



# Invesco Small Cap Equity Fund

## Quarterly Performance Commentary

Nasdaq: A: SMEAX C: SMECX Y: SMEYX

### Investment objective

The fund seeks long-term growth of capital.

### Portfolio management

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### Portfolio information

Total Net Assets	\$961,182,215
Total Number of Holdings	92

### Top holdings

% of total net assets

Iridium Communications	1.97
SPX	1.91
Array BioPharma	1.89
Hanover Insurance	1.66
AVALARA INC AVLRL	1.65
Albany International	1.60
Lantheus	1.58
Argo International	1.53
STERIS PLC STE	1.53
Brooks Automation	1.50

### Top contributors

% of total net assets

1. Array BioPharma	1.89
2. Strategic Education	1.39
3. Avalara	1.65
4. Brooks Automation	1.50
5. Boot Barn	1.42

### Top detractors

% of total net assets

1. Wolverine World Wide	1.17
2. Iridium Communications	1.97
3. American Eagle Outfitters	0.85
4. Apergy	0.95
5. Big Lots	0.59

### Market overview

- Though the S&P 500 Index posted a modest gain of 4.30% for the second quarter, US stocks experienced increased volatility.
- Bond yields and oil prices fell in May as investors weighed the impact of the ongoing US/China trade war and potential for new tariffs on Mexican imports.
- Additionally, data showed slowing in the US and global economies.
- The Federal Reserve left interest rates unchanged at its June Federal Open Market Committee meeting, but signaled a less restrictive stance, leading some investors to anticipate a future rate cut.

### Performance highlights

- The fund's Class A shares at net asset value (NAV) posted a positive return for the quarter and outperformed the Russell 2000 Index. (Please see the investment results table on page 2 for fund and index performance.)

### Contributors to performance

- Key contributors to relative return included stock selection in the health care, information technology (IT), financials and materials sectors.
- From an industry perspective, stock selection in biotechnology and software added to relative return.
- In May, **Array BioPharma** reported positive Phase 3 data for its BRAF-mutant colo-rectal cancer (CRC) treatment. This was significant as there is a very substantial unmet need in the market that could add over \$1 billion in peak sales to **Array's** franchise. In June, on the heels of the CRC data and the early commercial success of **Array's** Braftovi/Mektovi combination drug treatment for BRAF-mutant melanoma, Pfizer (not a fund holding) announced its intent to acquire **Array** at a roughly 60% premium to its then-current share price.
- **Albany International** (1.60% of total net assets) saw continued organic sales growth in its engineering composites segment supported by the growing use of its 3D woven composite fan blades in Boeing 737 MAX plane engines. The company's paper machine cloth segment has also extended its recent low to mid-single digit organic sales growth, an improvement over its historically flat growth profile. We are trimming the fund's holdings of **Albany International** due to the grounding of the 737 MAX planes following recent high profile crashes that resulted from software issues.

### Detractors from performance

- An underweight and stock selection in utilities detracted from relative return. An overweight and stock selection in the challenged energy sector also detracted from results. Stock selection in the industrials sector was another headwind during the quarter.
- **SPX** (1.91% of total net assets) reported better-than-expected first quarter results and although management maintained the full-year earnings guidance, it lowered guidance for the second quarter. Investors apparently viewed this "backend loading" of guidance as a sign of increased risk that **SPX** would fall short of its full-year guidance, causing a selloff in the stock.
- **HealthEquity** (1.27% of total net assets) suffered from recent interest rate declines, which could affect the long-term profitability of its Health Savings Accounts (HSA) business. Additionally, there are concerns about the company's proposed purchase of WageWorks (not a fund holding), given that the acquisition would dilute its growth rate and includes business lines with lower growth potential than **HealthEquity's** existing HSA offerings.

