Invesco Charter Fund

Q1 2023

Key takeaways

1 The fund slightly underperformed its benchmark

The fund's performance was negatively affected by stock selection in financials, consumer discretionary and industrials. This was largely offset by strong stock selection in information technology, communication services and health care.

2 Fund activity

The fund remains positioned to minimize sector and factor tilts relative to the Russell 1000 Index. On the margin, we increased exposure to companies we consider to be higher quality secular growth winners.

3 Interest rates likely to remain elevated; recession risk has increased

Given the macroeconomic backdrop, we believe the recent trend favoring larger and better-capitalized companies over smaller cap companies is likely to continue.

Investment objective

The fund seeks long-term growth of capital.

Fund facts

Fund AUM ($M)	2,897.37

Portfolio managers

Belinda Cavazos, Benjamin Ram, Magnus Krantz

Manager perspective and outlook

- Large-cap stocks lagged small-cap stocks in January and February before leadership sharply reversed in March. The S&P 500 Index return was led by growth-oriented stocks, especially the largest technology companies.
- After a robust start to 2023, economic data softened in March as indicators of production, hiring and inflation slowed.
- Softening economic data and recent turmoil in the banking system have raised significant uncertainty regarding outlooks for the economy and Federal Reserve policy for the balance of 2023.
- Recent Federal Open Market Committee (FOMC) statements and public comments by voting members have noted potential for further rate increases. However, market indicators now imply no rate hikes at the May FOMC meeting and rate cuts beginning by year end.
- In our view, the market sentiment on interest rates is misplaced. We believe the federal funds rate will stay elevated for longer than the market expects, whether the FOMC holds rates steady or hikes another 0.25% in May.
- We believe recession risk has increased and that reduced lending by small and midsized banks will likely dampen private sector investment and spending. Tighter credit availability would hurt smaller and more leveraged companies the most, even if interest rates decline.

Top issuers
(% of total net assets)

	Fund	Index
Microsoft Corp	7.53	5.70
Apple Inc	4.89	6.55
Amazon.com Inc	3.29	2.43
Exxon Mobil Corp	3.12	1.19
NVIDIA Corp	2.80	1.74
PepsiCo Inc	2.60	0.67
Visa Inc	2.58	0.97
Alphabet Inc	2.48	3.09
UnitedHealth Group Inc	2.42	1.17
JPMorgan Chase & Co	2.25	1.00

As of 03/31/23. 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 are executing better than their peers. These companies tend to have higher profit margins and returns on invested capital, rising market shares and consistently strong pricing power (important in an inflationary environment). While the fund's factor exposures are mostly neutral relative to the benchmark, we did increase exposure to companies we consider to be higher quality secular growth winners. As of quarter end, all sector weights were within +/- 2% of the Russell 1000 Index.

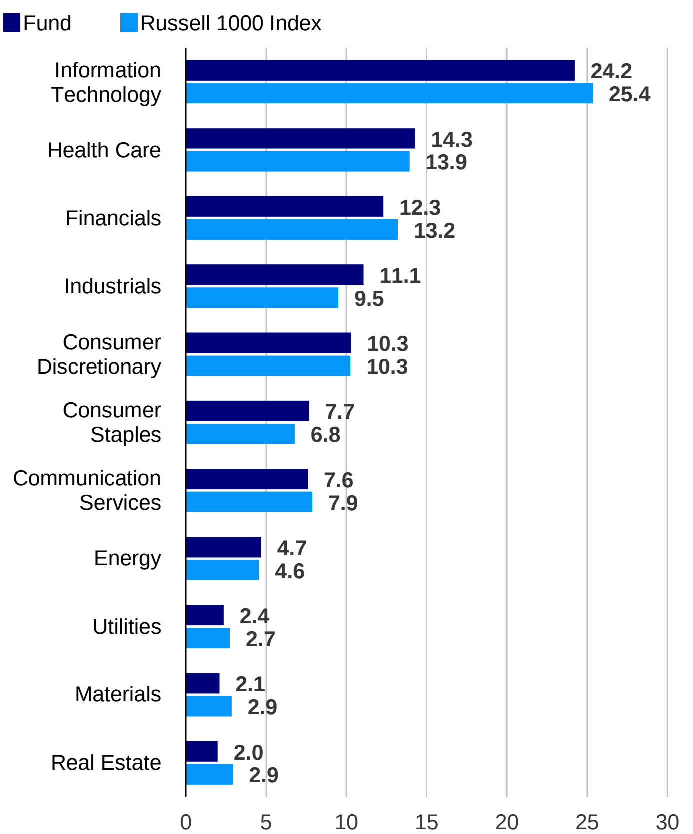
Top new additions during quarter included the following companies:

Procter & Gamble: Volume growth has been better than its consumer staples peers, the company is gaining market share in most of its categories, and sales have also been improving. We believe the company's above-average valuation is justified given its higher quality profile.
LKQ: This company is a niche leader in auto parts, with improving execution as evidenced by higher profit margins, free cash flow and return on invested capital. The company is also gaining traction in Europe. LKQ benefits from higher used car prices and we believe its valuation is attractive.
Boston Scientific: A leader in medical devices, the company's business mix has shifted toward more critical care, which is less cyclical. Valuation is reasonable and we believe new products and a rebound in procedure volume should benefit the company's share price.

