

Invesco Small Cap Value Fund

Q1 2023

Key takeaways

1 The fund slightly outperformed its benchmark

Good stock selection in industrials helped relative performance the most. Conversely, stock selection in financials and energy detracted the most from performance relative to the Russell 2000 Value Index.

2 Fund activity took advantage of higher market volatility

We took advantage of increased market volatility to add several new holdings to the fund, spanning various sectors. We sold a number of holdings across several sectors and used the proceeds to fund investments we believe have more potential upside.

3 Longer term higher inflation regime would likely benefit value over growth

We believe an environment of higher inflation and higher interest rates would provide a tailwind for value stocks over growth stocks for the medium to long term. Recession fears may continue to drive market volatility in the near term.

Investment objective

The fund seeks long-term growth of capital.

Fund facts

Fund AUM (\$M)	2,772.47
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Portfolio managers

Jonathan Edwards, Jonathan Mueller

Manager perspective and outlook

- We use an intrinsic value approach to select investments for the fund. The portfolio is not constructed based on a short-term macro-economic view. Instead, positioning is driven by bottom-up stock selection based on intrinsic value. We seek to create wealth by maintaining a long-term investment horizon and investing in companies that we believe are significantly undervalued on an absolute basis.
- Given our focus on intrinsic value and long-term investment horizon, the fund was positioned with more economically sensitive stocks than its peers at quarter end.
- Following the dramatic outperformance of large-cap over small-cap in recent years, we continue to see greater long-term upside to intrinsic value in many small-cap stocks compared to large-cap stocks. However, concerns about recession risk could prolong volatility and potentially cause near-term underperformance. We will seek to capitalize on any valuation dislocations that arise as a result.
- At quarter end, the difference between the market price and the estimated intrinsic value of the fund's holdings was very attractive, according to our estimation. Although there is no assurance that market value will ever reflect our estimate of the fund's intrinsic value, we believe the gap between price and estimated intrinsic value indicates above-average, long-term capital appreciation potential.

Top issuers

(% of total net assets)

	Fund	Index
Western Alliance Bancorp	2.63	0.00
Northern Oil and Gas Inc	2.51	0.03
Vertiv Holdings Co	2.48	0.00
Expedia Group Inc	2.35	0.00
Pinnacle Financial Partners Inc	2.22	0.00
KBR Inc	2.18	0.00
Kosmos Energy Ltd	2.13	0.00
MasTec Inc	2.09	0.00
Spectrum Brands Holdings Inc	2.05	0.00
Flex Ltd	2.02	0.00

As of 03/31/23. Holdings are subject to change and are not buy/sell recommendations.

Portfolio positioning

As investors' short-term fears increased during the quarter, we continued to identify attractive long-term upside to intrinsic value across a diverse set of industries. At quarter end, the fund remained overweight in more economically sensitive stocks than its benchmark and peers. However, we also continued to find attractive investment opportunities in some more defensive areas. The fund's overweight position in industrials remains well-diversified, as industrials is a diverse sector. The fund was significantly underweight in financials during the quarter. Several regional bank holdings suffered during the period and we added to select bank holdings in cases where we believe market prices overreacted.

