

# Invesco Health Care Fund

## Q1 2023

## Key takeaways

**1 The fund outperformed its benchmark**  
Stock selection in pharmaceuticals, health care services and health care equipment added to relative performance. Underweights in pharmaceuticals and health care services were also beneficial.

**2 The health care sector underperformed the overall US stock market during the quarter**  
We have observed a market rotation away from pharmaceuticals and managed care following their strong relative performance in 2022.

**3 We maintain a neutral outlook for the health care sector**  
We continue to monitor the market environment and sector for signs of a shift to higher growth and higher valuation health care stocks.

### Investment objective

The fund seeks long-term growth of capital.

### Fund facts

Fund AUM (\$M)	1,295.19
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### Portfolio managers

Justin Livengood

## Manager perspective and outlook

- Following a volatile first quarter marked by concern about the banking industry, US equities ended higher on hopes for a pause in the Federal Reserve's interest rate hikes and a possible pivot to lower rates.
- Growth stocks gained more than value stocks during the quarter.
- The health care sector underperformed the overall US stock market during the period.
- Health care supplies, facilities, equipment, life science tools and services, biotechnology and distributors led results in the sector.
- Health care services, managed care, health care technology and pharmaceuticals trailed the overall health care sector.
- We maintain a neutral view on the health care sector. We expect that the banking crisis and increased bank regulation may tighten financial conditions, limiting the availability of funds for research and development spending in biotechnology and life science tools and services. We have observed a market rotation away from pharmaceuticals and managed care following strong relative performance in 2022. We continue to monitor the market environment and sector for signs of a shift to higher growth and higher valuation health care stocks.
- 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.



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

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
UnitedHealth Group Inc	7.17	8.53
Eli Lilly & Co	6.36	5.23
Merck & Co Inc	4.63	5.21
Novo Nordisk A/S	4.38	0.00
Thermo Fisher Scientific Inc	4.19	4.37
AstraZeneca PLC	3.80	0.00
Boston Scientific Corp	3.73	1.38
Stryker Corp	3.61	1.86
Humana Inc	3.46	1.17
Vertex Pharmaceuticals Inc	3.30	1.56

As of 03/31/23. Holdings are subject to change and are not buy/sell recommendations.

## Portfolio positioning

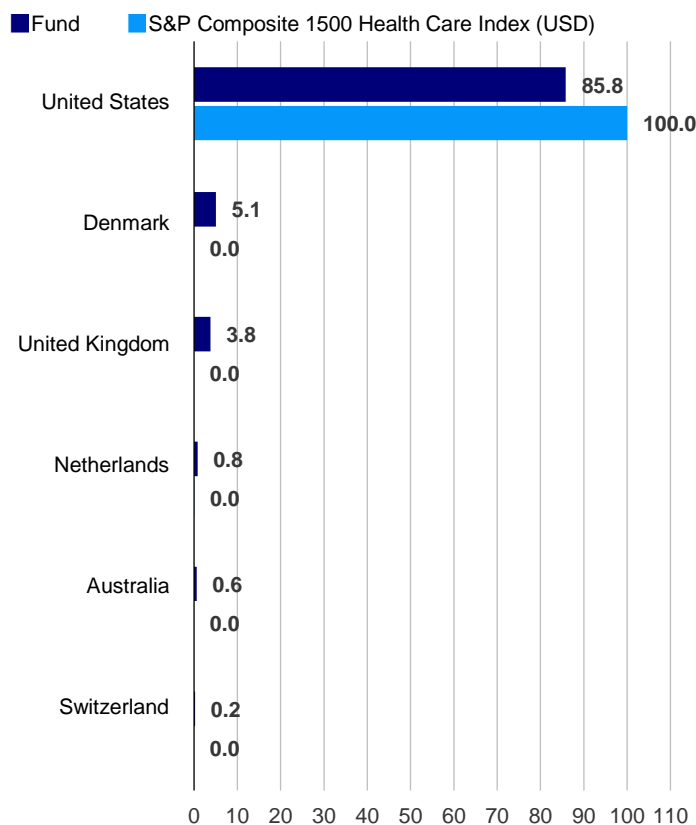
The fund's largest absolute industry weights are in pharmaceuticals, health care equipment, biotechnology, life science tools and services, and managed health care. At the end of the quarter, the fund was overweight health care facilities, distributors and biotechnology, while underweight pharmaceuticals, health care services and managed care. During the quarter, we increased weightings in health care equipment, facilities, supplies, and life science tools and services. We reduced exposure in managed care, biotechnology and pharmaceuticals.

Within the biotechnology industry, we added **Apellis Pharmaceuticals**, **CSL**, **Deciphera Pharmaceuticals**, **Exact Sciences**, **Madrigal Pharmaceuticals** and **Moderna**. We sold **Amgen**, **BioCryst Pharmaceuticals**, **Horizon Therapeutics** and **Neurocrine Biosciences**. In the health care equipment industry, we added **GE Healthcare Technologies**, **Penumbra** and **Transmedics**; we sold **Globus Medical**. In health care facilities, we bought **Encompass Health**. In health care services, we added **NeoGenomics** and sold **AMN Healthcare Services**. In health care supplies, we bought **The Cooper Companies** and **Haemonetics**. In life science tools and services, we added **10X Genomics**, **Bruker** and **West Pharmaceutical Services** and sold **Bio-Techne** and **IQVIA**. In managed care, we sold **HealthEquity**. In pharmaceuticals, we bought **Axsome Therapeutics**, **Catalent** and **Sanofi** and sold **Pfizer** and **Royalty Pharma**.

