

Invesco Small Cap Equity Fund

Q2 2024

Key takeaways

- 1 The fund outperformed its benchmark.**

The fund held up better than its benchmark as both declined during the quarter. Stock selection in the technology, consumer staples, financials and energy sectors contributed to the fund's outperformance of its index. Stock selection in materials and industrials detracted.
- 2 Small-cap stocks lagged large-cap stocks.**

The US small-cap universe declined in the second quarter, trailing US large-caps as investors appeared to consider the potential negative effects if interest rates stay higher for longer.
- 3 We remain cautious with a balance of defensive stable growth and offensive cyclical growth.**

While the market seems in our view ready for a shift to lower interest rates, we remain cautious and continue to monitor the weight of the evidence for possible changes in interest rates and the economy.

Investment objective

The fund seeks long-term growth of capital.

Fund facts

Fund AUM (\$M)	903.74
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Portfolio managers

Juan Hartsfield, Davis Paddock

Manager perspective and outlook

- Large-cap US equities advanced during the second quarter as investors appeared to continue to process the possibility of a US Federal Reserve (Fed) pivot to easier monetary policy in 2024 and a select group of mega-cap technology stocks rallied on headlines about artificial intelligence.
- The US small-cap universe declined during the second quarter, trailing US large-caps, as investors appeared to consider the potential negative effects if the Fed keeps interest rates higher for a longer period.
- Since 2022, interest rate increases have slowed the US economy and dampened inflation, although the US labor market has remained healthy.
- While markets seem in our view ready for a shift to lower interest rates, we remain cautious and continue to monitor data in order to weigh the evidence for or against changes in interest rates and the economy.
- We scaled back some defensive positioning and introduced more cyclicity to the fund. However, we are aware of potential risks, so we seek to maintain balanced positioning.
- We see artificial intelligence as a significant technology trend with wide-ranging implications for technology investment, employment and productivity enhancements moving forward.



Top issuers

(% of total net assets)

	Fund	Index
Tenet Healthcare Corp	2.37	0.00
Taylor Morrison Home Corp	2.04	0.22
Sprouts Farmers Market Inc	2.03	0.33
Summit Materials Inc	1.75	0.17
Piper Sandler Cos	1.71	0.16
ITT Inc	1.68	0.00
Applied Industrial Technologies Inc	1.66	0.29
Ollie's Bargain Outlet Holdings Inc	1.54	0.00
TMX Group Ltd	1.52	0.00
Weatherford International PLC	1.49	0.34

As of 06/30/24. Holdings are subject to change and are not buy/sell recommendations.

Portfolio positioning

At quarter end, relative to the Russell 2000 Index, the fund was overweight in financials, industrials, materials and consumer discretionary and underweight in health care, real estate, communication services, energy, technology and utilities. During the quarter, we added to consumer discretionary, consumer staples and materials and reduced industrials, technology and communication services. In industrials, we added Janus International and ICF International, and sold Masonite International, WillScot Mobile Mini, Nextracker and Alight. In financials, we added Bancorp, BGC and Skyward Specialty Insurance and sold Radian, Essent and Reinsurance Group of America. In technology, we added Allegro Microsystems, FormFactor and Coherent and sold Endava, Lattice Semiconductor, PROS, Blackbaud and PowerSchool. In health care, we added ADMA Biologics and sold Cytokinetics. In consumer discretionary, we added Modine Manufacturing and Arhaus and sold Papa Johns International. In energy, we added Antero Resources and sold Southwestern Energy. In materials, we added ATI. In consumer staples, we added Chef's Warehouse.

Second quarter additions:

Janus International supplies products and services to the self-storage industry.

ICF International provides consulting services to federal, state and local governments, electric utilities and commercial markets.

Bancorp is a Delaware-based regional bank and debit payment processor.

BGC is an interdealer broker and electronic trading platform serving the investment banking community.

Skyward Specialty Insurance provides property & casualty, excess & surplus and professional liability insurance.

Allegro Microsystems makes motion and power sensor semiconductors.

FormFactor makes semiconductor testing and measurement technologies.

Coherent provides networking equipment, optics and lasers for industrial, communications, electronics and instrumentation markets.

ADMA Biologics makes immuno-technology plasma-derived therapeutics to treat infectious diseases and manage immunocompromised patients.

Modine Manufacturing makes heating and cooling systems.

