

Invesco Small Cap Growth Fund

Q1 2025

Key takeaways

- 1 The market declined on investor uncertainty about tariffs and AI capital expenditures**
Both the fund and benchmark index had negative returns for the quarter.
- 2 We have adjusted the portfolio more defensively**
We reduced exposure to artificial intelligence (AI)-related stocks, capital markets and cyclical sectors. This strategy has been further reinforced by ongoing tariff uncertainty.
- 3 We remain cautious and continue to monitor evidence**
We see potential for more volatility through the upcoming season of corporate earnings releases and believe there is increased likelihood of recession.

Investment objective

The fund seeks long-term growth of capital.

Fund facts

Fund AUM (\$M)	1,658.37
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Portfolio managers

Juan Hartsfield, Clay Manley,
Justin Sander

Manager perspective and outlook

- The first quarter of 2025 was marked by considerable volatility and economic uncertainty. The year started with positive expectations for the US economy and markets, but sentiment appeared to reverse by mid-February.
- The annualized growth rate for US Gross Domestic Product for 2024 was 2.8%. Unemployment stayed low, but employment data showed signs of softening. The US Federal Reserve noted "inflation remains somewhat elevated" and held benchmark interest rates steady, with no cuts expected until mid-2025
- The US economic policy uncertainty index has been near highs experienced during COVID and the 2008 financial crisis, a sign to us of the unpredictable magnitude, duration and outcome of global trade negotiations.
- Before the April 2nd tariff announcement, we had already been adjusting the portfolio to be somewhat more defensive by rotating into companies with lower economic cyclicalities and stable business models. We have been reducing exposure and reallocating capital within sectors to mitigate risks of tariff impacts and potentially slower economic growth. We reduced exposure to AI-related stocks, capital markets and cyclicals.
- We foresee increased likelihood of a recession and have further focused on companies exhibiting high quality earnings and greater visibility for revenue.
- We believe companies will provide very conservative guidance during the upcoming earnings season, which could further weigh on market sentiment.



Top issuers

(% of total net assets)

	Fund	Index
Prestige Consumer Healthcare Inc	1.50	0.00
Q2 Holdings Inc	1.44	0.39
Encompass Health Corp	1.44	0.00
Clean Harbors Inc	1.39	0.00
Cavco Industries Inc	1.38	0.34
Post Holdings Inc	1.33	0.00
TMX Group Ltd	1.32	0.00
RBC Bearings Inc	1.27	0.00
TechnipFMC PLC	1.26	0.00
Hamilton Lane Inc	1.25	0.49

As of 03/31/25. Holdings are subject to change and are not buy/sell recommendations.

Portfolio positioning

At the end of the first quarter, the fund's largest absolute weights were in the information technology (IT), health care, industrials, consumer discretionary and financials sectors. Relative to the Russell 2000 Index, the fund was overweight in IT, consumer discretionary, financials and materials at quarter end, while underweight industrials, health care, communication services, energy and real estate.

First quarter additions:

Mr. Cooper Group provides financial services. We believe the company is well-positioned to generate better-than-expected revenue and free cash flow over the near-to-intermediate term due to the current backdrop for mortgage rates. During the quarter, the company announced an agreement to be acquired by Rocket Mortgage (not a fund holding) at a premium.

Root is a modern auto insurance company that leverages proprietary technology to price more effectively and operate more nimbly than competitors. We believe it is well-positioned to manage risk and capture market share.

Upstart is an AI-enabled loan-origination engine for unsecured consumer credit. The company has improved its business stability by transitioning from 100% spot market funding to a mix of approximately 40% spot market and 60% committed funding partners.

Cargurus sells automobiles and accessories. We believe it is poised for double-digit sales growth in its core marketplace segment through pricing, upselling and adding new dealers.

First quarter eliminations:

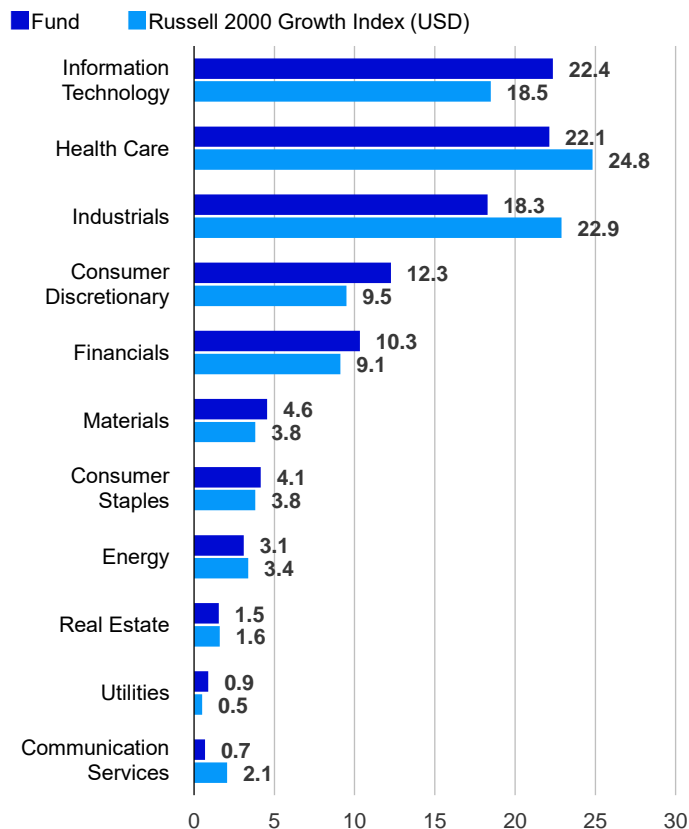
Astera Labs provides semiconductor-based connectivity solutions, developing intelligent connectivity platforms for cloud and AI infrastructure. We reduced the fund's AI exposure on concerns about sustainability of AI capital expenditures.

