

Invesco Discovery Fund

Q4 2023

Key takeaways

- 1 The fund underperformed its benchmark.**

Despite a strong absolute return, the fund underperformed its benchmark, the Russell 2000 Growth Index. Strong stock selection in the consumer sectors and energy was offset by weaker results in financials and information technology (IT).
- 2 US equities surged in the final quarter of 2023.**

Disinflation in key economic indicators and the Federal Reserve (Fed) signaling easier monetary policy stoked market optimism. This led all US equity style indexes to double-digit returns as market strength broadened beyond stocks with the largest market caps.
- 3 We remain focused on premier growth compounders.**

Technology-driven innovation has continued to disrupt large portions of the global economy, providing substantial opportunity through investment in premier growth compounders. We remain focused on capturing those opportunities for the fund's shareholders.

Investment objective

The fund seeks capital appreciation.

Fund facts

Fund AUM (\$M)	3,886.44
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Portfolio managers

Ronald Zibelli, Asutosh Shah

Manager perspective and outlook

- A disinflation trend in key economic indicators, combined with Fed comments that suggested a shift to easier monetary policy, fueled market optimism, leading all US equity style indexes to post double-digit returns as market strength broadened out beyond the large-cap "Magnificent Seven" (Alphabet, Amazon, Apple, Meta, Microsoft, NVIDIA and Tesla). Shifts in the yield curve were in our view just as dramatic; the 2-year Treasury fell 0.75% to 4.25% and the 10-year fell 0.70% to 3.88%. The yield curve remained inverted but at a more muted level compared with earlier in the fourth quarter. Despite continued geopolitical unrest (Russia/Ukraine and the Middle East), the price of WTI Crude Oil collapsed in the final months of the quarter, falling from \$86 to the low \$70s.
- Invesco Growth Team's outlook for the stock market in 2024 is constructive. The economy has continued to expand, inflation has been moderating, the Fed has been forecasting interest rate cuts and corporate profits have been rising once again following a multi-quarter contraction. Meanwhile, technology-driven innovation continues to create abundant opportunities for wealth creation. Keeping these factors in mind, Invesco Growth Team remains focused on investing in shares of reasonably valued companies judged to have superior relative growth potential.



For more information, including prospectus and factsheet, please visit [Invesco.com/OPOCX](https://www.invesco.com/OPOCX)

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

Not a Deposit Not FDIC Insured Not Guaranteed by the Bank May Lose Value
Not Insured by any Federal Government Agency

Top issuers

(% of total net assets)

	Fund	Index
Hamilton Lane Inc	2.58	0.20
Duolingo Inc	2.36	0.54
elf Beauty Inc	2.24	0.63
Clean Harbors Inc	2.22	0.00
Comfort Systems USA Inc	2.20	0.59
Saia Inc	2.19	0.00
Medpace Holdings Inc	2.13	0.00
Curtiss-Wright Corp	1.85	0.00
Gitlab Inc	1.70	0.00
CyberArk Software Ltd	1.68	0.00

As of 12/31/23. Holdings are subject to change and are not buy/sell recommendations.

Portfolio positioning

During the quarter, we changed several stocks that resulted in minor sector shifts: we increased the overweight in IT and moved to an underweight in energy.

At quarter end, the fund's largest overweights relative to its benchmark were in IT, financials and consumer discretionary. The largest underweight exposures were in health care and the fund had no exposure in utilities, the smallest benchmark sector.

We remain focused on holding shares of reasonably valued companies judged to have superior relative growth potential. At the security level, we added and removed several stocks to reflect our preferred positioning and upgrade the portfolio:

Buys

Parsons is a design and engineering firm for defense, intelligence and critical infrastructure sectors. We believe the company will benefit from improved sentiment toward government services and upside opportunities from the US Infrastructure act.

Synaptics develops custom-designed user interface solutions. The company's solutions enable people to interact with a variety of mobile computing and communications devices. We took advantage of the cyclical bottom in consumer semiconductors to initiate this position.

Meritage Homes, a high quality mid-sized home builder serving the East, South and Western US with quality entry level homes, was added to the fund following recent declines in mortgage rates.

