

Invesco Discovery Fund

Q2 2024

Key takeaways

- 1 The fund outperformed its benchmark**

Relative performance was driven primarily by stock selection. Strength in information technology (IT), consumer discretionary and health care was partially offset by weakness in industrials and consumer staples.
- 2 US equity markets: Mixed results for the second quarter**

Large-cap growth maintained its leadership as value, mid-cap and small-cap stocks declined. The combination of sticky inflation, decent job growth and steady economic growth has kept expectations for a US Federal Reserve (Fed) rate cut in doubt.
- 3 We remain focused on premier growth compounders**

Technology-driven innovation has continued to disrupt large portions of the global economy, providing opportunity through investment in 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)	4,497.03
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Portfolio managers

Ronald Zibelli, Asutosh Shah

Manager perspective and outlook

- Invesco Growth Team has a constructive outlook for the stock market in 2024. The US economy has continued to expand, inflation has been moderating, the Fed is forecasting interest rate reductions and corporate profits have been rising.
- Meanwhile, technology-driven innovation has continued to create opportunities for wealth creation. Keeping these factors in mind, we remain focused on investing in shares of reasonably valued companies judged to have superior relative growth potential.

Top issuers

(% of total net assets)

	Fund	Index
Clean Harbors Inc	2.55	0.00
Medpace Holdings Inc	2.53	0.00
Comfort Systems USA Inc	2.23	0.83
Hamilton Lane Inc	2.21	0.21
Wingstop Inc	2.13	0.00
Evercore Inc	1.92	0.00
Onto Innovation Inc	1.86	0.71
Nova Ltd	1.84	0.00
Encompass Health Corp	1.82	0.00
CyberArk Software Ltd	1.74	0.00

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

Portfolio positioning

The annual rebalancing of the Russell indexes occurred at the end of the second quarter. Changes to the Russell 2000 Growth Index were meaningful as its health care weighting increased by more than 3% and its IT weighting declined by more than 4%.

At the end of the second quarter, the fund's largest overweights relative to its benchmark were in consumer discretionary and financials, while the fund had underweights in communication services and consumer staples. The fund had no exposure in the smallest benchmark sector, utilities.

At the security level, we added and removed several stocks to reflect our preferred positioning and to upgrade the portfolio.

Buys

SPX Technologies supplies engineered products and technologies, with market positions in heating, ventilation and air conditioning (HVAC). We bought the stock because the company is historically a steady compounder in the HVAC business.

Coherent designs engineered materials and optoelectronic components. We believe the company will benefit from spending on artificial intelligence (AI) and wafer fabrication (fab) equipment.

FormFactor designs, develops and manufactures advanced semiconductor wafer probe cards. We believe the company will benefit from spending on AI and wafer fab equipment.