Jefferies Financial is a global diversified financial services company. We reduced the fund's capital markets holdings due to economic uncertainty and market volatility.

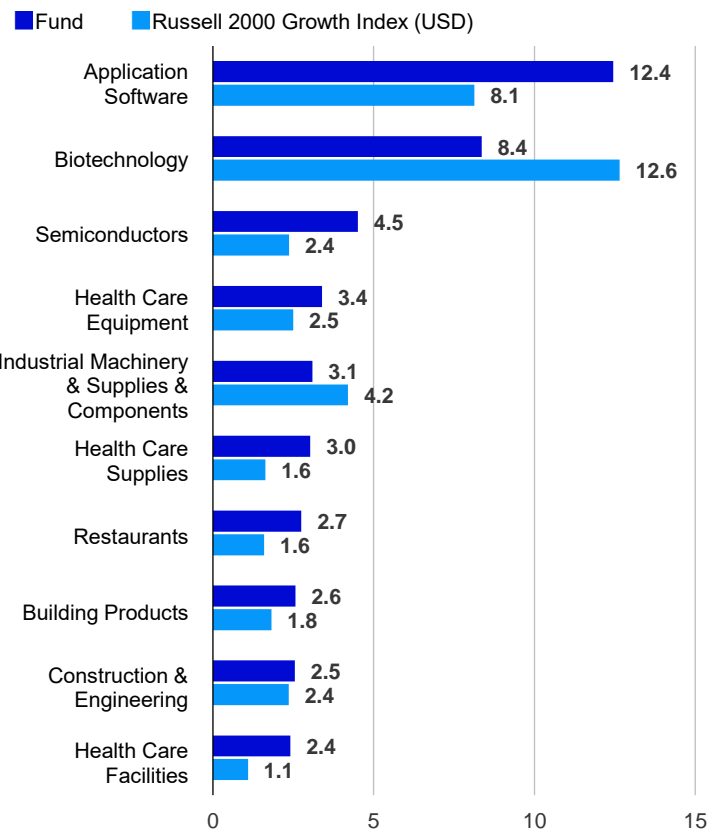
SharkNinja is a product design and technology company. We sold the position because its market cap had grown large for the fund's small-cap mandate, coupled with potential volatility from decreased global consumer spending.

Modine Manufacturing makes heat-transfer and heat-storage technology products. We reduced exposure to AI, which has come under pressure in recent months.

Sector breakdown (% of total net assets)



Top industries (% of total net assets)



Top contributors (%)

Issuer	Return	Contrib. to return
Intra-Cellular Therapies, Inc.	53.98	0.48
Root, Inc.	77.16	0.27
TMX Group Limited	19.04	0.24
ADMA Biologics, Inc.	15.69	0.18
Cavco Industries, Inc.	16.45	0.13

Top detractors (%)

Issuer	Return	Contrib. to return
Freshpet, Inc.	-43.85	-0.52
Astera Labs, Inc.	-48.23	-0.50
Glaukos Corporation	-34.36	-0.47
Vaxcyte, Inc.	-53.87	-0.45
BILL Holdings, Inc.	-45.83	-0.43

Performance highlights

The fund underperformed the Russell 2000 Growth Index during the quarter. Stock selection in the consumer discretionary, financials, energy, health care, materials and real estate sectors added to relative return, while stock selection in the industrials, IT, consumer staples and communication services sectors detracted.

Contributors to performance:

Intra-Cellular Therapies develops central nervous system treatments and was acquired by Johnson & Johnson (not a fund holding) during the quarter.

TMX operates Canadian market exchanges for equities, fixed income, derivatives and energy. It has in our opinion shown stable, defensive growth.

Root offers property and casualty insurance, which is a stable, defensive industry. The company in our view has secular technology-driven growth opportunities.

Prestige Consumer Healthcare produces over-the-counter pharmaceuticals and has in our opinion demonstrated stable, defensive growth.

Encompass Health operates rehabilitation hospitals and has benefited from higher procedure volumes and hospital utilization.

Detractors from performance:

Astera Labs makes re-timers and switches that are paired with NVIDIA (not a fund holding) chips to clean up and optimize signals. It was a top contributor for the fund in 2024. However, the stock pulled back on concerns about sustainability of AI capital expenditures.

