

Invesco Main Street Small Cap Fund

Q1 2024

Key takeaways

1 The fund outperformed its benchmark

Outperformance mainly resulted from stock selection in the industrials, materials and real estate sectors. Weaker stock selection in the information technology (IT) and financials sectors, along with an underweight in the energy sector, partially offset these results.

2 Portfolio activity

There was no significant change to the fund's overall positioning during the quarter as we sought to keep most sector, factor and other macro-related exposures similar to the Russell 2000 Index.

3 US equities rallied as the economy remained resilient

Stocks rallied in the first quarter as the US economy defied recession predictions and the labor market remained robust. The Russell 2000 Index returned 5.18%, driven by strength in the IT, energy and industrials sectors.

Investment objective

The fund seeks capital appreciation.

Fund facts

Fund AUM (\$M) 1,977.03

Portfolio managers

Adam Weiner, Matthew Ziehl, Joy Budzinski, Magnus Krantz, Raman Vardharaj

Manager perspective and outlook

- US equities rallied in the first quarter. In February, the S&P 500 Index closed above the 5,000 milestone for the first time. The US economy defied recession predictions, achieving growth of 2.5% in 2023 as fourth-quarter Gross Domestic Product (GDP) growth was 3.4%. The labor market remained robust, with continued payroll gains and unemployment still historically low – below 4%. While its results lagged large-cap indexes, the Russell 2000 Index returned a solid 5.18%, driven by strength in the IT, energy and industrials sectors.
- Inflation remained persistent. January and February increases in the Consumer Price Index (CPI) were higher than expected, leading the US Federal Reserve to defer anticipated interest rate cuts to the second half of 2024. Though overall inflation has been below its peak, consumers appeared cautious, as evidenced by declining retail sales.
- Regardless of market sentiment and near-term economic trends, our investment process favors better-managed companies with strong balance sheets and competitive positioning. If interest rates decline over 2024, that should, we believe, help more highly leveraged companies at the margin, but this benefit depends on timing windows and all-in costs for debt refinancing. Slower inflation should in our view tilt the pricing advantage back to stronger competitors who provide greater customer value and can achieve higher pricing for their goods and services.



Top issuers

(% of total net assets)

	Fund	Index
Atkore Inc	2.32	0.27
Summit Materials Inc	2.17	0.20
AutoNation Inc	1.94	0.00
BellRing Brands Inc	1.86	0.29
Allison Transmission Holdings Inc	1.80	0.00
Tenet Healthcare Corp	1.67	0.00
Acadia Healthcare Co Inc	1.57	0.00
Enpro Inc	1.57	0.13
Zurn Elkay Water Solutions Corp	1.49	0.19
CNX Resources Corp	1.42	0.14

As of 03/31/24. Holdings are subject to change and are not buy/sell recommendations.

Portfolio positioning

There was no significant change to the fund's overall positioning during the quarter as we sought to keep most sector, factor and other macro-related exposures similar to the Russell 2000 Index. Industrials remained the largest overweight and financials the largest underweight. We maintain our valuation discipline and our focus on companies with skilled management teams that we believe are executing better than their peers. We also strive to maintain a portfolio that can outperform in most market environments. The fund's two structural exposures continue to be underweights in micro-cap stocks (generally below \$1 billion market cap) and the biotechnology industry.

The largest positions added to the fund during the quarter include the following:

ATI produces specialty metals, including steel, titanium, aluminum and advanced alloys for the aerospace, defense, auto and energy industries. We have a favorable view of its diversified client base.

Airlease is one of the largest aircraft lessors and has been benefiting from constraints on aircraft production, including ongoing issues at **Boeing** (not a fund holding).

Integer is a leading medical device outsourcer with key engineering and manufacturing capabilities. We believe it is trading at an attractive valuation.

Chesapeake Utilities is a regulated natural gas distributor with a strong acquisition record. One of its recent acquisitions in Florida adds in our view scale and synergies in a growing natural gas market.

