

# Invesco Charter Fund

## Q1 2024

## Key takeaways

**1 The fund underperformed its benchmark**

Outperformance mainly resulted from stock selection in the information technology (IT), communication services and financials sectors. Weaker stock selection in industrials, energy and real estate 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 1000 Index.

**3 US equities rallied as the economy remained resilient**

Stocks rallied in the first quarter as the US economy defied recession predictions and the labor market remained robust. The S&P 500 Index returned 10.56%, driven by the communication services and energy sectors. Real estate was the only sector to decline.

### Investment objective

The fund seeks long-term growth of capital.

### Fund facts

Fund AUM (\$M)	3,350.11
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### Portfolio managers

Belinda Cavazos, Benjamin Ram, Magnus Krantz

## Manager perspective and outlook

- US equities rallied in the first quarter. In February, the S&P 500 Index closed above the 5,000 milestone for the first time. The US economy defied recession predictions, achieving growth of 2.5% in 2023 as fourth-quarter Gross Domestic Product (GDP) growth was 3.4%. The labor market remained robust, with continued payroll gains and unemployment still historically low – below 4%. In this environment, the S&P 500 Index returned 10.56%, driven by strength in communication services and energy. Real estate was the only negative sector.
- Inflation remained persistent. January and February increases in the Consumer Price Index (CPI) were higher than expected, leading the US Federal Reserve to defer anticipated interest rate cuts to the second half of 2024. Though overall inflation has been below its peak, consumers appeared cautious, as evidenced by declining retail sales.
- Regardless of market sentiment and near-term economic trends, our investment process favors better-managed companies with strong balance sheets and competitive positioning. If interest rates decline over 2024, that should we believe help more highly leveraged companies at the margin, but 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.



## Top issuers

(% of total net assets)

	Fund	Index
Microsoft Corp	8.34	6.51
NVIDIA Corp	6.24	4.46
Amazon.com Inc	5.10	3.38
Apple Inc	4.20	5.20
Alphabet Inc	3.21	3.45
Meta Platforms Inc	3.04	2.23
JPMorgan Chase & Co	2.84	1.20
Procter & Gamble Co/The	2.05	0.79
Eli Lilly & Co	2.01	1.37
Chevron Corp	1.93	0.56

As of 03/31/24. 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 +/- 3% of the Russell 1000 Index.

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

**Applied Materials** has been benefiting from strong secular trends for semiconductors, which have been driving demand for semi-conductor capital equipment. This high-quality company has in our view a strong return on invested capital (ROIC).

**Walt Disney** has been transitioning from a cable content provider to a profitable streaming business provider. We think there is a high probability this transition will be successful.

**Morgan Stanley** has been benefiting from its shift to fee-based asset management, which has made results less volatile. We also believe investment banking earnings should improve from depressed levels.

**Dell** has positive cyclical and secular drivers as hardware sales have been bottoming and are expected to improve in the second half of 2024. Meanwhile, the company has been emerging as a leading supplier of artificial intelligence (AI) servers.

**Lonza** has been experiencing strong demand for bioprocessing, driven by injectables including biologics and glucagon-like peptides (GLP-1s). The company has also benefited from its recent acquisition of a key competitor that has enhanced its strategic value.

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

**Boeing** was sold due to operational challenges and leadership turmoil. Increased scrutiny will likely lead to a slowdown in deliveries and higher costs that will pressure free cash flow.

**PepsiCo** has been facing headwinds in its snack business due to deceleration in pricing and has no longer been gaining market share.

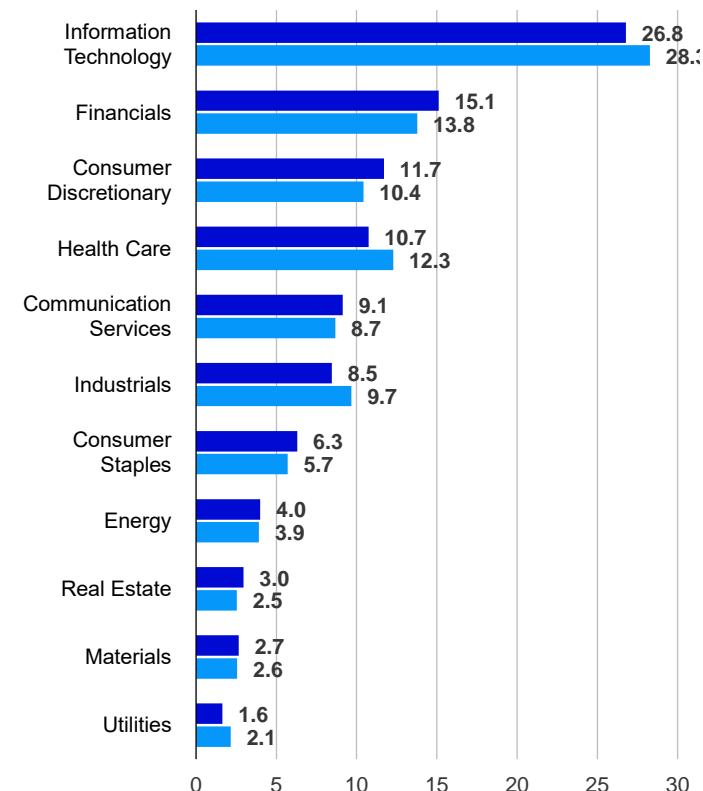
**ASML** has been affected by trade restrictions on sales of lithography semiconductor capital equipment to China.

