth Group Incorporated	-5.66	-0.45
Zoetis Inc.	-14.07	-0.44
Humana Inc.	-24.07	-0.19
Exact Sciences Corporation	-23.09	-0.12
10x Genomics, Inc.	-28.86	-0.12

## Performance highlights

Stock selection in health care equipment, pharmaceuticals and life science tools & services contributed to relative performance. Overweights in facilities and distributors also added to relative return.

Stock selection in biotechnology and an underweight in pharmaceuticals detracted from relative performance. The small cash position also detracted given the market rally during the quarter.

### Contributors to performance

**Eli Lilly** is a large-cap pharmaceutical company that makes drugs to treat Alzheimer's, cancer, diabetes, obesity, pain and autoimmune diseases. The company provided better-than-expected revenue guidance driven by its GLP-1 diabetes treatment Mounjaro and GLP-1 obesity treatment Zepbound.

**Boston Scientific** makes surgical devices and medical equipment to treat cardiovascular, gastrointestinal and pulmonological conditions. The company reported better-than-expected organic growth driven by strength in cardiovascular, endoscopy and urology devices. The company also received FDA approval for its pulsed field ablation system, Farapulse.

**Merck** is a large-cap pharmaceutical company that makes a variety of

pharmaceuticals, vaccines, biologic therapies and veterinary care products. The stock rallied as Winrevair, Merck's treatment for pulmonary arterial hypertension, received FDA approval.

### Detractors from performance

**UnitedHealth** is a large-cap managed care company that provides health care benefits, services, data and analytics. The stock declined on news of a Department of Justice anti-trust investigation of the company's OptumHealth physician groups and the company's health insurance plans.

**Zoetis** makes animal health medicines, vaccines, devices, tests and diagnostic products and services. The stock declined in March on apparent concerns about lower-than-expected patient volumes in the companion animal channel, softer demand for its arthritis pain management drug Librela, competitive pricing pressure and weakness in diagnostics.

**Humana** provides Medicare and Medicaid health insurance and prescription services. The stock declined in January on the company's announcement of a worse-than-expected medical loss ratio driven by higher-than-expected Medicare Advantage utilization.

## Standardized performance (%) as of March 31, 2024

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 08/07/89	NAV	10.36	10.36	16.71	4.30	8.32	7.35	10.27
	Max. Load 5.5%	4.27	4.27	10.29	2.35	7.10	6.75	10.09
Class R6 shares inception: 04/04/17	NAV	10.43	10.43	17.12	4.66	8.67	7.60	-
Class Y shares inception: 10/03/08	NAV	10.38	10.38	17.00	4.56	8.59	7.62	10.11
S&P Composite 1500 Health Care Index (USD)		8.64	8.64	15.41	8.94	11.60	11.66	-
Total return ranking vs. Morningstar Health category (Class A shares at NAV)		-	-	23% (53 of 177)	38% (74 of 159)	55% (90 of 136)	75% (91 of 114)	-

Expense ratios per the current prospectus: Class A: Net: 1.06%, Total: 1.06%; Class R6: Net: 0.71%, Total: 0.71%; Class Y: Net: 0.81%, Total: 0.81%.

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. Performance shown prior to the inception date of Class R6 shares is that of Class A shares and includes the 12b-1 fees applicable to Class A shares. 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	20.36	2.98	-11.71	15.46	0.46	32.00	14.45	12.19	-13.53	3.05
Class R6 shares at NAV	20.36	2.98	-11.71	15.72	0.79	32.38	14.81	12.56	-13.22	3.42
Class Y shares at NAV	20.65	3.23	-11.50	15.75	0.73	32.32	14.71	12.48	-13.31	3.33
S&P Composite 1500 Health Care Index (USD)	24.79	7.41	-2.05	22.47	6.71	20.87	14.55	24.85	-3.31	1.92

### Portfolio characteristics\*

	Fund	Index
No. of holdings	86	166
Top 10 issuers (% of AUM)	44.53	51.84
Wtd. avg. mkt. cap (\$M)	182,539	235,127
Price/earnings	31.93	25.43
Price to book	6.68	4.77
Est. 3 – 5 year EPS growth (%)	12.32	8.53
ROE (%)	19.93	19.72
Long-term debt to capital (%)	42.39	41.98
Operating margin (%)	19.24	19.04

### Risk statistics (5 year)\*

	Fund	Index
Alpha (%)	-3.41	0.00
Beta	1.08	1.00
Sharpe ratio	0.36	0.64
Information ratio	-0.57	0.00
Standard dev. (%)	17.26	15.06
Tracking error (%)	5.76	0.00
Up capture (%)	96.48	100.00
Down capture (%)	108.59	100.00
Max. drawdown (%)	21.99	13.86

## Quarterly performance attribution

### Industry performance analysis (%)

Sector	Allocation effect	Selection effect	Total effect
Biotechnology	-0.08	-0.34	-0.42
Health Care Distributors	0.27	0.13	0.40
Health Care Equipment	-0.02	0.87	0.85
Health Care Facilities	0.39	0.03	0.43
Health Care Services	0.00	0.07	0.07
Health Care Supplies	0.00	-0.08	-0.08
Health Care Technology	-0.09	0.15	0.06
Life Sciences Tools & Services	0.02	0.49	0.50
Managed Health Care	0.09	0.16	0.26
Office Reits	-0.02	0.00	-0.02
Pharmaceuticals	-0.39	0.58	0.19
Cash	-0.18	0.00	-0.18
<b>Total</b>	<b>-0.20</b>	<b>2.27</b>	<b>2.07</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 03/31/24. Unless stated otherwise, Index refers to S&P Composite 1500 Health Care Index (USD).

The S&P Composite 1500® Health Care Index comprises those companies included in the S&P Composite 1500 that are classified as members of the GICS® Health Care sector.

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### About risk

In general, stock and other equity securities values fluctuate, sometimes widely, in response to activities specific to the company as well as general market, economic and political conditions. Convertible securities may be affected by market interest rates, the risk of issuer default, the value of the underlying stock, or the issuer's right to buy back the convertible securities.

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.

The risks of investing in securities of foreign issuers, including emerging markets, can include fluctuations in foreign currencies, political and economic instability, and foreign taxation issues.

The performance of an investment concentrated in issuers of a certain region or country is expected to be closely tied to conditions within that region and to be more volatile than more geographically diversified investments.

The health care industry is subject to risks relating to government regulation, obsolescence caused by scientific advances and technological innovations.

Preferred securities may include provisions that permit the issuer to defer or omit distributions for a certain period of time, and reporting the distribution for tax purposes may be required, even though the income may not have been received. Further, preferred securities may lose substantial value due to the omission or deferment of dividend payments.

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

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.**