Northern Oil and Gas is an asset-light company that provides capital for exploration and production companies and has a diversified book of equity interests in wells with operators across four major producing regions.

The largest positions sold during the quarter include the following:

Equitrans is being acquired by **EQT** (not a fund holding) and we see minimal upside remaining after the announcement.

Coca-Cola Consolidated is trading near what we consider full valuation. We expect a deceleration in growth as prior price increases are unlikely to be sustainable.

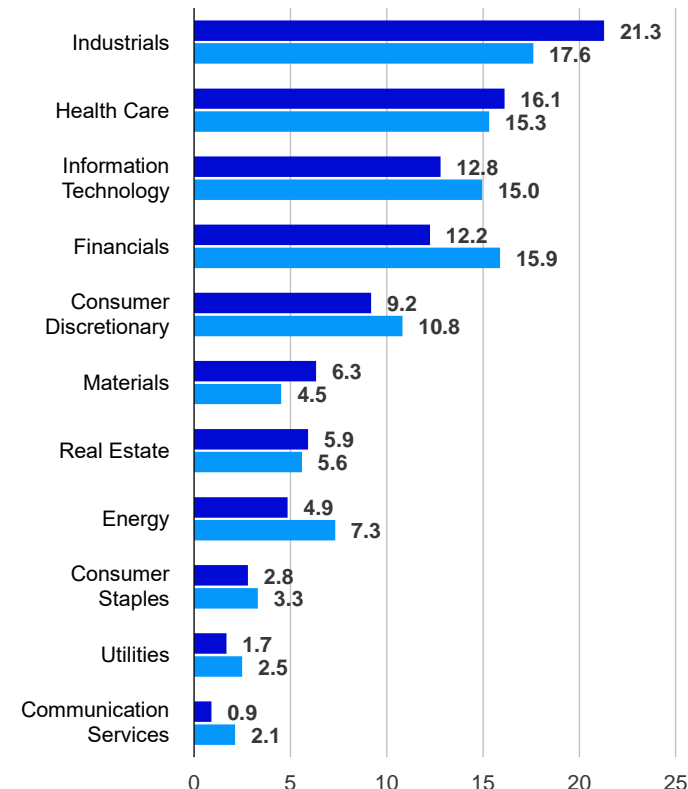
Spirit Aerosystems was sold given its asymmetric risk profile. Ongoing issues related to the **Boeing** MAX fuselage have lowered our conviction for the stock.

Tempur Sealy was sold at what we considered full valuation for this highly cyclical company. We also see deal risk related to the pending acquisition of **Mattress Firm** (not a fund holding).

Atricure faces increased competitive threats, including from **Medtronic** (not a fund holding), which has lowered our conviction.

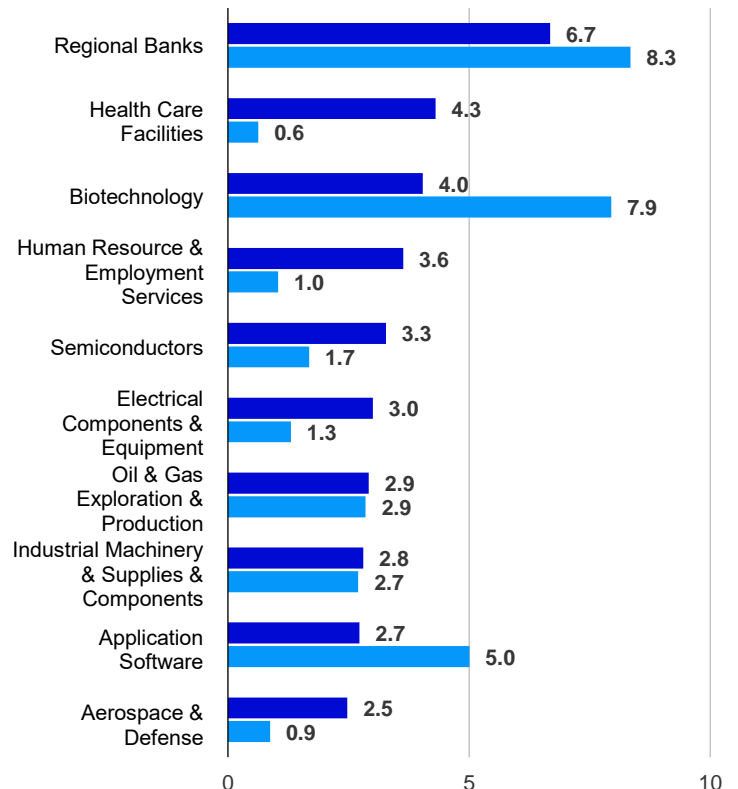
Sector breakdown (% of total net assets)

