

# Invesco Main Street Small Cap Fund

## Q4 2023

## Key takeaways

- 1 The fund underperformed its benchmark**  
Underperformance mainly resulted from stock selection in the industrials, information technology (IT) and financials sectors. Stronger stock selection in the consumer staples, health care and materials sectors partially offset these results.
- 2 Portfolio activity**  
There was no significant change to the fund's overall positioning during the quarter as we sought to keep most sector, factor and other macro-related exposures similar to the Russell 2000 Index.
- 3 US equities rallied on anticipation of interest rate cuts**  
Stocks rallied as favorable inflation news stoked investor optimism that the Federal Reserve (Fed) would soon begin to reduce interest rates. Fed Chair Powell also shared the Fed's expectations for an economic "soft landing" versus a recession.

### Investment objective

The fund seeks capital appreciation.

### Fund facts

Fund AUM (\$M) 1,714.06

### Portfolio managers

Adam Weiner, Matthew Ziehl, Joy Budzinski, Magnus Krantz, Raman Vardharaj

## Manager perspective and outlook

- Stocks rallied in the fourth quarter as favorable inflation news fueled optimism that the Fed would soon cut interest rates. Fed Chair Powell affirmed this sentiment in mid-December when he acknowledged that policy discussions had shifted toward the likelihood of cutting interest rates in 2024, while not ruling out more near-term hikes if inflation reaccelerates. He also shared the Fed's expectations for an economic "soft landing" versus a recession.
- Alongside good inflation news, economic growth moderated in the fourth quarter and some forward-looking manufacturing indicators turned negative. Employment and wage gains slowed but stayed positive. With wage growth generally higher than inflation, consumers recovered some recent losses in inflation-adjusted real income, which supported year-over-year gains in holiday spending.
- Regardless of market sentiment and near-term economic trends, our investment process favors better-managed companies with strong balance sheets and competitive positioning. While falling interest rates (if recent trends persist) do help more highly leveraged companies at the margin, this benefit depends on timing windows and all-in costs for debt refinancing. Slower inflation should, in our view, tilt the pricing advantage back to stronger competitors who provide greater customer value and can achieve higher pricing for their goods and services.



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

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
BellRing Brands Inc	2.16	0.29
TopBuild Corp	2.12	0.00
Atkore Inc	2.09	0.24
Summit Materials Inc	2.01	0.18
AutoNation Inc	1.89	0.00
Acadia Healthcare Co Inc	1.88	0.00
Curtiss-Wright Corp	1.83	0.00
Enpro Inc	1.75	0.13
Sprout Social Inc	1.53	0.12
ASGN Inc	1.47	0.18

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

## Portfolio positioning

There was no significant change to the fund's overall positioning during the quarter as we sought to keep most sector, factor and other macro-related exposures similar to the Russell 2000 Index. On the margin, we reduced an overweight in the industrials sector and reduced an underweight in the financials sector, though these remain the fund's largest overweight and largest underweight allocations.

We maintain our valuation discipline and our focus on companies with skilled management teams that, we believe, are executing better than their peers. We also strive to maintain a portfolio that can outperform in most market environments. The fund's two structural exposures continue to be underweights in micro-cap stocks (generally below \$1 billion market cap) and the biotechnology industry.

Additions to the fund during the quarter included the following companies:

**Cabaletta Bio** is a CAR-T autoimmune therapy biotech company with phase 1 and 2 studies pending for lupus and myositis.

**Spirit AeroSystems** manufactures aircraft structures including fuselages, wing and propulsion systems. We believe profit margins will improve from recent lows with a new CEO in place.

**Terreno Realty** is an industrial real estate investment trust (REIT) with multi-year embedded rent growth and high barriers to entry in supply-constrained markets. The stock recently came down to a more reasonable valuation, in our view.

Positions sold during the quarter included the following companies:

**Valmont** was sold due to our lower conviction following a weak third quarter, recent CEO departure and the likelihood of management lowering five-year targets that were provided in May 2023.

