

# Invesco Equally-Weighted S&P 500 Fund

## Q1 2024

## Key takeaways

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

The fund's holdings in information technology and communication services were the largest contributors to relative return.
- 2 Narrow market participation hindered relative performance**

Smaller stocks underperformed 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)	6,871.44
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### Portfolio managers

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## Manager perspective and outlook

- US equities moved higher in the first quarter of 2024 as the S&P 500 Index, S&P MidCap 400 Index and S&P SmallCap 600 Index returned 10.56%, 9.94% and 2.45%, respectively. The S&P 500 Index's return was the second largest first quarter return in the last 10 years, trailing only the 13.65% return in the first quarter of 2019. Although January returns resembled the pattern in 2023, with performance led mostly by a select group of mega cap companies, as the quarter progressed, leadership began to broaden.
- Equities shook off geopolitical risk, shifting expectations for interest rates and sticky inflation, focusing instead on positive earnings results and resilience in the US economy and labor market. Following three straight quarters of negative year-over-year earnings growth, S&P 500 Index earnings grew 4.24% in the fourth quarter of 2023. Analysts are now forecasting robust earnings growth of greater than 10% for the S&P 500 Index in 2024 (Source: FactSet).
- The fund's equal weight methodology historically tends to provide greater exposure to size and value factors relative to the S&P 500 Index. Specifically, the fund offers greater exposure to smaller stocks and stocks with lower valuations. These exposures were a headwind in the first quarter as smaller stocks underperformed larger stocks.



## Top issuers

(% of total net assets)

	Fund	Index
Micron Technology Inc	0.23	0.24
Freeport-McMoRan Inc	0.23	0.23
FedEx Corp	0.23	0.23
General Motors Co	0.22	0.22
Archer-Daniels-Midland Co	0.22	0.22
Marathon Oil Corp	0.22	0.22
Valero Energy Corp	0.22	0.22
PayPal Holdings Inc	0.22	0.22
Delta Air Lines Inc	0.22	0.22
3M Co	0.22	0.22

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

## Portfolio positioning

Despite some broadening of market participation later in the quarter, January saw a narrow rally in mega cap stocks, and at quarter end, concentration in US large-cap equity stocks was at a multi-decade high. The combined weight of the top 10 companies in the S&P 500 Index was just over 33% at quarter end. Although there are nearly 500 stocks in the Index, approximately one-third of the S&P 500 is concentrated in just 10 companies. This is the highest concentration level at any point since the late 1970s. The average weight of the S&P 500 Index's top 10 holdings over the last 35 years has been about 21%. Before this recent post-pandemic cycle, the previous high was about 27% in June 2000, just before the Dot-Com bubble burst.

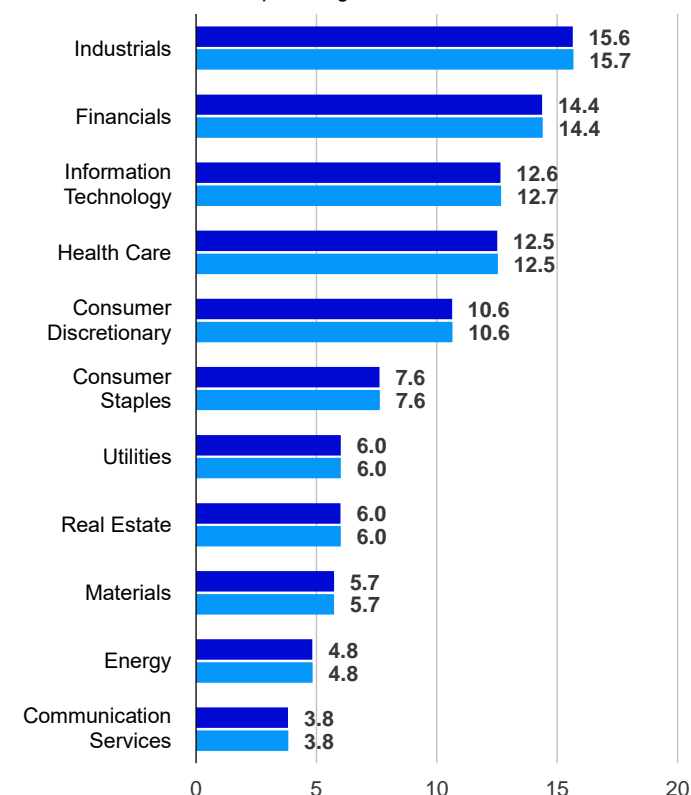
Concentration is not limited to individual stocks, there is sector concentration as well. The index's technology weight was 29.6% at quarter end, higher than the previous high of 29.2% in 1999.

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.

S&P 500 earnings growth over the past year did not keep up with the Index's return for the same period. That has caused a large increase in the price-to-earnings ratio (P/E ratio), which expanded from 19.7x on March 31, 2023 to 25.2x on March 29, 2024. The S&P 500 Index's current P/E ratio represents a 21.2% premium to its average over the last 10 years. Though the fund's earnings growth was less than that of the Index, the fund's P/E ratio also expanded, rising from 17.8x on March 31, 2023 to 20.7x on March 29, 2024. The S&P 500 Index's current valuation premium sets the bar for earnings growth expectations much higher compared to the S&P 500 Equal Weight Index. Although valuations have not been historically reliable timing tools in the short term, they can be helpful in anticipating expected returns over longer periods. The fund's attractive valuation relative to the S&P 500 Index may bode well for shareholders over the long-term.

