



Investment Philosophy and Process

Invesco Summit Fund

Investment objective

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

Investment philosophy

Our investment philosophy seeks to identify companies that generate sustainable revenue, earnings and cash flow growth that is not fully reflected in investor expectations or equity valuations. To accomplish this goal, we use a rigorous stock selection process designed to generate alpha and a disciplined portfolio construction process designed to manage risk.

We believe the fund's combination of disciplined portfolio construction and a fundamentals-based stock selection process may lead to strong equity returns with below-market volatility over a long-term investment horizon.

Universe definition

The fund's investable universe includes stocks of all market capitalizations, excluding companies that derive a majority of their revenues from tobacco, alcohol or gambling.

Stock selection

Distilling the universe

To narrow the investment universe, we use a six-factor quantitative model that ranks all stock candidates based on a set of growth, quality and valuation factors. This proprietary model, developed in conjunction with our Quantitative Research Team, provides an objective approach to identifying new investment opportunities.

A second source of investment opportunities is our fundamental research. We often discover new investment opportunities while analyzing customers, suppliers and competitors of potential holdings.

Focused security analysis

Our stock selection process is based on a rigorous process that includes fundamental, valuation and timeliness analysis.

Fundamental 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 usually 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.

Sources of our fundamental research include company annual reports, quarterly reports, meetings with senior corporate officers, insights from experienced Wall Street analysts, independent third-party research, industry leaders and practitioners, as well as analysts within our organization.

Investment Process

Universe Definition

Stocks of all market capitalizations, excluding alcohol, tobacco and gambling stocks



Stock Selection

Distilling the Universe

Six-factor quantitative model narrows the investment universe based on:

- **Growth.** Positive earnings revisions and surprises
- **Quality.** Strong return on equity (ROE)
- **Valuation.** Earnings yield, book yield and free cash flow yield

Focused Security Analysis

- **Fundamental Analysis.** Identify companies with high growth potential, based on:
 - Revenue growth, earnings growth, margin expansion and cash flow improvement
 - Market leadership with superior products or services
- **Valuation Analysis.** Identify attractively valued stocks based on growth potential over two- to three-year horizon. Valuation metrics include:
 - Price-earnings (P/E) multiples
 - Free cash flow (FCF) yields
 - Discounted cash flow (DCF) analysis
- **Timeliness Analysis.** Identify the timeliness of a stock purchase by analyzing:
 - Overbought/oversold indicators
 - Moving average analysis



Portfolio Architecture

- **Sector Level.** Active sector over and under weights driven by investment process; maximum deviation from Russell 1000 Growth Index sectors of 500 basis points.
- **Stock Level.** Approximately 100 holdings; top 10 holdings approximately 20% of portfolio

Key company-specific attributes we look for include:

- Market leadership positions with potential for additional growth.
- Value-added products or services and pricing power.
- Sustainable, organic growth in revenue, earnings or cash flow.
- Evidence of improving profitability measures and return on capital.
- A strong balance sheet, appropriate financial leverage and a prudent use of capital.

To identify the sources of growth, we build fully integrated models of company financial statements. Additionally, our due diligence efforts include a review of company structures, business models, management teams, competitive environments and market opportunities. Our goal is to identify companies that are organically growing their business revenues by increasing sales of existing or new products. We look skeptically at companies that are not growing organically – growth generated by mergers and acquisitions is considered low-quality growth. Other factors used to determine the quality of growth include balance sheet health, cash-flow use, legal issues, earnings restatements and changes in debt ratings.

Valuation analysis. Focuses on identifying attractively valued stocks based on their growth potential over a two- to three-year horizon. The valuation metrics we typically focus on include price-earnings (P/E) multiples, free cash flow (FCF) yield and discounted cash flow (DCF) when appropriate.

Timeliness analysis. Growth companies with strong business fundamentals can still outperform or underperform the market, so we employ a moving-average analysis and other selected factors to identify the timeliness of a stock transaction.

Delineating the investment thesis

The conclusion of our focused security analysis is the development of an investment thesis for each potential holding. The investment thesis clearly articulates the outlook for the company and the stock, the critical drivers of growth, upside potential, an attractive purchase price and the macro, industry and stock-specific risks. Firms demonstrating long-term, sustainable and high-quality earnings and cash flow growth are candidates for inclusion in the portfolio.

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 weights are driven by our investment process, we maintain a maximum deviation from the Russell 1000 Growth Index sectors of 500 basis points.
- **Stock level.** We diversify portfolio holdings across countries, sectors, industries and market capitalizations. We avoid building concentrated position sizes and expect to hold approximately 100 stocks in the portfolio. The top 10 stocks are approximately 20% of the fund, and our typical holding period is two to three years.

We avoid timing the market by staying fully invested with less than 5% in cash under normal market conditions.

Sell discipline

We consider selling a stock when it no longer meets our investment criteria, based on:

- A company hits our price target.
- Declining quantitative rank.
- Company fundamentals deteriorate.
- Negative changes to the investment thesis.

About risk

Securities issued by foreign companies and governments located in developing countries may be affected more negatively by inflation, devaluation of their currencies, higher transaction costs, delays in settlement, adverse political developments, the introduction of capital controls, withholding taxes, nationalization of private assets, expropriation, social unrest, war or lack of timely information than those in developed countries.

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.

Growth stocks tend to be more expensive relative to their earnings or assets compared with other types of stock. As a result they tend to be more sensitive to changes in their earnings and can be more volatile.

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.

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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.

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

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. Free cash flow (FCF) is the amount of cash remaining after a company has paid all expenses related to maintaining and expanding its asset base. Discounted cash flow is an investment valuation method that considers the time value of money to estimate future cash flow. Return on equity (ROE) is net income divided by net worth. Alpha is a measure of performance on a risk-adjusted basis. 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. An investment cannot be made directly in an index.

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