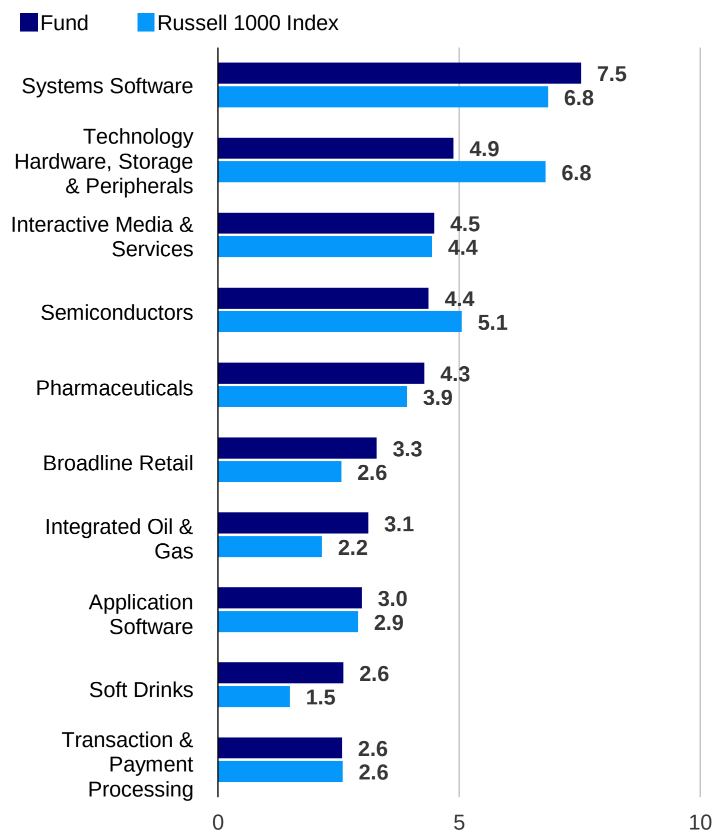
The largest positions sold during the quarter included the following companies:

Netflix: We took advantage of share price strength to exit the position in Netflix given our concern that the advertising-supported rollout is taking longer than expected to work and the crackdown on password sharing has yet to be instituted in the US.
Allstate: The insurer's execution has not been strong and profitability has been affected by higher-than-expected claim costs. Capital ratios may remain low and the company has a higher operating cost structure than peers, which makes it hard to gain market share.
British American Tobacco: The US accounts for more than half of the company's profits and menthol cigarettes are around half of US volumes. Though we believe the risk of a menthol ban is low, it does create significant binary risk so we decided to sell the position.

Sector breakdown (% of total net assets)



Top industries (% of total net assets)



Top contributors (%)

Issuer	Return	Total effect
NVIDIA Corporation	90.10	0.68
Meta Platforms, Inc.	76.12	0.48
Seagen Inc.	57.55	0.33
Airbnb, Inc.	45.50	0.32
Catalent, Inc	45.99	0.27

Top detractors (%)

Issuer	Return	Total effect
SVB Financial Group	-100.00	-0.64
Tesla, Inc.	0.00	-0.54
Charles Schwab Corporation	-36.89	-0.37
Pfizer Inc.	-19.64	-0.33
APA CORPORATION	-22.32	-0.32

Performance highlights

The fund's Class A shares at net asset value (NAV) returned 7.36% for the quarter, slightly underperforming the Russell 1000 Index, which returned 7.46%. The fund's underperformance was mainly driven by stock selection in the financials, consumer discretionary and industrials sectors. Stronger stock selection in information technology, communication services and health care partially offset these results.

Contributors to performance:

NVIDIA reported quarterly earnings in line with expectations, but its guidance was better than expected. The company's Data Center segment is expected to accelerate through the rest of the year as spending for artificial intelligence (AI) increases. NVIDIA is currently the only vendor capable of supplying the Graphics Processing Unit (GPU) computing infrastructure necessary to develop and run large AI models.

Meta outperformed after it announced steps to reduce its cost structure. The company also benefited from the general outperformance of the largest cap technology stocks.

Seagen, a biotechnology company focused on cancer treatments, announced it would be acquired by Pfizer (not a fund holding).