■ Fund ■ Russell 2000 Index (USD)



Top industries (% of total net assets)

■ Fund ■ Russell 2000 Index (USD)



Top contributors (%)

Issuer	Return	Total effect
Tenet Healthcare Corporation	39.09	0.49
Allison Transmission Holdings, Inc.	40.03	0.49
BWX Technologies, Inc.	34.05	0.31
ADMA Biologics, Inc.	46.02	0.28
Atkore Inc.	19.21	0.28

Top detractors (%)

Issuer	Return	Total effect
Super Micro Computer, Inc.	0.00	-1.31
Endava plc	-51.14	-0.73
MicroStrategy Incorporated	0.00	-0.49
Columbia Banking System, Inc.	-26.03	-0.32
Viking Therapeutics, Inc.	0.00	-0.24

Performance highlights

The fund's Class A shares at net asset value (NAV) returned 6.79% for the quarter, outperforming the Russell 2000 Index, which returned 5.18%. The fund's outperformance mainly resulted from stock selection in the industrials, materials and real estate sectors. Weaker stock selection in the IT and financials sectors, along with an underweight in energy, partially offset these results.

Contributors to performance

Tenet reported a strong fourth quarter and management guidance for earnings before taxes, interest, depreciation and amortization (EBITDA) was better than expected. The company also announced it had sold a number of hospitals at attractive prices, with most of the proceeds used to reduce outstanding debt that was a cloud over the company.

Allison Transmission outperformed during the first quarter as demand for its key product lines held up better than expected, enabling the company to beat analyst earnings estimates. Strong results in the company's core North America On-Highway end-market were driven by demand for Class 8 vocational and medium-duty trucks. Additionally, its defense business surprised to the upside due to increased demand for its track and wheeled vehicle applications.

BWX Technologies delivered solid fourth quarter results and provided a positive outlook for the company's core naval and commercial nuclear reactor businesses. Also, small modular reactors represent an area of potential upside over time, as does its emerging nuclear medical business.

Detractors from performance

Endava reported weak fiscal second quarter results and lowered its full year guidance. Results were adversely affected by weakness in discretionary project work and elongated sales cycles, similar to recent commentary from other IT service providers. The company's large exposure to financial services and payments has been an additional headwind given broad weakness in those areas.

Columbia Banking underperformed as the company reset expectations due to higher interest rates that drove up deposit costs and a delay in merger synergies from the bank's combination with Umpqua.

Pacific Premier declined due to concern about commercial real estate lending after New York Community Bancorp's stock price (not a fund holding) collapsed and it required an equity infusion to stay afloat. While Pacific Premier does not have any similar geographic exposures, a large majority of its loans are secured by real estate.

Standardized performance (%) as of March 31, 2024

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 05/17/13	NAV	6.79	6.79	21.19	4.27	11.55	8.76	9.90
	Max. Load 5.5%	0.92	0.92	14.50	2.32	10.30	8.15	9.33
Class R6 shares inception: 05/17/13	NAV	6.87	6.87	21.62	4.66	11.99	9.21	10.35
Class Y shares inception: 05/17/13	NAV	6.85	6.85	21.46	4.51	11.83	9.07	10.22
Russell 2000 Index (USD)		5.18	5.18	19.71	-0.10	8.10	7.58	-
Total return ranking vs. Morningstar Small Blend category (Class A shares at NAV)		-	-	33% (201 of 610)	40% (212 of 585)	16% (78 of 553)	17% (65 of 385)	-

Expense ratios per the current prospectus: Class A: Net: 1.11%, Total: 1.11%; Class R6: Net: 0.71%, Total: 0.71%; Class Y: Net: 0.86%, Total: 0.86%.