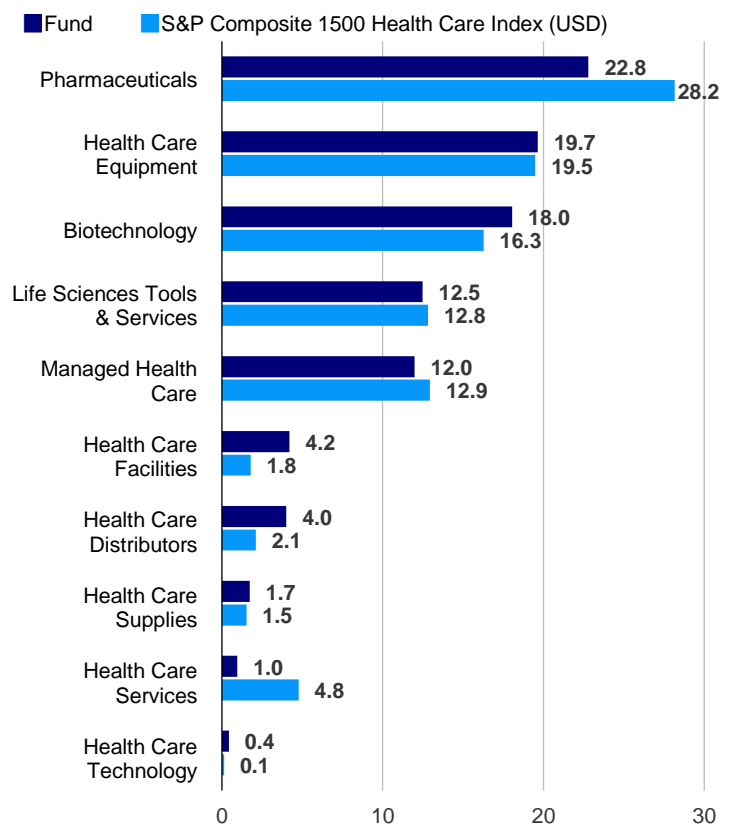
First quarter 2023 additions to the portfolio:

**Apellis Pharmaceuticals** makes drugs to treat eye conditions and rare diseases. **CSL** makes flu vaccines and drugs to treat immunodeficiencies, bleeding disorders and iron deficiency. **Deciphera Pharmaceuticals** makes cancer drugs. **Exact Sciences** makes colorectal cancer diagnostics. **Madrigal Pharmaceuticals** makes drugs to treat liver disease. **Moderna** makes messenger RNA therapeutics and vaccines. **GE Healthcare Technologies** makes imaging, X-ray, ventilators, ultrasound and other hospital equipment. **Penumbra** makes medical devices to treat stroke patients. **Transmedics** makes equipment to preserve lungs, hearts and livers for transplant procedures. **Encompass Health** owns/operates 156 rehabilitation hospitals in 37 states. **NeoGenomics** provides cancer diagnostics. **The Cooper Companies** makes contact lenses and also products and services supporting fertility and women's health. **Haemonetics** provides devices and services for blood and plasma collection and management. **10X Genomics** provides technology for single cell gene analysis. **Bruker** provides microscopes and imaging equipment used in biopharma research, development and diagnostics. **West Pharmaceutical Services** provides contract manufacturing services and makes syringes and other drug containment and delivery systems. **Axsome Therapeutics** makes drugs to treat central nervous system conditions. **Catalent** provides biopharma product development, manufacturing, launch and supply services. **Sanofi** makes vaccines to prevent disease and drugs to treat blood disorders, cancer, inflammation, multiple sclerosis and other diseases.

## Top countries (% of total net assets)



## Top industries (% of total net assets)



## Top contributors (%)

Issuer	Return	Contrib. to return
Novo Nordisk A/S	18.55	0.69
Stryker Corporation	17.07	0.47
Regeneron Pharmaceuticals, Inc.	13.89	0.34
Vertex Pharmaceuticals Incorporated	9.10	0.28
Boston Scientific Corporation	8.13	0.26

## Top detractors (%)

Issuer	Return	Contrib. to return
UnitedHealth Group Incorporated	-10.54	-0.96
Eli Lilly and Company	-5.82	-0.37
Pfizer Inc.	-12.84	-0.32
Halozyme Therapeutics, Inc.	-32.88	-0.30
Elevance Health, Inc.	-10.07	-0.29

## Performance highlights

Stock selection in pharmaceuticals, health care services and health care equipment added to relative performance. Underweights in pharmaceuticals and health care services were also advantageous during the quarter. Stock selection in biotechnology, health care supplies and life science tools and services detracted from relative performance during the quarter.