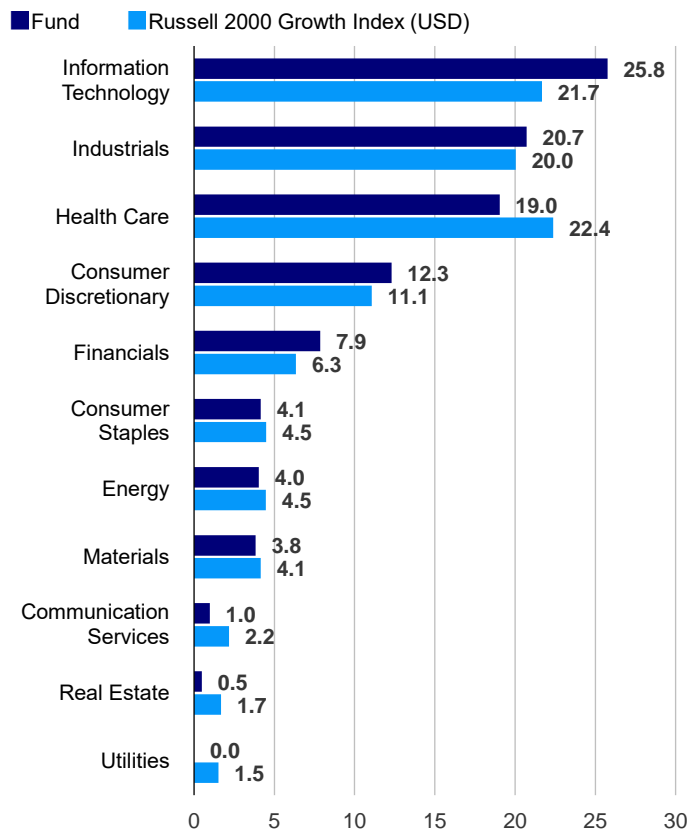
Sales

Manhattan Associates provides IT solutions for distribution centers. The solutions are designed to enable efficient movement of goods through the supply chain. We sold the position because its market cap increased beyond our typical investment range.

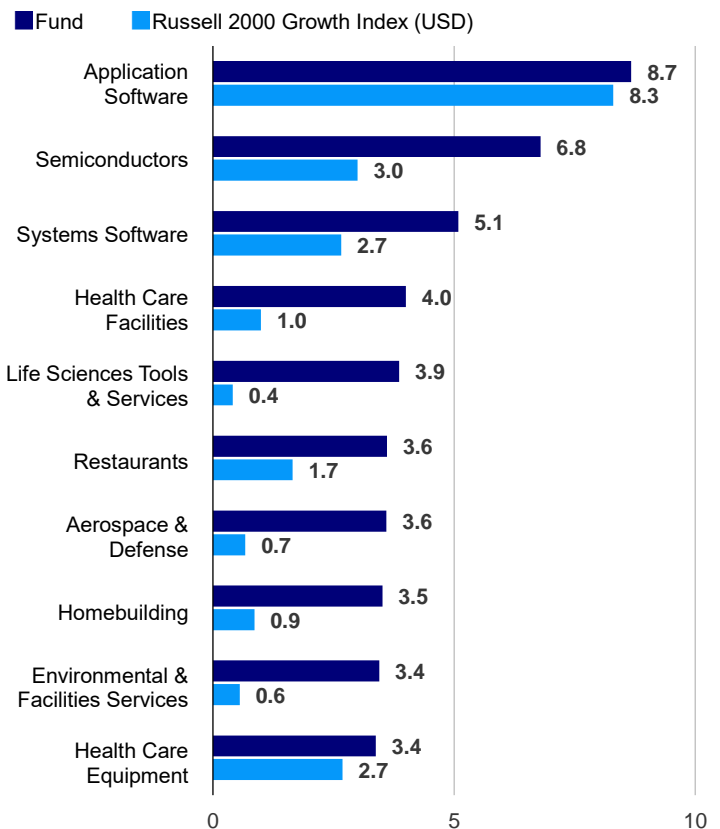
Visteon designs, engineers and manufactures electronics products and automotive vehicles, and supplies automotive parts. We expect slower US production of electric vehicles (EV) in the medium term, especially at General Motors, to weigh on Visteon's growth prospects.

Axcelis Technologies produces components for the semiconductor industries. We exited the position due to weakness in demand for electric cars.

Sector breakdown (% of total net assets)



Top industries (% of total net assets)



Top contributors (%)

Issuer	Return	Contrib. to return
Duolingo, Inc.	36.76	0.83
Wingstop, Inc.	42.81	0.77
Hamilton Lane Incorporated	25.94	0.67
e.l.f. Beauty, Inc.	31.42	0.65
Medpace Holdings, Inc.	26.60	0.53

Top detractors (%)

Issuer	Return	Contrib. to return
Lattice Semiconductor Corporation	-19.71	-0.70
Kinsale Capital Group, Inc.	-19.10	-0.56
Confluent, Inc.	-40.43	-0.49
Axcelis Technologies, Inc.	-22.98	-0.36
Flywire Corporation	-27.41	-0.34

Performance highlights

Despite posting strong absolute performance for the quarter, the fund underperformed its benchmark, the Russell 2000 Growth Index. Good selection in the consumer sectors and energy was offset by weakness in financials and IT.

Contributors to performance

The largest contributors to absolute return for the quarter were **Duolingo**, **Wingstop** and **Hamilton Lane**.