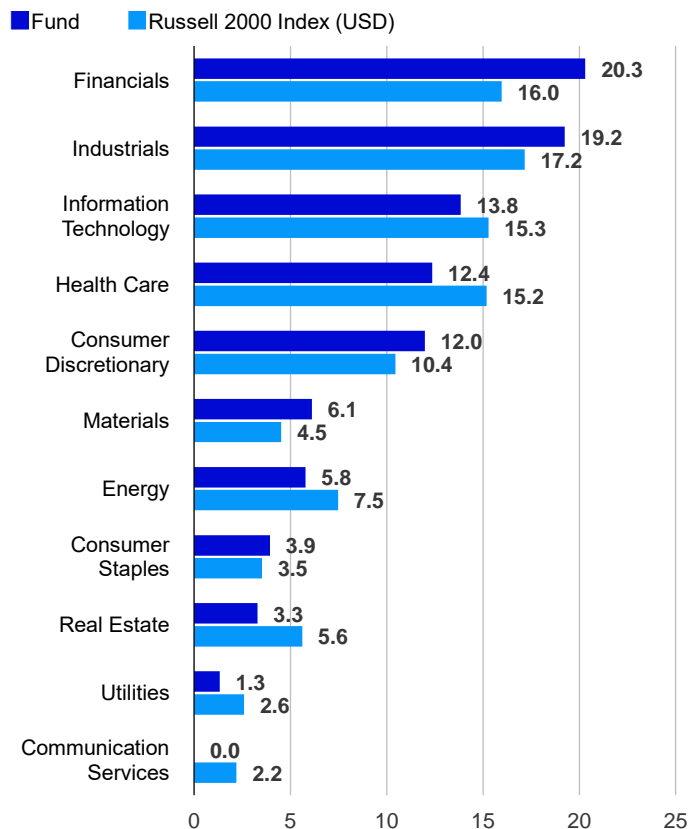
Arhaus is an omni-channel retailer of premium home furnishings.

Antero Resources is an independent oil and natural gas company.

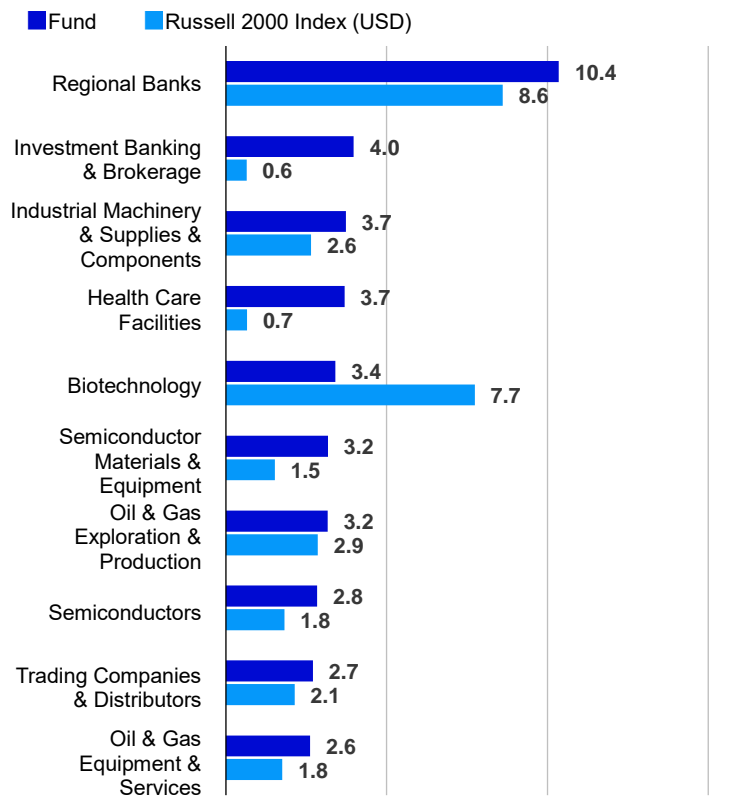
ATI makes high-performance metals, alloys and components for aerospace, defense, energy, auto, electronics, medical and mining.

Chef's Warehouse is a specialty food distributor serving high-end independent restaurants and specialty retailers in the US and Canada.

Sector breakdown (% of total net assets)



Top industries (% of total net assets)



Top contributors (%)

Issuer	Return	Contrib. to return
Tenet Healthcare Corporation	26.56	0.51
Sprouts Farmers Market, Inc.	29.75	0.48
Ollie's Bargain Outlet Holdings, Inc.	23.38	0.31
Celestica Inc.	27.57	0.29
Piper Sandler Companies.	16.29	0.25

Top detractors (%)

Issuer	Return	Contrib. to return
CryoPort, Inc.	-60.96	-0.46
Quanterix Corporation	-43.93	-0.41
Summit Materials, Inc.	-17.86	-0.38
Bloomin' Brands, Inc.	-32.26	-0.37
Nextracker Inc.	-22.23	-0.29

Performance highlights

The fund outperformed the Russell 2000 Index in the second quarter. Both the fund and benchmark index had negative returns, but the fund declined less. Stock selection in technology, consumer staples, financials and energy contributed to the fund's outperformance of the index. Selection in materials and industrials detracted.

Contributors to performance

Tenet Healthcare operates hospitals, imaging centers, ambulatory surgery centers and other health facilities. The company has benefited from improving hospital utilization trends, a favorable shift in its procedure mix and use of proceeds from hospital sales to reduce debt.