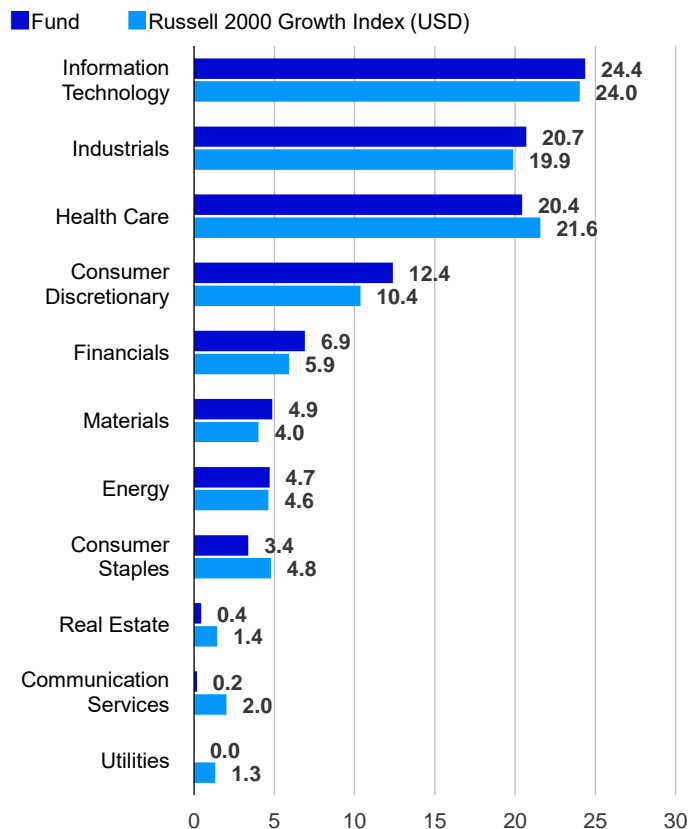
Sales

GitLab designs and develops software solutions. The diversion of IT budgets from software to AI is a negative for this company. Additionally, enterprises have been consolidating the number of software applications due to price inflation.

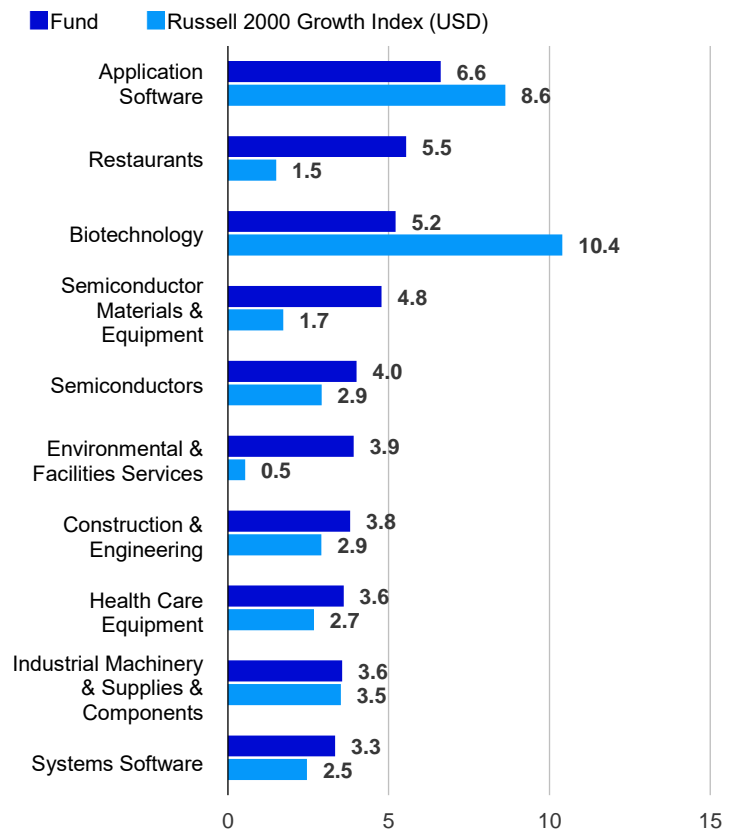
Lattice Semiconductor designs, develops and markets programmable logic devices. We sold the fund's position due to the departure of its CEO who left for Coherent.

Silicon Laboratories is a semiconductor company. We sold this position to consolidate the fund's semiconductor positions around companies that historically benefit from AI and wafer fab equipment spending.

Sector breakdown (% of total net assets)



Top industries (% of total net assets)



Top contributors (%)

Issuer	Return	Contrib. to return
TransMedics Group, Inc.	103.71	0.55
Carpenter Technology Corporation	53.82	0.53
Nova Ltd.	32.22	0.39
Coherent Corp.	36.59	0.33
Onto Innovation Inc.	21.25	0.32

Top detractors (%)

Issuer	Return	Contrib. to return
Saia, Inc.	-18.92	-0.48
Sprout Social, Inc.	-54.95	-0.45
H&E Equipment Services, Inc.	-30.78	-0.44
Repligen Corporation	-31.46	-0.35
Kinsale Capital Group, Inc.	-26.55	-0.33

Performance highlights

After a positive start to 2024, the fund outperformed its benchmark, the Russell 2000 Growth Index, in the second quarter. Performance was driven primarily by stock selection. Strength in IT, consumer discretionary and health care was partially offset by weakness in industrials and consumer staples.