Duolingo is a language-learning website and mobile application. The company has continued to execute well, with paid subscribers and daily active users increasing at a high growth rate despite difficult year-over-year comparisons.

Wingstop is a franchisor and operator of restaurants that serve cooked-to-order, hand-sauced and tossed chicken wings. Management reported strong earnings results in November, which beat analyst expectations.

Hamilton Lane provides private markets investment solutions. Management reported solid quarterly results and the stock also benefited from ongoing outperformance by its alternative asset manager group.

Detractors from performance

The largest detractors from absolute return for the quarter were **Lattice Semiconductor**, **Kinsale Capital** and **Confluent**.

Lattice Semiconductor designs, develops and markets programmable logic products and related software. After 13 straight strong quarters, an inventory correction negatively affected the company's results.

Kinsale Capital is a specialty insurance company. Management reported solid quarterly financial results, but premium growth slowed from prior quarters.

Confluent provides a commercial platform for managing real-time data streams. The stock underperformed after management reported weak results and began a sales force transition.

Standardized performance (%) as of December 31, 2023

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 09/11/86	NAV	10.86	17.01	17.01	-2.39	13.79	9.46	10.57
	Max. Load 5.5%	4.77	10.57	10.57	-4.21	12.51	8.84	10.41
Class R6 shares inception: 01/27/12	NAV	10.97	17.46	17.46	-2.03	14.23	9.90	12.71
Class Y shares inception: 06/01/94	NAV	10.93	17.30	17.30	-2.16	14.06	9.72	9.20
Russell 2000 Growth Index (USD)		12.75	18.66	18.66	-3.50	9.22	7.16	-
Total return ranking vs. Morningstar Small Growth category (Class A shares at NAV)		-	-	50% (264 of 597)	54% (267 of 564)	14% (65 of 529)	19% (61 of 409)	-

Expense ratios per the current prospectus: Class A: Net: 1.03%, Total: 1.03%; Class R6: Net: 0.66%, Total: 0.66%; Class Y: Net: 0.79%, Total: 0.79%.

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. 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	-2.19	1.98	4.22	29.12	-3.60	36.74	50.06	15.61	-31.26	17.01
Class R6 shares at NAV	-1.76	2.40	4.69	29.64	-3.20	37.30	50.65	16.04	-31.01	17.46
Class Y shares at NAV	-1.96	2.21	4.48	29.40	-3.36	37.06	50.40	15.88	-31.10	17.30
Russell 2000 Growth Index (USD)	5.60	-1.38	11.32	22.17	-9.31	28.48	34.63	2.83	-26.36	18.66

Portfolio characteristics*

	Fund	Index
No. of holdings	99	1,074
Top 10 issuers (% of AUM)	21.15	6.54
Wtd. avg. mkt. cap (\$M)	6,605	3,774
Price/earnings	26.42	22.18
Price to book	4.69	3.99
Est. 3 – 5 year EPS growth (%)	16.34	16.01
ROE (%)	10.85	5.86
Long-term debt to capital (%)	32.06	37.47
Operating margin (%)	8.69	8.65

Risk statistics (5 year)*

	Fund	Index
Alpha (%)	5.00	0.00
Beta	0.90	1.00
Sharpe ratio	0.51	0.30
Information ratio	0.55	0.00
Standard dev. (%)	23.24	24.41
Tracking error (%)	8.26	0.00
Up capture (%)	98.36	100.00
Down capture (%)	92.27	100.00
Max. drawdown (%)	37.58	33.43

Quarterly performance attribution

Sector performance analysis (%)

Sector	Allocation effect	Selection effect	Total effect
Communication Services	-0.01	-0.20	-0.21
Consumer Discretionary	-0.01	1.35	1.35
Consumer Staples	0.02	0.25	0.27
Energy	-0.52	0.59	0.07
Financials	0.00	-0.91	-0.91
Health Care	-0.08	-0.37	-0.45
Industrials	-0.01	-0.09	-0.09
Information Technology	-0.08	-0.77	-0.85
Materials	-0.01	-0.15	-0.17
Real Estate	-0.13	0.00	-0.13
Utilities	0.07	0.00	0.07
Cash	-0.37	0.00	-0.37
Total	-1.14	-0.31	-1.45

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 12/31/23. Unless stated otherwise, Index refers to Russell 2000 Growth Index (USD).

As of the open of business on June 28, 2013, the fund limited public sales of its shares to certain investors. For more information on who may invest in the fund, please see the prospectus.

The Russell 2000® Growth Index is an unmanaged index considered representative of small-cap growth 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

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.

In general, stock values fluctuate, sometimes widely, in response to activities specific to the company as well as general market, economic and political conditions.

The risks of investing in securities of foreign 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.

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.