



Investment Philosophy and Process

Invesco Capital Development Fund

Investment objective

The fund's investment objective is long-term growth of capital.

Investment philosophy

We believe that bottom-up stock selection adds value, and that deep research by a broad team produces unique insights. As a result, we use a rigorous, bottom-up stock selection process designed to produce alpha. We also incorporate a disciplined portfolio construction process designed to manage risk. Our goal is to provide consistent outperformance with lower volatility than peers and the Russell Midcap Growth Index benchmark over a full market cycle.

Investment Process

Universe Definition

Stocks with market capitalizations typically between \$1 billion and \$15 billion



Stock Selection

Distilling the Universe

A holistic approach that emphasizes fundamental research and, to a lesser extent, includes quantitative analysis

Focused Security Analysis

■ Fundamental analysis

- Analysis of company fundamentals, including financial statements
- Discussions with company executives and middle managers
- Discussions with suppliers, distributors and industry experts

■ Valuation analysis

Valuation techniques based on:

- The target company
- The industry in which the company operates
- The stage of the business cycle
- Other factors that best reflect a company's value.



Portfolio Architecture

■ Sector level

- Active sector overweights and underweights driven by investment process
- Maximum sector overweight capped at two times versus Russell Midcap Growth Index sectors

■ Stock level

- Divided between stable growth stocks and catalyst-driven stocks
- Typically 55 to 75 holdings
- Largest position typically less than 5%

Universe definition

The fund's investable universe includes mid-cap stocks with market capitalizations typically between \$1 billion and \$15 billion.

Stock selection

Identify target companies

This step involves relying on our "grass roots" research to understand businesses and industries to uncover companies that could be appropriate for the portfolio. We use a holistic approach that emphasizes fundamental research and, to a lesser extent, includes quantitative analysis. The companies that pass through these screens are placed on our team's priority list for further in-depth research.

Focused security analysis

In this step, we engage in an analytical process designed to identify our very best ideas. Our bottom-up research process focuses on developing a "mosaic" for each company. To accomplish this goal, we always have discussions with a company's executives and, when possible, with middle managers. Importantly, our research also involves discussions with suppliers, distributors, competitors, customers, industry experts and Wall Street analysts. Our objective is to see a company and its outlook from multiple perspectives.

Next, we begin analyzing the company's business model to identify sustainable earnings growth. This analysis includes detailed modeling of all company financial statements. We closely examine the balance sheet and income statement to determine the drivers of revenue and earnings while paying close attention to cash flow and return on invested capital.

We use a variety of valuation techniques based on the target company, the industry in which the company operates, the stage of the business cycle and other factors that best reflect a company's value. These measures can include relative and absolute price-earnings ratio, price-earnings to growth, price-to-book ratio, price-to-sales ratio, enterprise value to earnings before interest, taxes, depreciation and amortization, as well as net present value.

We seek to invest in companies with solid management teams, sound business models, strong financial health, attractive growth outlooks and compelling valuations levels.

Delineating the investment thesis

Our focused analysis of each potential holding concludes with a written investment thesis that clearly articulates the reason for buying a stock and provides parameters for continuously monitoring portfolio positions, including – but not limited to – price targets.

Portfolio architecture

Portfolio construction plays an important role in risk management, as the target portfolio seeks to maximize the relationship between risk and return.

Stock Level

At the stock level, we divide the portfolio between stable growth stocks and catalyst-driven stocks, each representing between 45% and 55% of the portfolio depending on the stage in the business cycle.

- Stable growth stocks are the foundation of the portfolio. These companies are led by a strong management team with a history of executing their business strategy and a consistent record of adding shareholder value. Additionally, these companies often have clear barriers to entry.
- Catalyst-driven stocks are experiencing a change in fundamentals, such as a new management team or a new product launch. These stocks usually have low expectations and have the potential for valuation expansion.

We seek to limit stock-specific risk by building a diversified portfolio that includes between 55 and 75 holdings. The top 10 holdings typically represent 25% to 30% of the portfolio, and the largest position size is typically less than 5% of the portfolio.

Sector Level

While sector overweights and underweights are driven by our investment process, we will automatically review sector positioning when a portfolio sector weight is two times the weight of the corresponding sector in the Russell Midcap Growth Index. Minimum sector weights can be zero.

Sell discipline

We consider selling a stock if:

- A company hits the price target.
- Company fundamentals deteriorate.
- Catalysts for growth are no longer present or are reflected in the stock price.
- A more attractive investment option is identified.

About risk

The fund's foreign investments may be affected by changes in a foreign country's exchange rates; political and social instability; changes in economic or taxation policies; difficulties when enforcing obligations; decreased liquidity; and increased volatility. Foreign companies may be subject to less regulation resulting in less publicly available information about the companies.

Prices of equity securities change in response to many factors, including the historical and prospective earnings of the issuer, the value of its assets, general economic conditions, interest rates, investor perceptions and market liquidity.

The fund invests in "growth" stocks, which may be more volatile than other investment styles because growth stocks are more sensitive to investor perceptions of an issuing company's growth potential.

There is no guarantee that the investment techniques and risk analysis used by the fund's portfolio managers will produce the desired results.

Stocks of small and mid sized companies tend to be more vulnerable to adverse developments and may have little or no operating history or track record of success, and limited product lines, markets, management and financial resources. The securities of small and mid sized companies may be more volatile due to less market interest and less publicly available information about the issuer. They also may be illiquid or restricted as to resale, or may trade less frequently and in smaller volumes, all of which may cause difficulty when establishing or closing a position at a desirable price.

The prices of initial public offering (IPO) securities may go up and down more than prices of equity securities of companies with longer trading histories. In addition, companies offering securities in IPOs may have less experienced management or limited operating histories. There can be no assurance that the fund will have favorable IPO investment opportunities.

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NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

Before investing, investors should carefully read the prospectus and/or summary prospectus and carefully consider the investment objectives, risks, charges and expenses. For this and more complete information about the fund(s), investors should ask their advisors for a prospectus/summary prospectus or visit [invesco.com/fundprospectus](https://www.invesco.com/fundprospectus).

Note: Not all products, materials or services available at all firms. Advisors, please contact your home office.

The Russell Midcap[®] Growth Index is an unmanaged index considered representative of mid-cap growth stocks. The Russell Midcap Growth 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.

Diversification does not guarantee a profit or eliminate the risk of loss.