Detractors from performance:

SVB Financial failed and the bank was taken over by the Federal Deposit Insurance Corp. (FDIC) following a bank run precipitated by the company's decision to sell its entire available-for-sale bond portfolio at a loss and also attempt to raise equity capital. Though we understood that the company made a significant error extending its bond portfolio duration at lower interest rates, we underestimated the risk of its highly concentrated depositor base.

Charles Schwab was negatively affected by the banking crisis during the first quarter. Like many financial institutions, Schwab was being heavily scrutinized for unrealized losses in its securities portfolio. We continue to closely monitor the company's organic asset growth, deposit flows and capital ratios as the banking crisis is still ongoing.

Pfizer reported fourth quarter revenue below expectations and provided 2023 guidance well below consensus due to higher operating costs as the company works to convert its COVID products to a commercial model. Sales of COVID products are expected to increase in 2024 and beyond due to higher pricing and a potential combination flu/COVID vaccine still in development.

Standardized performance (%) as of March 31, 2023

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 11/26/68	NAV	7.36	7.36	-9.29	15.73	7.76	7.70	10.30
	Max. Load 5.5%	1.48	1.48	-14.26	13.55	6.54	7.10	10.18
Class R6 shares inception: 09/24/12	NAV	7.44	7.44	-9.00	16.13	8.15	8.12	8.79
Class Y shares inception: 10/03/08	NAV	7.40	7.40	-9.08	16.02	8.03	7.97	8.42
Russell 1000 Index		7.46	7.46	-8.39	18.55	10.87	12.01	-
Total return ranking vs. Morningstar Large Blend category (Class A shares at NAV)		-	-	84% (1155 of 1370)	85% (1050 of 1238)	86% (991 of 1129)	96% (800 of 835)	-

Calendar year total returns (%)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Class A shares at NAV	28.34	7.74	-6.40	10.32	13.25	-9.65	29.01	13.50	27.40	-20.72
Class R6 shares at NAV	28.84	8.20	-6.00	10.81	13.70	-9.35	29.57	13.91	27.80	-20.44
Class Y shares at NAV	28.64	8.05	-6.15	10.56	13.57	-9.47	29.37	13.78	27.69	-20.50
Russell 1000 Index	33.11	13.24	0.92	12.05	21.69	-4.78	31.43	20.96	26.45	-19.13

Expense ratios per the current prospectus: Class A: Net: 1.02%, Total: 1.02%; Class R6: Net: 0.68%, Total: 0.68%; Class Y: Net: 0.77%, Total: 0.77%.

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. Visit 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.

Portfolio characteristics*

	Fund	Index
No. of holdings	71	1,007
Top 10 issuers (% of AUM)	33.95	24.83
Wtd. avg. mkt. cap ($M)	505,458	495,729
Price/earnings	20.85	19.30
Price to book	4.60	3.76
Est. 3 – 5 year EPS growth (%)	11.29	9.99
ROE (%)	22.50	22.13
Long-term debt to capital (%)	42.22	42.19
Operating margin (%)	22.24	22.77

Risk statistics (5 year)*

	Fund	Index
Alpha (%)	-2.48	0.00
Beta	0.96	1.00
Sharpe ratio	0.34	0.50
Information ratio	-1.00	0.00
Standard dev. (%)	18.46	19.03
Tracking error (%)	3.10	0.00
Up capture (%)	79.95	100.00
Down capture (%)	98.33	100.00
Max. drawdown (%)	26.07	24.59

Quarterly performance attribution

Sector performance analysis (%)

Sector	Allocation effect	Selection effect	Total effect
Communication Services	0.01	0.43	0.44
Consumer Discretionary	0.12	-0.32	-0.21
Consumer Staples	0.08	-0.01	0.08
Energy	0.00	0.06	0.06
Financials	-0.02	-1.05	-1.07
Health Care	0.13	0.35	0.48
Industrials	-0.04	-0.16	-0.21
Information Technology	-0.21	0.62	0.41
Materials	0.02	-0.06	-0.03
Real Estate	0.04	0.06	0.10
Utilities	0.07	0.07	0.13
Cash	-0.05	0.00	-0.05
Total	**0.16**	**-0.01**	**0.14**

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 03/31/23. Unless stated otherwise, Index refers to Russell 1000 Index.

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.

About risk

Holding cash or cash equivalents may negatively affect performance.

Debt securities are affected by changing interest rates and changes in their effective maturities and credit quality.

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.

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. **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. **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. **Information Ratio** is a measurement of portfolio returns beyond the returns of a benchmark, usually an index, compared to the volatility of those 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. **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

Before investing, consider the Fund's investment objectives, risks, charges and expenses. Visit invesco.com/fundprospectus for a prospectus/summary prospectus containing this information. Read it carefully before investing.