### Contributors to performance:

**Novo Nordisk** makes treatments for diabetes, obesity, rare blood disorders, endocrinology and hormone replacement. The stock rose on positive Phase III data from its PIONEER PLUS clinical trial to treat Type 2 Diabetes.

**Stryker** is a medical equipment company that makes hospital equipment, medical supplies and devices to treat neurological, cardiovascular, orthopedic and spinal conditions. The stock gained on better-than-expected revenue across segments and positive guidance supported by organic revenue growth.

**Regeneron Pharmaceuticals** makes drugs to treat eye diseases, allergies, inflammation, cancer, cardiovascular diseases, pain, blood

conditions, infectious diseases and rare diseases. The stock rose on positive Phase III data from its Dupixent clinical trial to treat chronic obstructive pulmonary disease.

### Detractors from performance:

**UnitedHealth** is a large-cap managed care company that provides health care benefits, services, data and analytics. The stock pulled back during the first quarter as the market rotated to other areas of the health care sector and investors digested the potential regulatory impact on managed care from the Medicare Risk Adjustment Data Validation program.

**Eli Lilly** is a large-cap pharmaceutical company that makes drugs to treat Alzheimer's, cancer, diabetes, obesity, pain and autoimmune diseases. The stock underperformed in the first quarter due to lower-than-expected sales of its Type 2 diabetes treatment, Mounjaro.

**Pfizer** is a large-cap pharmaceutical company that makes drugs to treat disease and vaccines to prevent disease. The stock declined during the first quarter as its COVID-driven sales subsided and operating expenses for its new product pipeline increased.

## Standardized performance (%) as of March 31, 2023

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 08/07/89	NAV	-2.56	-2.56	-8.13	9.01	8.05	8.42	10.09
	Max. Load 5.5%	-7.91	-7.91	-13.20	6.98	6.83	7.81	9.90
Class R6 shares inception: 04/04/17	NAV	-2.48	-2.48	-7.83	9.38	8.40	8.63	-
Class Y shares inception: 10/03/08	NAV	-2.52	-2.52	-7.91	9.29	8.32	8.69	9.65
S&P Composite 1500 Health Care Index (USD)		-4.06	-4.06	-4.40	15.06	11.45	12.95	-
Total return ranking vs. Morningstar Health category (Class A shares at NAV)		-	-	62% (133 of 176)	69% (111 of 151)	51% (73 of 129)	88% (99 of 110)	-

## Calendar year total returns (%)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Class A shares at NAV	42.54	20.36	2.98	-11.71	15.46	0.46	32.00	14.45	12.19	-13.53
Class R6 shares at NAV	42.54	20.36	2.98	-11.71	15.72	0.79	32.38	14.81	12.56	-13.22
Class Y shares at NAV	42.88	20.65	3.23	-11.50	15.75	0.73	32.32	14.71	12.48	-13.31
S&P Composite 1500 Health Care Index (USD)	42.19	24.79	7.41	-2.05	22.47	6.71	20.87	14.55	24.85	-3.31

Expense ratios per the current prospectus: Class A: Net: 1.04%, Total: 1.04%; Class R6: Net: 0.69%, Total: 0.69%; Class Y: Net: 0.79%, Total: 0.79%.

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.

Portfolio characteristics*		
	Fund	Index
No. of holdings	83	181
Top 10 issuers (% of AUM)	44.19	50.47
Wtd. avg. mkt. cap (\$M)	141,945	180,728
Price/earnings	26.18	19.14
Price to book	6.25	4.41
Est. 3 – 5 year EPS growth (%)	11.95	7.45
ROE (%)	21.36	25.09
Long-term debt to capital (%)	40.23	40.51
Operating margin (%)	20.94	22.67

Risk statistics (5 year)*		
	Fund	Index
Alpha (%)	-3.42	0.00
Beta	1.07	1.00
Sharpe ratio	0.37	0.63
Information ratio	-0.56	0.00
Standard dev. (%)	18.05	15.95
Tracking error (%)	6.07	0.00
Up capture (%)	98.15	100.00
Down capture (%)	109.03	100.00
Max. drawdown (%)	21.99	13.86

## Quarterly performance attribution

### Industry performance analysis (%)

Sector	Allocation effect	Selection effect	Total effect
Biotechnology	0.02	-0.41	-0.38
Health Care Distributors	0.00	-0.05	-0.05
Health Care Equipment	-0.16	0.30	0.15
Health Care Facilities	0.02	-0.03	-0.01
Health Care Services	0.51	0.19	0.70
Health Care Supplies	-0.13	-0.16	-0.29
Health Care Technology	-0.03	0.07	0.05
Life Sciences Tools & Services	-0.06	-0.13	-0.20
Managed Health Care	-0.20	0.12	-0.09
Pharmaceuticals	0.26	1.60	1.85
Cash	0.09	0.00	0.09
<b>Total</b>	<b>0.09</b>	<b>1.73</b>	<b>1.82</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 03/31/23. 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 funds.

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. **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.

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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.**