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. As the result of a reorganization on May 24, 2019, the returns of the fund for periods on or prior to May 24, 2019 reflect performance of the Oppenheimer predecessor fund. Share class returns will differ from the predecessor fund due to a change in expenses and sales charges. 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.

Performance highlights (cont'd)

Calendar year total returns (%)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Class A shares at NAV	11.41	-6.14	17.76	13.47	-10.73	25.73	19.82	21.73	-16.09	17.54
Class R6 shares at NAV	11.84	-5.65	18.19	14.06	-10.39	26.22	20.31	22.23	-15.75	17.94
Class Y shares at NAV	11.81	-5.81	18.07	13.89	-10.44	26.00	20.13	22.03	-15.87	17.82
Russell 2000 Index (USD)	4.89	-4.41	21.31	14.65	-11.01	25.52	19.96	14.82	-20.44	16.93

Portfolio characteristics*

	Fund	Index
No. of holdings	96	1,946
Top 10 issuers (% of AUM)	19.32	5.66
Wtd. avg. mkt. cap (\$M)	5,270	4,694
Price/earnings	15.70	16.87
Price to book	2.34	2.05
Est. 3 – 5 year EPS growth (%)	8.71	12.98
ROE (%)	8.76	6.58
Long-term debt to capital (%)	40.02	33.44
Operating margin (%)	12.28	12.63

Risk statistics (5 year)*

	Fund	Index
Alpha (%)	3.44	0.00
Beta	0.96	1.00
Sharpe ratio	0.41	0.25
Information ratio	0.77	0.00
Standard dev. (%)	23.25	23.88
Tracking error (%)	4.46	0.00
Up capture (%)	103.15	100.00
Down capture (%)	95.65	100.00
Max. drawdown (%)	30.61	30.61

Quarterly performance attribution

Sector performance analysis (%)

Sector	Allocation effect	Selection effect	Total effect
Communication Services	0.13	-0.01	0.12
Consumer Discretionary	-0.01	0.46	0.45
Consumer Staples	0.00	0.05	0.06
Energy	-0.11	0.18	0.07
Financials	0.23	-0.08	0.15
Health Care	0.00	0.02	0.02
Industrials	0.13	1.14	1.27
Information Technology	0.02	-1.69	-1.68
Materials	0.03	0.74	0.77
Other	0.00	0.00	0.00
Real Estate	0.00	0.57	0.58
Utilities	0.13	0.02	0.16
Cash	-0.11	0.00	-0.11
Total	0.44	1.41	1.85

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 03/31/24. Unless stated otherwise, Index refers to Russell 2000 Index (USD).

The Russell 2000® Index is an unmanaged index considered representative of small-cap stocks. The Russell 2000 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

Stock and other equity securities values fluctuate in response to activities specific to the company as well as general market, economic and political conditions.

To the extent an investment focuses on securities issued or guaranteed by companies in a particular industry, the investment's performance will depend on the overall condition of those industries, which may be affected by the following factors: the supply of short-term financing, changes in government regulation and interest rates, and overall economy.

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.

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

Source: ©2024 Morningstar Inc. All rights reserved. The information contained herein is proprietary to Morningstar and/or its content providers. It may not be copied or distributed and is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results. Open-end mutual funds and exchange-traded funds are considered a single population for comparison purposes. Had fees not been waived and/or expenses reimbursed currently or in the past, the ranking would have been lower. Rankings for other share classes may differ due to different performance characteristics.

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.