

# Invesco Main Street Small Cap Fund

## Q1 2025

## Key takeaways

### 1 The fund outperformed its benchmark

Outperformance was primarily driven by strong stock selection, including in the health care, consumer discretionary and industrials sectors. Weaker stock selection in the energy sector, along with an underweight in consumer staples, 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 declined

The S&P 500 Index fell 4.27% in the quarter. Within the index, energy and defensive sectors had positive returns; consumer discretionary and information technology (IT) had the largest declines. Small-cap stocks generally lagged the broader market; the Russell 2000 Index returned -9.48%.

### Investment objective

The fund seeks capital appreciation.

### Fund facts

Fund AUM (\$M) 1,918.79

### Portfolio managers

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

## Manager perspective and outlook

- US equities declined in the first quarter amid considerable volatility and increased economic concerns.
- The year started with positive expectations for the US economy, but sentiment appeared to reverse by mid-February. Apparent concerns about the Trump administration's tariff policies appeared to spark fears of a prolonged trade war and potential recession. The annualized growth rate of the US Gross Domestic Product (GDP) for 2024 was 2.8%, but forecasts for 2025 dimmed due to tariff uncertainty.
- Inflation appeared to stabilize somewhat but remained higher than the US Federal Reserve's (Fed) 2% target. US unemployment stayed low, but employment data showed signs of softening. Against this backdrop, the Fed held benchmark interest rates steady.
- The S&P 500 Index ended the first quarter with a return of -4.27%, driven by a full 10% correction in March. Energy led all sector returns within the index. Defensive sectors such as health care and consumer staples had positive returns, while consumer discretionary and IT saw double-digit losses. Small-cap stocks generally underperformed the broader market; the Russell 2000 Index returned -9.48%.
- Regardless of market sentiment and near-term economic trends, our investment process favors better-managed companies with strong competitive positioning. We seek to outperform through stock selection while keeping top-down macro, factor and sector exposures similar to the index.



## Top issuers

(% of total net assets)

	Fund	Index
ADMA Biologics Inc	2.07	0.19
AutoNation Inc	1.85	0.00
Wintrust Financial Corp	1.81	0.00
Casella Waste Systems Inc	1.76	0.29
Zurn Elkay Water Solutions Corp	1.73	0.20
PennyMac Financial Services Inc	1.71	0.11
Itron Inc	1.68	0.20
Esab Corp	1.66	0.00
Korn Ferry	1.64	0.14
Northern Oil & Gas Inc	1.57	0.12

As of 03/31/25. Holdings are subject to change and are not buy/sell recommendations.

## Portfolio positioning

There was no significant change to overall positioning during the quarter as we sought to keep most sector, factor and other macro-related exposures similar to the Russell 2000 Index. All sector weights were within +/- 3% of the index at quarter end. Industrials remained the largest overweight. Communication services remained the largest underweight.

We maintain our valuation discipline and focus on companies with skilled management teams that are executing better than their peers. We 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.

The largest positions added during the quarter included the following:

**American Healthcare REIT** operates health care-related properties. It has had strong organic growth, with properties poised to benefit in our view from demographic tailwinds.

**Bank of California** is a Los Angeles-based bank with a strong market position in its home state, bolstered by its 2023 acquisition of PacWest Bancorp.

**Knife River** is a leading construction materials provider. We believe its valuation is attractive relative to its competitors.

**SM Energy** is an exploration & production company operating in Texas, with what we see as strong growth prospects and a recent expansion into Utah's Uinta basin.

**Cheesecake Factory** is a leading restaurant company with strong same store sales growth and, in our opinion, promising expansion plans, including newer and healthier restaurant concepts.

**AGCO** is a leading manufacturer of agricultural equipment, which has been affected by cyclical headwinds. We believe its valuation appears attractive, especially relative to more normalized earnings.

The largest positions sold during the quarter included the following:

**Intra-Cellular Therapies** was sold pending acquisition by Johnson & Johnson (not a fund holding).

**Summit Materials** was acquired by Quikrete (not a fund holding). We redirected the capital to a new position in **Knife River**.

**Civitas Resources** was sold due to disappointing results and recent developments that reduced our confidence, including management and strategy changes.

