

# Invesco Small Cap Equity Fund

## Quarterly Performance Commentary

Mutual Fund Retail Share Classes  
Data as of Dec. 31, 2022



### Investment objective

The fund seeks long-term growth of capital.

### Portfolio management

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### Fund facts

Nasdaq	A: SMEAX	C: SMECX Y: SMEYX
Total Net Assets	\$855,258,528	
Total Number of Holdings	96	

### Top holdings

	% of total net assets
Weatherford	2.45
WillScot Mobile Mini	1.80
Blucora	1.60
Reinsurance Group of America	1.56
Summit Materials 'A'	1.55
Visteon	1.54
Huron Consulting	1.53
Gaming and Leisure Properties	1.52
Matador Resources	1.50
Flex	1.48

### Top contributors

	% of total net assets
1. Weatherford	2.45
2. Medpace	0.00
3. Blucora	1.60
4. Univar Solutions	1.39
5. RLI	1.23

### Top detractors

	% of total net assets
1. Chart Industries	0.90
2. R1 RCM	0.60
3. Simulations Plus	0.81
4. iRhythm Technologies	0.68
5. Assurant	0.00

Not a deposit; Not FDIC insured; Not guaranteed by the bank; May lose value; Not insured by any federal agency

### Market overview

- + US equity markets posted gains for the fourth quarter as better inflation data sparked a rally in October and November. However, Federal Reserve remarks sent equities lower in December and US stocks ended the year with their worst annual return since 2008.
- + As energy prices fell, the inflation rate slowed in the fourth quarter. Meanwhile, estimates of third quarter real GDP (gross domestic product) growth were higher than anticipated.
- + The unemployment rate rose during the quarter,

but the overall labor market remained tight.

- + Corporate earnings generally met expectations, though future guidance was cautious.
- + With inflation still at multi-decade highs and little evidence of a slowing economy, the Fed raised the target federal funds rate by 0.75% in November and by 0.50% in December, marking its highest level in over a decade. The Fed indicated rates would remain higher until it is "confident" that inflation is under control.

### Positioning and outlook

- + The war in Ukraine has continued to drive market uncertainty and persistent inflationary pressure. The Fed continues to raise interest rates to combat inflation, causing slowing in housing and tighter financial conditions. In our view, the US economy could enter a recession in 2023, as we expect the Fed will continue raising rates to combat inflation despite the weakening economy given the labor

market remains healthy. We anticipate earnings expectations to further decline as we enter the new year, and our overall outlook remains guarded. In this environment, we have repositioned the portfolio into high quality, stable revenue, and energy stocks and away from long duration growth and cyclical revenue stocks.

### Performance highlights

- + The fund's Class A shares at net asset value (NAV) had 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.)
- + Relative outperformance was driven by stock selection across multiple sectors, including information technology (IT), financials, industrials, energy, utilities, communication services and real estate. Overweights in the financials and industrials sectors and underweights in the IT and communication services sectors were also advantageous.
- + Stock selection in the consumer discretionary, consumer staples and materials sectors hindered relative return. The fund's ancillary cash position also dragged on relative results given the rising equity market.

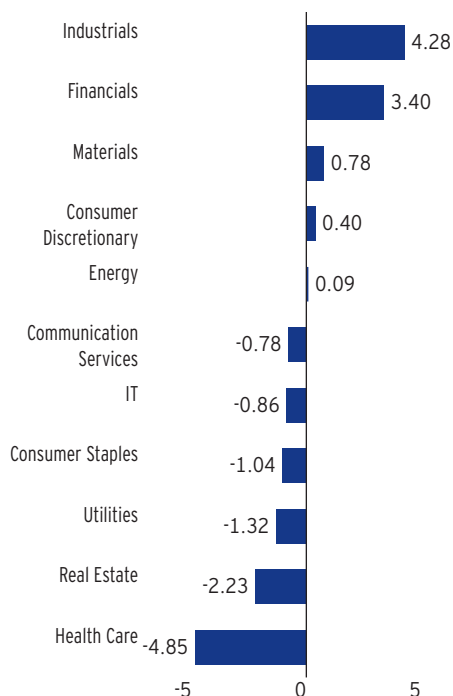
### Contributors to performance

- + **Weatherford** was a notable contributor during the quarter benefiting from its third quarter earnings report in which sales, profit margins, earnings and free cash-flow exceeded estimates.
- + **Medpace** rallied following a strong third quarter earnings report. We have since sold the position to reduce exposure to contract research organizations amid concerns about decelerating booking trends.
- + **Blucora** rallied after closing the sale of its TaxAct business, which delivered after-tax proceeds of \$620 million in cash. **Blucora** plans to return \$400-\$450 million of that to shareholders through stock repurchases in 2023.

### Detractors from performance

- + **Chart Industries** faced headwinds during the quarter after announcing a \$4.4 billion acquisition of Howden (not a fund holding). Investors were concerned about the acquisition's steep price and potential for dilution of existing shares. Despite concerns, the acquisition is expected to raise **Chart's** earnings longer term.
- + **R1 RCM** declined following its third quarter earnings release despite reporting revenue that was up more than 30% year over year. Investors were concerned about a net loss due to nonpayment by one customer and management's reduction of its full year earnings guidance.
- + **Simulations Plus** reported top and bottom-line results that were better than consensus estimates, but the share price declined because management adjusted earnings-per-share downward for the 2023 fiscal year and reduced its sales projections.

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



**Investment results**

Average annual total returns (%) as of Dec. 31, 2022

Period	Class A Shares		Class C Shares		Class Y Shares	Style-Specific Index	Russell 2000 Index
	Inception: 08/31/00	Max Load 5.50%	Inception: 08/31/00	Max CDSC 1.00%	Inception: 10/03/08		
Inception	6.68	6.94	6.67	6.67	8.72	-	-
10 Years	7.45	8.06	7.41	7.41	8.33	9.01	9.01
5 Years	4.17	5.36	4.55	4.55	5.62	4.13	4.13
3 Years	4.65	6.65	5.83	5.83	6.93	3.10	3.10
1 Year	-24.95	-20.60	-21.96	-21.20	-20.40	-20.44	-20.44
Quarter	2.69	8.70	7.33	8.33	8.72	6.23	6.23

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. Visit [invesco.com/performance](https://www.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.

Expense ratios	% net	% total	Asset mix (%)	
Class A Shares	1.22	1.22	Dom Common Stock	92.80
Class C Shares	1.97	1.97	Intl Common Stock	5.07
Class Y Shares	0.97	0.97	Cash	2.20
Per the current prospectus			Other	-0.07

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](https://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.

**Please keep in mind that high, double-digit returns are highly unusual and cannot be sustained.**

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.

Investments in real estate related instruments may be affected by economic, legal, or environmental factors that affect property values, rents or occupancies of real estate. Real estate companies, including REITs or similar structures, tend to be small- and mid-cap companies, and their shares may be more volatile and less liquid.

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.

***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 financial professionals 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. Financial professionals, 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.