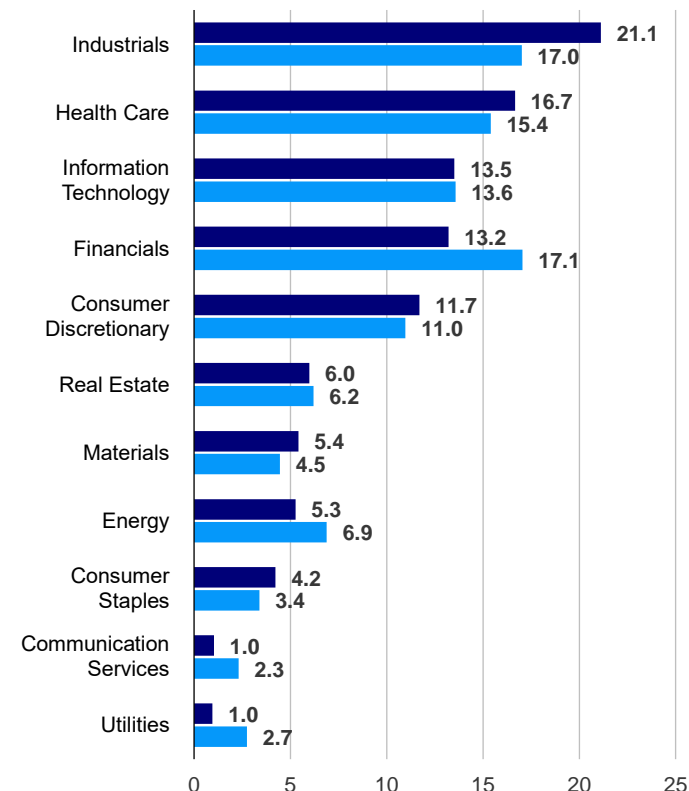
**Boyd Gaming** is an asset-heavy company in a cyclical industry facing slowing consumer demand and rising competition in Las Vegas.

**Topgolf Callaway** depends on highly discretionary spending and has a debt-intensive development schedule for its TopGolf facilities in the face of high (though falling) interest rates.

**Consensus Cloud Solutions** has been being negatively affected by a sluggish environment for enterprise deal signings, as well as inconsistent management execution.

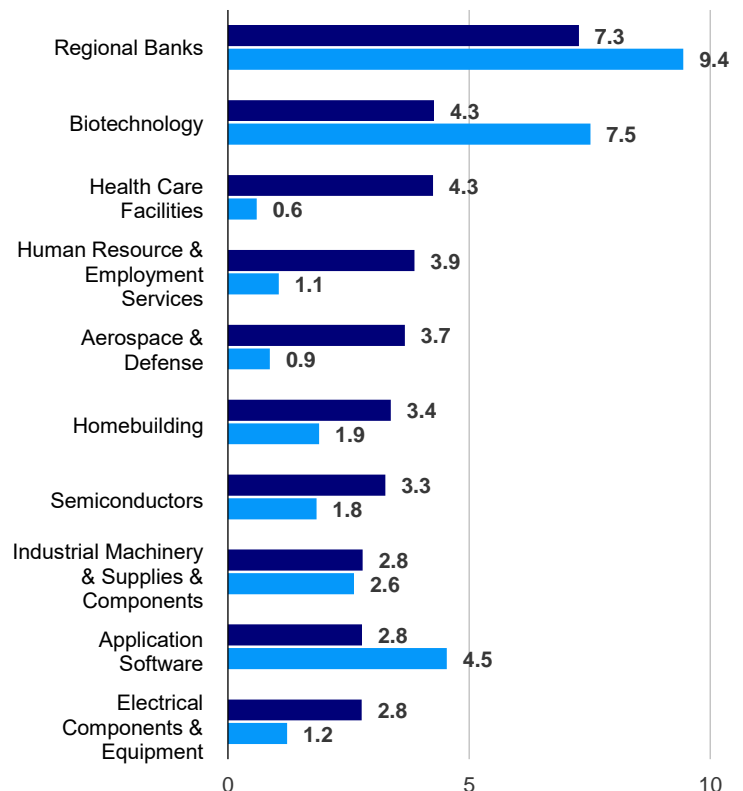
## Sector breakdown (% of total net assets)

■ Fund ■ Russell 2000 Index (USD)



## Top industries (% of total net assets)

■ Fund ■ Russell 2000 Index (USD)



## Top contributors (%)

Issuer	Return	Total effect
TopBuild Corp.	48.75	0.60
Twist Bioscience Corporation	81.93	0.36
BellRing Brands, Inc.	34.44	0.31
Century Aluminum Company	68.85	0.29
GitLab Inc.	39.23	0.29

## Top detractors (%)

Issuer	Return	Total effect
CNX Resources Corporation	-11.43	-0.37
Belden Inc.	-19.94	-0.36
AtriCure, Inc.	-18.52	-0.34
Helmerich & Payne, Inc.	-13.14	-0.34
AutoNation, Inc.	-0.81	-0.31

## Performance highlights

The fund's Class A shares at net asset value (NAV) returned 13.06% for the quarter, underperforming the Russell 2000 Index, which returned 14.03%. The fund's underperformance mainly resulted from stock selection in the industrials, IT and financials sectors. Stronger stock selection in the consumer staples, health care and materials sectors partially offset these results.