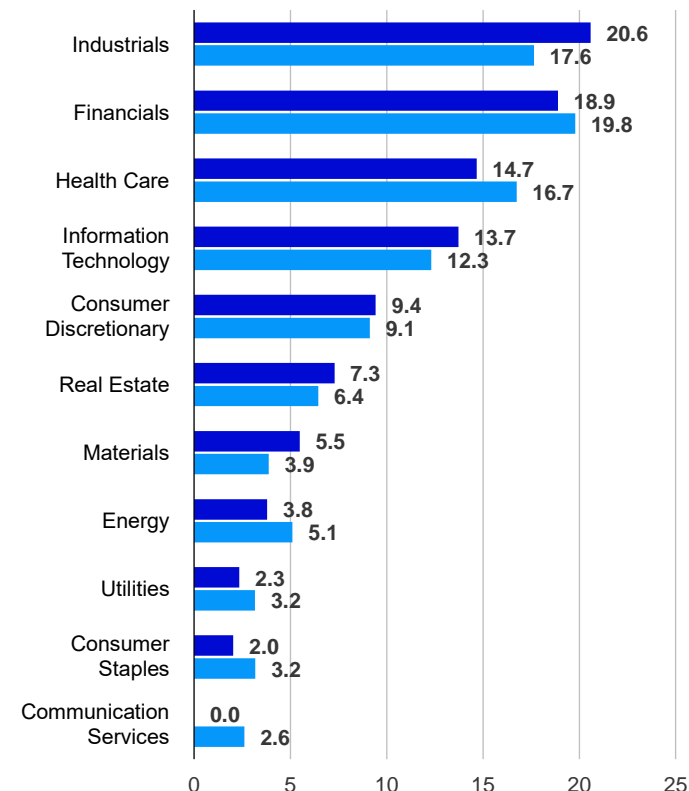
**Paycor HCM** was sold following an agreement to be acquired by Paychex (not a fund holding).

**CNX Resources** was sold and funds redirected to positions where we have higher conviction, including a new position in **SM Energy**.

**Dutch Brothers Coffee** was sold due to a high market cap and funds were used to purchase **Cheesecake Factory**.

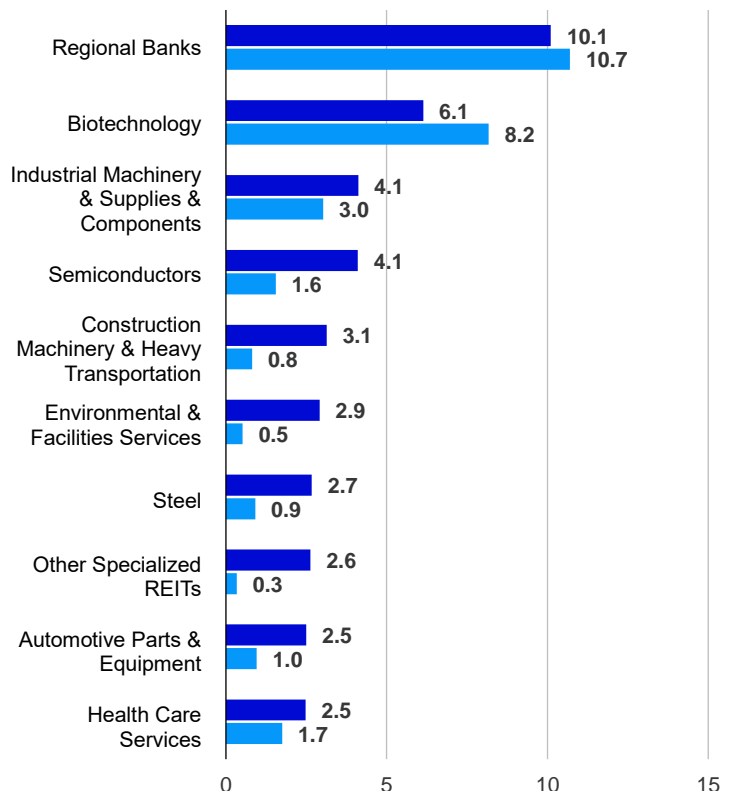
## Sector breakdown (% of total net assets)

■ Fund ■ Russell 2000 Index (USD)



## Top industries (% of total net assets)

■ Fund ■ Russell 2000 Index (USD)



## Top contributors (%)

Issuer	Return	Total effect
Intra-Cellular Therapies, Inc.	53.98	0.45
ADMA Biologics, Inc.	15.69	0.39
Guardant Health, Inc.	39.44	0.34
Dutch Bros Inc.	31.29	0.30
Stride, Inc.	21.72	0.30

## Top detractors (%)

Issuer	Return	Total effect
Steven Madden, Ltd.	-36.88	-0.27
Corcept Therapeutics Incorporated	0.00	-0.22
MACOM Technology Solutions Holdings, Inc.	-22.73	-0.20
Informatica Inc.	-32.70	-0.20
Atkore Inc.	-25.97	-0.15

## Performance highlights

The fund's Class A shares at net asset value (NAV) returned -5.97% for the quarter, outperforming the Russell 2000 Index, which returned -9.48%. The fund's outperformance was primarily driven by strong stock selection, including in the health care, consumer discretionary and industrials sectors. Weaker stock selection in the energy sector, along with an underweight in consumer staples, partially offset these results.