**Accenture** was sold because its clients have been delaying discretionary projects as budgets have shifted to higher priority AI investments.

**ARM** was sold after the stock price appreciated and the valuation no longer looked compelling to us.

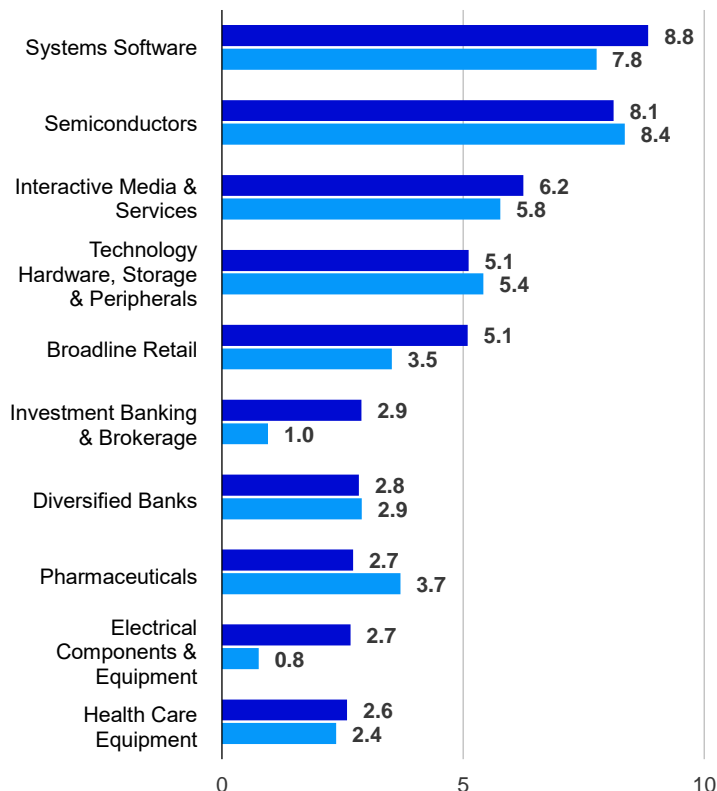
## Sector breakdown (% of total net assets)

■ Fund ■ Russell 1000 Index (USD)



## Top industries (% of total net assets)

■ Fund ■ Russell 1000 Index (USD)



## Top contributors (%)

Issuer	Return	Total effect
NVIDIA Corporation	82.46	0.83
Arm Holdings plc	77.90	0.46
Tesla, Inc.	-29.25	0.37
Apple Inc.	-10.82	0.28
ASML Holding NV	29.66	0.20

## Top detractors (%)

Issuer	Return	Total effect
Boeing Company	-27.55	-0.46
Aptiv PLC	-11.22	-0.27
United Parcel Service, Inc.	-4.43	-0.19
Prologis, Inc.	-1.58	-0.18
Mosaic Company	-8.55	-0.18

## Performance highlights

The fund's Class A shares at net asset value (NAV) returned 11.19% for the quarter, outperforming the Russell 1000 Index, which returned 10.30%. The fund's outperformance mainly resulted from stock selection in the IT, communication services and financials sectors. Weaker stock selection in industrials, energy and real estate partially offset these results.

### Contributors to performance

**NVIDIA** continued to benefit from positive news flow regarding the increasing size and scope of the AI opportunity and NVIDIA's leading competitive positioning. Also, the company reported another strong quarter that met high expectations.

**ARM** reported strong quarterly results that showed increased traction for new products used to enable AI-related applications. Additionally, shorting of the stock following its recent initial public offering (IPO) helped drive the stock price higher as investors appeared to cover their positions after the better-than-expected earnings report.