### Contributors to performance

**TopBuild**, which installs and distributes insulation and other building products, outperformed after reporting better-than-expected third quarter results and 2024 guidance. The company also benefited from falling mortgage rates given its exposure to new home sales.

**Twist Bioscience**, a provider of semiconductor-based synthetic DNA manufacturing processes, reported a strong fiscal fourth quarter with revenue and gross margins exceeding expectations.

**BellRing** reported quarterly revenue and earnings-per-share above consensus

expectations. The company experienced strong volume growth as it continued to expand distribution and gain market share with various nutrition products, including shakes and snack bars. The company also generated strong cash flow, which management used to pay down debt.

### Detractors from performance

**CNX Resources** and the energy sector in general underperformed as oil prices declined and market leadership rotated into areas that had previously underperformed.

**Belden** specializes in the design, manufacture and distribution of networking, security and connectivity products and solutions for the industrial automation, smart buildings and broadcast markets. Management provided a weaker-than-expected outlook due to weaker demand, pauses in capital spending and inventory de-stocking.

**Helmerich & Payne**, an oil and gas drilling services company, underperformed along with the energy sector in general.

## Standardized performance (%) as of December 31, 2023

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 05/17/13	NAV	13.06	17.54	17.54	6.28	12.58	8.48	9.46
	Max. Load 5.5%	6.84	11.06	11.06	4.30	11.31	7.86	8.88
Class R6 shares inception: 05/17/13	NAV	13.19	17.94	17.94	6.70	13.03	8.92	9.91
Class Y shares inception: 05/17/13	NAV	13.13	17.82	17.82	6.55	12.86	8.79	9.78
Russell 2000 Index (USD)		14.03	16.93	16.93	2.22	9.97	7.16	-
Total return ranking vs. Morningstar Small Blend category (Class A shares at NAV)		-	-	36% (203 of 616)	52% (273 of 595)	18% (98 of 559)	14% (47 of 393)	-

Expense ratios per the current prospectus: Class A: Net: 1.11%, Total: 1.11%; Class R6: Net: 0.71%, Total: 0.71%; Class Y: Net: 0.86%, Total: 0.86%.

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. 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	11.41	-6.14	17.76	13.47	-10.73	25.73	19.82	21.73	-16.09	17.54
Class R6 shares at NAV	11.84	-5.65	18.19	14.06	-10.39	26.22	20.31	22.23	-15.75	17.94
Class Y shares at NAV	11.81	-5.81	18.07	13.89	-10.44	26.00	20.13	22.03	-15.87	17.82
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	95	1,966
Top 10 issuers (% of AUM)	18.74	3.25
Wtd. avg. mkt. cap (\$M)	4,933	3,214
Price/earnings	15.90	15.76
Price to book	2.41	1.96
Est. 3 – 5 year EPS growth (%)	8.39	11.90
ROE (%)	7.66	5.39
Long-term debt to capital (%)	40.56	35.02
Operating margin (%)	12.83	14.37

### Risk statistics (5 year)\*

	Fund	Index
Alpha (%)	2.69	0.00
Beta	0.96	1.00
Sharpe ratio	0.45	0.33
Information ratio	0.58	0.00
Standard dev. (%)	23.66	24.22
Tracking error (%)	4.53	0.00
Up capture (%)	101.34	100.00
Down capture (%)	96.43	100.00
Max. drawdown (%)	30.61	30.61

## Quarterly performance attribution

### Sector performance analysis (%)

Sector	Allocation effect	Selection effect	Total effect
Communication Services	0.06	-0.05	0.01
Consumer Discretionary	0.04	-0.08	-0.04
Consumer Staples	-0.02	0.44	0.42
Energy	0.39	0.01	0.40
Financials	-0.30	-0.16	-0.46
Health Care	0.08	0.11	0.18
Industrials	-0.03	-0.83	-0.86
Information Technology	-0.01	-0.18	-0.19
Materials	0.00	0.08	0.08
Real Estate	-0.05	-0.02	-0.07
Utilities	0.12	0.00	0.12
Cash	-0.26	0.00	-0.26
<b>Total</b>	<b>0.00</b>	<b>-0.68</b>	<b>-0.67</b>

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 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.

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## About risk

Stock and other equity securities values fluctuate in response to activities specific to the company as well as general market, economic and political conditions.

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.

Derivatives may be more volatile and less liquid than traditional investments and are subject to market, interest rate, credit, leverage, counterparty, and management risks. An investment in a derivative could lose more than the cash amount invested.

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.

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## 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.**