### Contributors to performance

**Intra-Cellular Therapies** develops treatments for psychiatric and neurological diseases. Its stock rose in January after the company announced it had agreed to be acquired by Johnson & Johnson at a meaningful premium.

**ADMA Biologics** is a biopharmaceutical company that has seen strong revenue growth driven by sales in flagship products that help support immunocompromised patients. The company has continued to expand manufacturing capacity while delivering improved operating results.

**Guardant Health** outperformed due to improved earnings prospects for its products. Its colorectal cancer surveillance test is in our

view poised for growth after receiving approval for Medicare reimbursement. Also, a separate blood-based colorectal test was approved for higher reimbursement rates.

### Detractors from performance

**Steve Madden** underperformed as the company reported mixed results and management provided disappointing forward guidance. Signs of slowing US consumer discretionary spending appeared to weigh on the stock, as did the prospect of increased tariffs given the company imports many of its products from China.

**MACOM Technology Solutions** reported solid quarterly results; however, weakness in some of its high margin products led to unexpected gross margin compression. The stock was also negatively affected by the market selloff in artificial intelligence (AI)-related stocks following the release of the DeepSeek AI model.

**Informatica** is a leading provider of data integration and management solutions. The stock fell along with the broader software sector and the company reported disappointing earnings that reflected lower-than-expected renewal rates due to self-described short-term execution challenges.

## Standardized performance (%) as of March 31, 2025

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
Class A shares inception: 05/17/13	NAV	-5.97	-5.97	-1.00	3.45	16.99	7.59	8.94
	Max. Load 5.5%	-11.16	-11.16	-6.44	1.53	15.68	6.98	8.42
Class R6 shares inception: 05/17/13	NAV	-5.91	-5.91	-0.62	3.84	17.44	8.03	9.38
Class Y shares inception: 05/17/13	NAV	-5.93	-5.93	-0.74	3.70	17.30	7.89	9.25
Russell 2000 Index (USD)		-9.48	-9.48	-4.01	0.52	13.27	6.30	-
Total return ranking vs. Morningstar Small Blend category (Class A shares at NAV)		-	-	20% (128 of 613)	27% (156 of 583)	25% (123 of 561)	21% (87 of 401)	-

Expense ratios per the current prospectus: Class A: Net: 1.08%, Total: 1.08%; Class R6: Net: 0.71%, Total: 0.71%; Class Y: Net: 0.83%, Total: 0.83%.

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 (%)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Class A shares at NAV	-6.14	17.76	13.47	-10.73	25.73	19.82	21.73	-16.09	17.54	12.43
Class R6 shares at NAV	-5.65	18.19	14.06	-10.39	26.22	20.31	22.23	-15.75	17.94	12.88
Class Y shares at NAV	-5.81	18.07	13.89	-10.44	26.00	20.13	22.03	-15.87	17.82	12.75
Russell 2000 Index (USD)	-4.41	21.31	14.65	-11.01	25.52	19.96	14.82	-20.44	16.93	11.54

### Portfolio characteristics\*

	Fund	Index
No. of holdings	96	1,953
Top 10 issuers (% of AUM)	17.47	4.15
Wtd. avg. mkt. cap (\$M)	4,710	3,439
Price/earnings	16.62	16.64
Price to book	1.95	1.81
Est. 3 – 5 year EPS growth (%)	10.13	12.29
ROE (%)	12.90	5.63
Long-term debt to capital (%)	37.20	33.85
Operating margin (%)	16.02	13.26

### Risk statistics (5 year)\*

	Fund	Index
Alpha (%)	3.99	0.00
Beta	0.93	1.00
Sharpe ratio	0.68	0.47
Information ratio	0.76	0.00
Standard dev. (%)	21.29	22.44
Tracking error (%)	4.87	0.00
Up capture (%)	100.09	100.00
Down capture (%)	93.12	100.00
Max. drawdown (%)	23.48	26.83

## Quarterly performance attribution

### Sector performance analysis (%)

Sector	Allocation effect	Selection effect	Total effect
Communication Services	0.09	0.00	0.09
Consumer Discretionary	-0.03	0.99	0.96
Consumer Staples	-0.13	-0.04	-0.17
Energy	-0.01	-0.44	-0.45
Financials	-0.08	-0.07	-0.14
Health Care	0.00	1.79	1.80
Industrials	-0.05	0.62	0.56
Information Technology	-0.11	0.67	0.56
Materials	0.02	0.09	0.11
Other	0.00	0.00	0.00
Real Estate	0.13	0.19	0.32
Utilities	-0.11	0.00	-0.11
Cash	0.21	0.00	0.21
<b>Total</b>	<b>-0.06</b>	<b>3.79</b>	<b>3.73</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 03/31/25. 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.

Stocks of small-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.

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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.**