Sprouts Farmers Market is a health centric specialty grocery store chain that continued to deliver a long runway for growth, strong free cash flow and what we consider an attractive valuation.

Ollie's Bargain Outlet is a discount retailer of closeout merchandise and excess inventory. The company had strong quarterly results driven by a favorable close-out environment and customers appearing to seek extreme value.

Celestica provides outsource design, manufacturing and supply chain solutions to original equipment manufacturers across the communications, enterprise, aerospace, defense, smart energy, health care, industrial and capital equipment markets. The company reported better-than-expected results and raised guidance due to demand from cloud computing.

Piper Sandler is an independent investment bank offering advisory services, equity and debt financing, municipal financing and institutional brokerage services. The

company delivered better-than-expected results, driven by strength in its investment banking segment.

Detractors from performance

CryoPort provides temperature-controlled supply chain solutions for the life sciences industry. The company delivered weaker-than-expected results due to slower biotech funding, constrained government and academic budgets, post-COVID destocking and lower China demand.

Quanterix is a life science tools and services company. Constraints on capital budgets in the life science industry have reduced demand for the company's capital-intensive instruments.

Summit Materials provides construction materials. The company reported organic volume declines in aggregates, cement and ready-mix concrete due to bad weather and lower residential demand.

Bloomin' Brands operates and franchises casual dining restaurant chains under the Outback Steakhouse, Carrabba's Italian Grill, Bonefish Grill and Fleming's Prime Steakhouse & Wine Bar brands. The company has seen weaker sales in its core Outback chain, similar to other casual dining chains.

Nextracker provides solar trackers and software solutions used in utility-scale solar power generation projects. The stock declined in June after management announced the acquisition of a solar tracker foundation business.

Standardized performance (%) as of June 30, 2024

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 08/31/00	NAV	-2.56	5.54	11.57	-0.30	9.47	6.89	7.40
	Max. Load 5.5%	-7.91	-0.28	5.42	-2.17	8.23	6.28	7.15
Class R6 shares inception: 09/24/12	NAV	-2.49	5.71	12.05	0.13	9.97	7.40	9.31
Class Y shares inception: 10/03/08	NAV	-2.44	5.71	11.87	-0.06	9.75	7.15	9.28
Russell 2000 Index (USD)		-3.28	1.73	10.06	-2.58	6.94	7.00	-
Total return ranking vs. Morningstar Small Blend category (Class A shares at NAV)		-	-	34% (192 of 601)	64% (346 of 575)	28% (146 of 546)	64% (240 of 390)	-

Expense ratios per the current prospectus: Class A: Net: 1.26%, Total: 1.26%; Class R6: Net: 0.82%, Total: 0.82%; Class Y: Net: 1.01%, Total: 1.01%.

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 (%)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Class A shares at NAV	2.17	-5.61	11.72	13.58	-15.16	26.13	27.29	20.02	-20.60	15.96
Class R6 shares at NAV	2.60	-5.10	12.31	14.19	-14.75	26.67	28.03	20.46	-20.25	16.58
Class Y shares at NAV	2.36	-5.37	12.02	13.88	-14.92	26.36	27.70	20.27	-20.40	16.23
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	92	1,922
Top 10 issuers (% of AUM)	17.79	5.82
Wtd. avg. mkt. cap (\$M)	6,098	4,454
Price/earnings	17.08	16.55
Price to book	2.46	1.96
Est. 3 – 5 year EPS growth (%)	12.15	14.20
ROE (%)	12.24	6.31
Long-term debt to capital (%)	36.47	33.84
Operating margin (%)	13.42	12.95

Risk statistics (5 year)*

	Fund	Index
Alpha (%)	2.68	0.00
Beta	0.91	1.00
Sharpe ratio	0.33	0.20
Information ratio	0.46	0.00
Standard dev. (%)	22.27	23.72
Tracking error (%)	5.47	0.00
Up capture (%)	92.92	100.00
Down capture (%)	93.95	100.00
Max. drawdown (%)	28.96	30.61

Quarterly performance attribution

Sector performance analysis (%)

Sector	Allocation effect	Selection effect	Total effect
Communication Services	-0.06	0.00	-0.05
Consumer Discretionary	0.02	0.05	0.07
Consumer Staples	0.00	0.45	0.45
Energy	0.01	0.11	0.12
Financials	0.09	0.04	0.13
Health Care	0.04	0.00	0.05
Industrials	-0.01	-0.18	-0.19
Information Technology	0.01	0.85	0.85
Materials	-0.04	-0.25	-0.29
Real Estate	0.00	0.00	0.00
Utilities	-0.04	-0.02	-0.07
Cash	-0.04	0.00	-0.04
Total	-0.02	1.04	1.02

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 06/30/24. 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

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 medium-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.