Contributors to performance

The largest contributors to absolute return for the quarter were **TransMedics**, **Carpenter** and **Nova**.

TransMedics offers transplant therapy for end-stage organ failure patients across multiple diseases. Management reported strong quarterly results and raised 2024 guidance above consensus expectations. The company has been helping to increase the size of the US transplant market as it has delivered more donor organs to recipients faster with its unique service offering.

Carpenter manufactures, fabricates and distributes stainless steels, titanium and specialty metal alloys. Management accelerated its guidance for long-term fiscal 2027 EPS (earnings per share) by a full year. Management also reported quarterly earnings that beat analysts' expectations and raised guidance for fiscal year 2024.

Nova provides integrated monitoring and process control systems for other integrated circuit manufacturing processes. Wafer fab spending has been on the rise due to high memory prices and AI spending, resulting in strong earnings results for Nova.

Detractors from performance

The largest detractors from absolute return for the quarter were **Saia**, **Sprout Social** and **H&E Equipment Services**.

Saia is a multi-regional and inter-regional less-than-truckload (LTL) carrier. During the quarter, management reported earnings that fell short of analysts' estimates and provided a weaker forward view on freight activity.

Sprout Social provides online social media management tools for businesses. Management reported lackluster quarterly results due to slowing software spending.

H&E Equipment Services is an equipment rental company. The stock underperformed following its first quarter report. Though revenue and EBITDA (earnings before interest, taxes, depreciation and amortization) exceeded consensus estimates, profit margin fell short of expectations. More importantly, management reduced full year capital expenditure guidance as the company is seeing slowing in the general construction rental market.

Standardized performance (%) as of June 30, 2024

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 09/11/86	NAV	-0.10	12.69	16.30	-1.44	10.48	11.30	10.78
	Max. Load 5.5%	-5.59	6.50	9.91	-3.28	9.23	10.68	10.61
Class R6 shares inception: 01/27/12	NAV	-0.01	12.89	16.73	-1.07	10.90	11.75	13.27
Class Y shares inception: 06/01/94	NAV	-0.04	12.82	16.57	-1.20	10.74	11.57	9.48
Russell 2000 Growth Index (USD)		-2.92	4.44	9.14	-4.86	6.17	7.39	-
Total return ranking vs. Morningstar Small Growth category (Class A shares at NAV)		-	-	14% (82 of 578)	31% (140 of 550)	13% (50 of 519)	9% (31 of 403)	-

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	105	1,054
Top 10 issuers (% of AUM)	20.81	10.86
Wtd. avg. mkt. cap (\$M)	7,708	5,949
Price/earnings	30.96	22.71
Price to book	5.01	4.01
Est. 3 – 5 year EPS growth (%)	18.35	18.18
ROE (%)	9.98	8.01
Long-term debt to capital (%)	34.07	35.87
Operating margin (%)	10.75	9.47

Risk statistics (5 year)*

	Fund	Index
Alpha (%)	4.53	0.00
Beta	0.90	1.00
Sharpe ratio	0.36	0.17
Information ratio	0.52	0.00
Standard dev. (%)	22.91	23.97
Tracking error (%)	8.27	0.00
Up capture (%)	96.21	100.00
Down capture (%)	92.06	100.00
Max. drawdown (%)	37.58	33.43

Quarterly performance attribution

Sector performance analysis (%)

Sector	Allocation effect	Selection effect	Total effect
Communication Services	-0.10	-0.08	-0.18
Consumer Discretionary	-0.05	0.90	0.85
Consumer Staples	-0.14	-0.10	-0.23
Energy	-0.05	0.07	0.02
Financials	0.00	0.37	0.37
Health Care	-0.01	0.66	0.65
Industrials	0.00	-0.24	-0.24
Information Technology	-0.01	0.93	0.92
Materials	-0.06	0.67	0.61
Real Estate	0.05	-0.01	0.04
Utilities	-0.06	0.00	-0.06
Cash	0.14	0.00	0.14
Total	-0.28	3.17	2.89

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 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.