### Positioning and outlook

- All positioning changes are based on bottom-up stock selection.
- Our long-term investment horizon results in relatively low portfolio turnover, while disciplined portfolio construction acts as a risk control and ensures alignment with small-cap market sector exposure with modest over- and underweights.
- Our view is that the US is in a slowing, but not declining, growth environment as the benefits of US tax stimulus and deregulations are being offset by higher interest rates, rising labor costs and trade pressures.
- In such an environment, true growth will likely remain scarce, and we believe the market will favor companies that can produce sustainable, above-average earnings and cash flow growth in spite of the economic cycle.

## Investment results

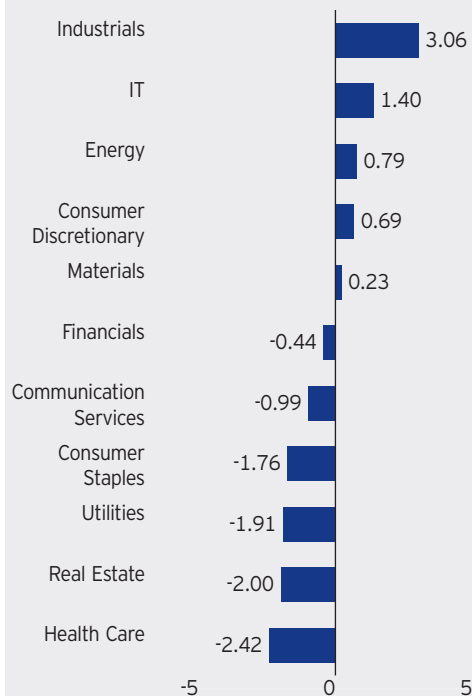
Average annual total returns (%) as of June 30, 2019

Period	Class A Shares Inception: 08/31/00		Class C Shares Inception: 08/31/00		Class Y Shares Inception: 10/03/08	Style-Specific Index
	Max Load 5.50%	NAV	Max CDSC 1.00%	NAV	NAV	Russell 2000 Index
Inception	6.54	6.86	6.45	6.45	9.06	-
10 Years	10.43	11.06	10.23	10.23	11.34	13.45
5 Years	3.19	4.36	3.59	3.59	4.62	7.06
3 Years	6.29	8.32	7.54	7.54	8.60	12.30
1 Year	-8.65	-3.36	-4.79	-4.01	-3.11	-3.31
Quarter	-1.72	4.03	2.85	3.85	4.10	2.10

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. Visit [invesco.com/performance](http://invesco.com/performance) 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, and you may have a gain or a loss when you sell shares. No contingent deferred sales charge (CDSC) will be imposed on redemptions of Class C shares following one year from the date shares were purchased. Performance shown at NAV does not include applicable CDSC or front-end sales charges, which would have reduced the performance. Class Y shares have no sales charge; therefore, performance is at NAV. Returns less than one year are cumulative; all others are annualized. Fund performance reflects any applicable fee waivers and/or expense reimbursements. Had the adviser not waived fees and/or reimbursed expenses currently or in the past, returns would have been lower. See current prospectus for more information. Index returns do not reflect any fees, expenses, or sales charges.

Index source: FactSet Research Systems Inc.

## The fund's positioning versus the Russell 2000 Index (% underweight/overweight)



Asset mix (%)		Expense ratios	
Dom Common Stock	95.45	Class A Shares	1.28
Intl Common Stock	1.14	Class C Shares	2.03
Cash	3.50	Class Y Shares	1.03
Other	-0.09	Per the current prospectus	

A negative in Cash or Other, as of the date shown, is normally due to fund activity that has accrued or is pending settlement.

For more information you can visit us at [www.invesco.com/us](http://www.invesco.com/us)

Class Y shares are available only to certain investors. See the prospectus for more information.

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.

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.

The S&P 500® Index is an unmanaged index considered representative of the US stock market. An investment cannot be made directly in an index.

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**About risk**

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

Stocks of small and mid-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.

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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).***

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. Advisors, please contact your home office.

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. Holdings are subject to change and are not buy/sell recommendations.

All data provided by Invesco unless otherwise noted.