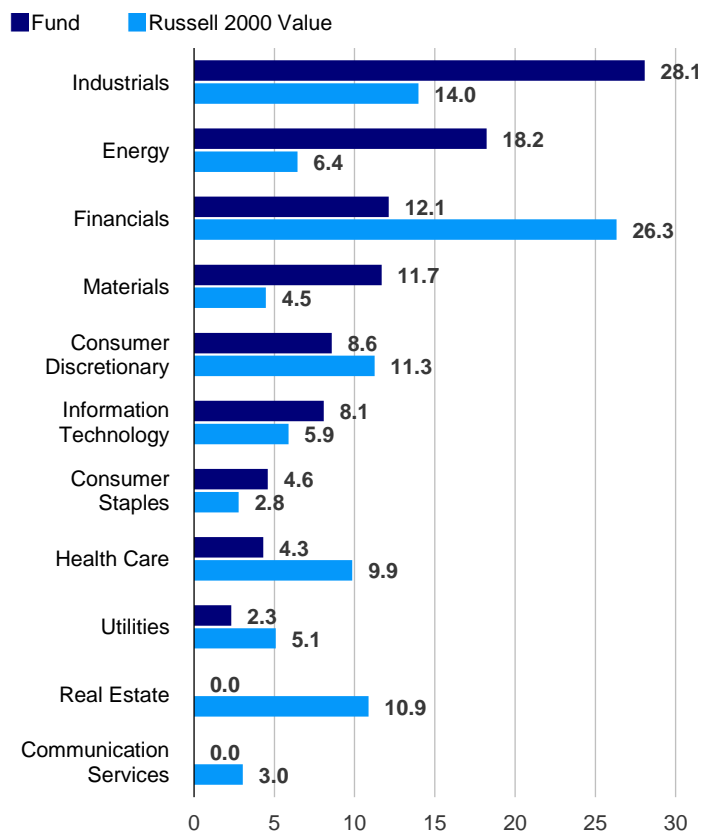
Notable New Additions

Expedia: We initiated a position in the world's second largest online travel agency based on its bookings. Investor concerns about possible near-term slowing in consumer spending and Expedia's recent lower revenue market share (which we believe is intentional as the company emphasizes return on invested capital/ROIC and profit growth) gave us an opportunity to buy shares at a significant discount to our estimate of long-term intrinsic value. **Performance Food:** This is the third largest food service distributor primarily serving US restaurants. Investor concerns regarding near-term consumer spending negatively affected the stock price and gave us the opportunity to buy shares below our estimate of intrinsic value. **Synovus Financial:** Shares of this regional bank operating in the Southeast US fell in March along with regional banks in general following the failure of Silicon Valley Bank and Signature Bank. We used the short-term price decline as an opportunity to invest in Synovus Financial at a significant discount to our estimate of the bank's intrinsic value. **Capstone Copper:** This mining company focuses on copper with operations in the US, Mexico and Canada and development projects in Chile. Investors' near-term concern about the pace of China's re-opening caused a pullback in copper prices and Capstone's stock price, giving us the opportunity to buy shares at a significant discount to our estimate of its long-term intrinsic value.

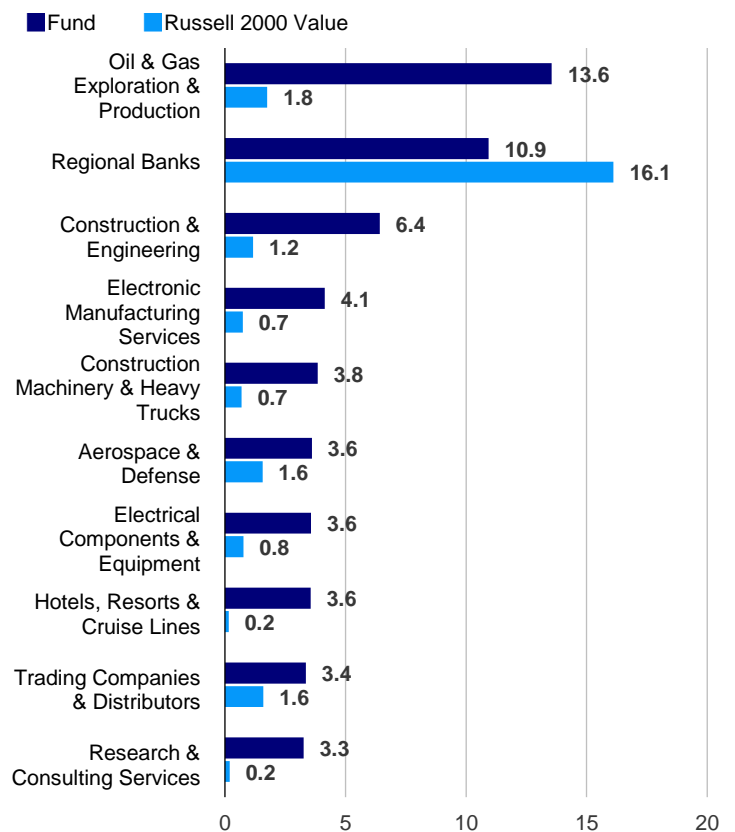
Notable Sales

Univar Solutions: We sold the fund's successful investment in this chemical company after it agreed to be acquired by one of Apollo's private equity funds. **Maxar Technologies:** We sold this geospatial intelligence and aerospace company after it agreed to be acquired by Advent International (not a fund holding) for a significant premium. **PacWest Bancorp:** After evaluating the fund's financial holdings due to the banking crisis in March, we sold the position in this California-based regional bank because it became less attractive from a risk/reward perspective. **Encompass Health:** We sold the position in this medical care facility company near the beginning of the quarter based on valuation as the company's solid financial outlook for 2023 drove the stock price higher.