Freshpet produces fresh, healthy pet food and was a top contributor in 2024. However, it is a high-growth, high-valuation stock, which pulled back due to market rotation during the first quarter and concerns about economic growth deceleration.

BILL develops accounts payable/receivable software for small to mid-sized businesses. It is a high-growth stock that pulled back due to market rotation during the quarter and concerns about spending by small businesses.

Everus Construction provides construction and maintenance services and has benefited from demand in data center and utility infrastructure. The stock pulled back on concerns about sustainability of AI capital expenditures.

Coherent manufactures electrical components used in AI infrastructure. This stock also pulled back on concerns about AI spending.

Standardized performance (%) as of March 31, 2025

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
Class A shares inception: 10/18/95	NAV	-12.14	-12.14	-7.38	-2.35	9.73	6.20	9.45
	Max. Load 5.5%	-16.97	-16.97	-12.47	-4.17	8.49	5.60	9.23
Class R6 shares inception: 09/24/12	NAV	-12.05	-12.05	-7.02	-1.94	10.19	6.68	9.54
Class Y shares inception: 10/03/08	NAV	-12.07	-12.07	-7.13	-2.09	10.00	6.47	10.08
Russell 2000 Growth Index (USD)		-11.12	-11.12	-4.86	0.78	10.78	6.14	-
Total return ranking vs. Morningstar Small Growth category (Class A shares at NAV)		-	-	70% (376 of 549)	76% (386 of 533)	76% (372 of 518)	76% (296 of 393)	-

Expense ratios per the current prospectus: Class A: Net: 1.17%, Total: 1.17%; Class R6: Net: 0.75%, Total: 0.75%; Class Y: Net: 0.92%, Total: 0.92%.

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. Index source: RIMES Technologies Corp. Please keep in mind that high, double-digit returns are highly unusual and cannot be sustained. 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 (%)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Class A shares at NAV	-1.84	11.30	24.91	-9.01	24.28	57.00	7.33	-35.60	12.66	16.19
Class R6 shares at NAV	-1.38	11.85	25.49	-8.58	24.86	57.70	7.80	-35.35	13.17	16.66
Class Y shares at NAV	-1.59	11.56	25.25	-8.80	24.59	57.38	7.61	-35.44	12.93	16.49
Russell 2000 Growth Index (USD)	-1.38	11.32	22.17	-9.31	28.48	34.63	2.83	-26.36	18.66	15.15

Portfolio characteristics*

	Fund	Index
No. of holdings	115	1,116
Top 10 issuers (% of AUM)	13.59	8.02
Wtd. avg. mkt. cap (\$M)	6,350	4,107
Price/earnings	25.82	20.80
Price to book	3.88	3.57
Est. 3 – 5 year EPS growth (%)	16.71	13.90
ROE (%)	10.78	6.97
Long-term debt to capital (%)	35.56	34.93
Operating margin (%)	12.38	10.29

Risk statistics (5 year)*

	Fund	Index
Alpha (%)	-0.70	0.00
Beta	0.99	1.00
Sharpe ratio	0.30	0.35
Information ratio	-0.16	0.00
Standard dev. (%)	24.08	23.45
Tracking error (%)	6.39	0.00
Up capture (%)	93.98	100.00
Down capture (%)	99.84	100.00
Max. drawdown (%)	43.28	33.43

Quarterly performance attribution

Sector performance analysis (%)

Sector	Allocation effect	Selection effect	Total effect
Communication Services	0.07	-0.10	-0.03
Consumer Discretionary	-0.14	0.97	0.83
Consumer Staples	0.06	-0.58	-0.52
Energy	0.01	0.29	0.30
Financials	0.07	0.43	0.50
Health Care	-0.16	0.30	0.14
Industrials	0.01	-1.29	-1.27
Information Technology	-0.32	-0.70	-1.02
Materials	0.04	0.08	0.11
Real Estate	-0.01	0.07	0.07
Utilities	0.03	0.00	0.03
Cash	0.12	0.00	0.12
Total	-0.21	-0.53	-0.74

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 03/31/25. Unless stated otherwise, Index refers to Russell 2000 Growth Index (USD).

The fund has limited public sales of its shares to certain investors. For more information on who may continue to invest in the fund, please see the prospectus.

About Risk

The risks of investing in securities of foreign issuers, including emerging markets issuers, can include fluctuations in foreign currencies, political and economic instability, and foreign taxation issues.

Growth stocks tend to be more sensitive to changes in their earnings and can be more volatile.

The Fund's value may be affected by changes in the stock markets. Stock markets may experience significant short-term volatility and may fall or rise sharply at times. Adverse events in any part of the equity or fixed-income markets may have unexpected negative effects on other market segments. Different stock markets may behave differently from each other and U.S. stock markets may move in the opposite direction from one or more foreign stock markets.

Investments focused in a particular industry or sector are subject to greater risk, and are more greatly impacted by market volatility, than more diversified investments.

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

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

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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.