**ASML** experienced a recovery in its order book and benefited from general strength in AI-related stocks.

### Detractors from performance

**Boeing's** quality control issues forced Federal Aviation Association (FAA) actions that caused headwinds for delivery volumes and costs. This delayed the expected inflection in free cashflow by 12-18 months.

**Aptiv** dealt with near-term changes in its customer and product mix that were headwinds to growth, along with increased volatility of expectations for its future earnings power. We believe these dynamics will be transitory.

**UPS** has been going through a transition period in the aftermath of a major contract renewal with its union. Heading into the negotiations, customers diverted volumes given the uncertainty and it will likely take a few more quarters for market share to rebound. During a recent investor day, management stated that trends have been improving but at a slower rate than investors appeared to be expecting.

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

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 11/26/68	NAV	11.19	11.19	27.42	8.58	12.28	8.38	10.58
	Max. Load 5.5%	5.06	5.06	20.39	6.55	11.01	7.77	10.47
Class R6 shares inception: 09/24/12	NAV	11.26	11.26	27.90	8.98	12.69	8.80	10.33
Class Y shares inception: 10/03/08	NAV	11.25	11.25	27.78	8.88	12.58	8.66	9.58
Russell 1000 Index (USD)		10.30	10.30	29.87	10.45	14.76	12.68	-
Total return ranking vs. Morningstar Large Blend category (Class A shares at NAV)		-	-	60% (896 of 1423)	79% (1039 of 1296)	78% (950 of 1183)	96% (856 of 891)	-

Expense ratios per the current prospectus: Class A: Net: 1.03%, Total: 1.03%; Class R6: Net: 0.69%, Total: 0.69%; Class Y: Net: 0.78%, Total: 0.78%.

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 includes litigation proceeds. Had these proceeds not been received, total return would have been lower. 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	7.74	-6.40	10.32	13.25	-9.65	29.01	13.50	27.40	-20.72	23.04
Class R6 shares at NAV	8.20	-6.00	10.81	13.70	-9.35	29.57	13.91	27.80	-20.44	23.51
Class Y shares at NAV	8.05	-6.15	10.56	13.57	-9.47	29.37	13.78	27.69	-20.50	23.36
Russell 1000 Index (USD)	13.24	0.92	12.05	21.69	-4.78	31.43	20.96	26.45	-19.13	26.53

### Portfolio characteristics\*

	Fund	Index
No. of holdings	-	-
Top 10 issuers (% of AUM)	0.00	0.00
Wtd. avg. mkt. cap (\$M)	817,724	-
Price/earnings	23.91	0.00
Price to book	3.92	0.00
Est. 3 – 5 year EPS growth (%)	13.35	0.00
ROE (%)	22.21	0.00
Long-term debt to capital (%)	37.56	0.00
Operating margin (%)	25.16	0.00

### Risk statistics (5 year)\*

	Fund	Index
Alpha (%)	-1.56	0.00
Beta	0.94	1.00
Sharpe ratio	0.57	0.68
Information ratio	-0.87	0.00
Standard dev. (%)	17.89	18.76
Tracking error (%)	2.86	0.00
Up capture (%)	82.33	100.00
Down capture (%)	97.27	100.00
Max. drawdown (%)	26.07	24.59

## Quarterly performance attribution

### Sector performance analysis (%)

Sector	Allocation effect	Selection effect	Total effect
Communication Services	0.00	0.35	0.35
Consumer Discretionary	-0.03	0.20	0.17
Consumer Staples	-0.04	0.04	0.00
Energy	-0.01	-0.22	-0.23
Financials	0.02	0.24	0.26
Health Care	0.01	0.13	0.14
Industrials	-0.03	-0.46	-0.48
Information Technology	-0.04	1.54	1.50
Materials	-0.01	-0.14	-0.14
Real Estate	-0.09	-0.07	-0.16
Utilities	0.01	-0.09	-0.08
Cash	-0.09	0.00	-0.09
<b>Total</b>	<b>-0.29</b>	<b>1.53</b>	<b>1.24</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 Russell 1000 Index (USD).

Asset allocation/diversification does not guarantee a profit or eliminate the risk of loss.

The Russell 1000® Index is an unmanaged index considered representative of large-cap stocks. The Russell 1000 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.

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

Growth stocks tend to be more sensitive to changes in their earnings and can be more volatile.

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.

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.

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.

The investment techniques and risk analysis used by the portfolio managers may not produce the desired results.

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.**