



Investment Philosophy and Process

Invesco Constellation Fund

Investment objective

The fund seeks long-term growth of capital.

Investment philosophy

We believe bottom-up stock selection adds value, and deep research by a broad team produces unique insights. As a result, we use a rigorous, bottom-up stock selection process that seeks to produce alpha. We also incorporate a disciplined portfolio construction process that seeks to manage risk. Our goal is to provide consistent outperformance with lower volatility than peers and the fund's Russell 1000 Growth Index benchmark over a full market cycle.

Investment Process

Universe Definition

Stocks of all market capitalizations, primarily focusing on large-cap stocks with market capitalizations greater than \$10 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 company in question
- 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 over- and underweights driven by investment process
- Maximum sector overweight capped at two times versus Russell 1000 Growth Index sectors

■ Stock level

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

Universe definition

The fund's investable universe includes stocks of all market capitalizations, but the primary focus is on large-cap stocks with market capitalizations typically greater than \$10 billion.

Stock selection

Distilling the universe

This step involves relying on our grass-roots research to understand businesses and industries to uncover companies that could be appropriate for the fund's portfolio. We use a holistic approach that emphasizes fundamental research and, to a lesser extent, includes quantitative analysis. At the end of this distillation process the team has a set of stocks to analyze in greater depth.

Focused security analysis

In this step, we engage in an analytical process designed to identify not just several good ideas, but those that we feel are our best ideas. Our bottom-up research process focuses on developing an information mosaic for each company. We start by closely analyzing company fundamentals, including detailed modeling of all of a company's financial statements. We will 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. The objective is to see a company and its outlook from multiple perspectives.

The team uses a variety of valuation techniques based on the company in question, 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 to earnings, price-to-earnings growth, price to book, price to sales, enterprise value to earnings before interest, taxes, depreciation and amortization, as well as net present value.

We seek to invest in companies with strong or improving fundamentals, attractive valuation relative to growth prospects and earnings expectations that appear fair to conservative.

Delineating the investment thesis

The conclusion of our focused security analysis is the development of a written investment thesis for each potential holding. This investment thesis clearly articulates why a stock is bought and provides parameters for continuously monitoring portfolio positions such as price targets.

FOR U.S. INSTITUTIONAL INVESTOR USE ONLY – NOT FOR USE WITH THE PUBLIC

Portfolio architecture

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

Sector level.

While sector over- 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 1000 Growth Index. Minimum sector weights can be zero.

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.

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

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 30% of the portfolio, and the largest position size is typically less than 5% of the portfolio.

Sell discipline

We consider selling a stock based on any of the following:

- A company hits the price target.
- Company fundamentals deteriorate.
- Catalysts for growth are no longer present or are reflected in the stock price.

About risk

The dollar value of the fund's foreign investments may be affected by changes in the exchange rates between the dollar and the currencies in which those investments are traded. The value of the fund's foreign investments may be adversely affected by political and social instability in their home countries, by changes in economic or taxation policies in those countries, or by the difficulty in enforcing obligations in those countries. Foreign companies generally may be subject to less stringent regulations than U.S. companies, including financial reporting requirements and auditing and accounting controls. As a result, there generally is less publicly available information about foreign companies than about U.S. companies. Trading in many foreign securities may be less liquid and more volatile than U.S. securities due to the size of the market or other factors.

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

The prices of and the income generated by the fund's securities may decline in response to, among other things, investor sentiment; general economic and market conditions; regional or global instability; and currency and interest rate fluctuations.

FOR U.S. INSTITUTIONAL INVESTOR USE ONLY – NOT FOR USE WITH THE PUBLIC

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.

EPS is total earnings divided by the number of shares outstanding. The price-earnings (P/E) ratio, the most common measure of how expensive a stock is, is equal to a stock's market capitalization divided by its after-tax earnings over a 12-month period. Discretionary cash flow is any money left over once all possible capital projects with positive net present values have been financed, and all mandatory payments have been paid. The capital can be used to pay for other responsibilities such as giving out cash dividends to stockholders, buying back common stock and paying off any outstanding debt. Enterprise value (EV) is an economic measure reflecting the market value of the whole business. It is a sum of claims of all the security holders. EV/EBITDA is a valuation multiple that is often used in parallel with, or as an alternative to, the P/E ratio. This ratio can also be used as proxy for cash flow. EBITDA is an approximate measure of a company's operating cash flow based on data from the company's income statement.

The Russell 1000® Growth Index is an unmanaged index considered representative of large-cap growth stocks. The Russell 1000 Growth Index is a trademark/service mark of the Frank Russell Co. Russell® is a trademark of the Frank Russell Co.

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