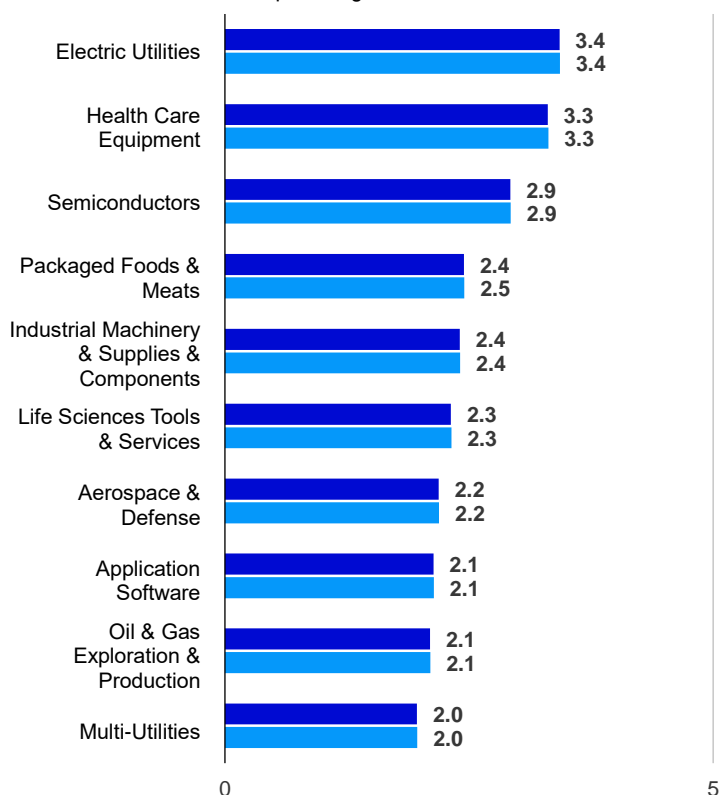
## Sector breakdown (% of total net assets)

Fund S&P 500 Equal Weight Index



## Top industries (% of total net assets)

Fund S&P 500 Equal Weight Index



## Top contributors (%)

Issuer	Return	Contrib. to return
NVIDIA Corporation	82.46	0.17
Constellation Energy Corporation	58.45	0.11
Meta Platforms, Inc.	37.33	0.08
General Electric Company	37.53	0.08
Micron Technology, Inc.	38.28	0.07

## Top detractors (%)

Issuer	Return	Contrib. to return
MarketAxess Holdings Inc.	-24.88	-0.06
Tesla, Inc.	-29.25	-0.06
Charter Communications, Inc.	-25.23	-0.05
Boeing Company	-25.96	-0.05
lululemon athletica inc.	-23.60	-0.05

## Performance highlights

Invesco Equally-Weighted S&P 500 Fund returned 7.79%, while the S&P 500 Index returned 10.56% for the quarter. Over the full 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 first quarter largely resulted from its equal weight methodology, which causes a natural tilt toward smaller stocks within the index.

### Contributors to performance

**NVIDIA:** The semi-conductor and equipment company is the primary beneficiary of the AI secular growth trend. NVIDIA's most recent quarterly report extended the company's run of beating analyst expectations. Management's revenue guidance also surpassed analyst expectations.

**Constellation Energy:** The utilities company's stock rallied to a new 52-week

high after management provided a 2024 earnings outlook above previous analyst forecasts, which spurred multiple analysts to announce upward revisions to their price targets for the company.

### Detractors from performance

**MarketAxess:** The share price for this financials company declined after management provided a disappointing outlook for expected high-yield trading volume, causing multiple analysts to lower price targets on the stock due to concerns about the company's decreasing market share.

**Tesla:** The automobile company saw its share price tumble during the quarter as management announced disappointing quarterly earnings and revenue. Additionally, the company recalled 1.6 million cars in China due to issues with its self-driving systems.

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

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 07/28/97	NAV	7.79	7.79	18.82	7.62	11.78	10.34	9.26
	Max. Load 5.5%	1.86	1.86	12.29	5.60	10.53	9.72	9.03
Class R6 shares inception: 09/24/12	NAV	7.88	7.88	19.22	7.99	12.18	10.74	12.61
Class Y shares inception: 07/28/97	NAV	7.85	7.85	19.12	7.88	12.06	10.61	9.53
S&P 500 Equal Weight Index		7.91	7.91	19.38	8.16	12.35	10.92	-
Total return ranking vs. Morningstar Large Blend category (Class A shares at NAV)		-	-	90% (1306 of 1423)	87% (1137 of 1296)	83% (1007 of 1183)	80% (721 of 891)	-

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)	2.24	2.25
Wtd. avg. mkt. cap (\$M)	93,483	93,484
Price/earnings	20.39	20.39
Price to book	2.94	2.94
Est. 3 – 5 year EPS growth (%)	9.33	9.33
ROE (%)	18.32	18.32
Long-term debt to capital (%)	43.42	43.42
Operating margin (%)	18.92	18.92

### Risk statistics (5 year)\*

	Fund	Index
Alpha (%)	-0.51	0.00
Beta	1.00	1.00
Sharpe ratio	0.48	0.51
Information ratio	-6.25	0.00
Standard dev. (%)	20.45	20.43
Tracking error (%)	0.09	0.00
Up capture (%)	98.52	100.00
Down capture (%)	100.60	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	-0.01
Materials	0.00	0.00	0.00
Other	0.01	0.00	0.01
Real Estate	0.00	0.00	0.00
Utilities	0.00	0.00	0.00
Cash	0.01	0.00	0.01
<b>Total</b>	<b>0.02</b>	<b>0.00</b>	<b>0.02</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 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.

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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.

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.

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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.**