Sector breakdown (% of total net assets)



Top industries (% of total net assets)



Top contributors (%)

Issuer	Return	Contrib. to return
HENSOLDT AG	52.93	0.64
Jabil Inc.	29.39	0.45
Kosmos Energy Ltd.	16.98	0.31
Orion Engineered Carbons S.A.	46.62	0.28
Manitowoc Company, Inc.	86.57	0.27

Top detractors (%)

Issuer	Return	Contrib. to return
SVB Financial Group	-100.00	-1.55
Western Alliance Bancorporation	-40.04	-0.61
Ovintiv Inc.	-28.37	-0.47
New Fortress Energy Inc.	-24.61	-0.43
Expedia Group, Inc.	-16.16	-0.41

Performance highlights

Sector performance within the fund was mixed during the quarter, with industrials and materials adding the most to relative return. Holdings within financials and energy detracted the most.

Contributors to performance:

Hensoldt: Shares of this aerospace and defense company rose during the quarter due to strong operational execution and an attractive financial outlook as European countries continued to increase military spending. We reduced the position in Hensoldt on this market price strength.

Jabil: Jabil is a US-based electronic components company. Shares rose after the company reported fiscal second quarter results, including increases in profits and revenue that were above analyst expectations. Management also provided a positive outlook for the full year.

Kosmos Energy: Shares of this oil & gas exploration & production company rose for much of the quarter after management reported solid financial results for the fourth quarter of 2022 and provided a positive update for a significant Liquefied Natural Gas or LNG project off the coast of West Africa.

Detractors from performance:

SVB Financial (SVB): We purchased SVB in

the fourth quarter of 2022 after suboptimal balance sheet management decisions negatively affected the bank's near-term financial outlook. At the time, we assessed that the bank's \$180 billion in available liquidity along with capital ratios that were above required regulatory levels would allow SVB to weather a period of below-average profitability. However, in early March, bank management sold a large block of investment securities at a loss to improve near-term profitability while simultaneously opting to raise equity capital. These inopportune decisions alarmed depositors, sparking a bank run of unprecedented speed, which caused the bank to fail.

Western Alliance Bancorp: Shares of this West Coast regional bank fell along with the industry in general during March. Western Alliance is well-capitalized and profitable. As of quarter end, 68% of its deposits were insured and the bank's immediately available liquidity covered its uninsured deposits by 140%.

Ovintiv: Ovintiv is an independent oil and gas producer with key assets in the Permian, Eagle Ford, Montney and Duvernay areas. Shares of the company fell following a weaker-than-expected near-term financial outlook and weak near-term natural gas prices due to unseasonably warm winter weather.

Standardized performance (%) as of March 31, 2023

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 06/21/99	NAV	-0.29	-0.29	-4.41	41.61	9.78	10.22	10.59
	Max. Load 5.5%	-5.77	-5.77	-9.66	38.98	8.55	9.60	10.33
Class R6 shares inception: 02/07/17	NAV	-0.16	-0.16	-4.01	42.17	10.23	10.49	-
Class Y shares inception: 08/12/05	NAV	-0.21	-0.21	-4.16	41.96	10.07	10.49	10.22
Russell 2000 Value		-0.66	-0.66	-12.96	21.01	4.55	7.22	-
Total return ranking vs. Morningstar Small Value category (Class A shares at NAV)				28% (106 of 481)	1% (4 of 452)	5% (12 of 429)	4% (11 of 322)	-

Calendar year total returns (%)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Class A shares at NAV	44.26	7.14	-8.83	18.27	18.28	-25.29	32.05	10.81	36.51	4.32
Class R6 shares at NAV	44.26	7.14	-8.83	-	18.68	-24.97	32.55	11.31	37.00	4.71
Class Y shares at NAV	44.55	7.43	-8.64	18.61	18.58	-25.11	32.35	11.15	36.83	4.58
Russell 2000 Value	34.52	4.22	-7.47	31.74	7.84	-12.86	22.39	4.63	28.27	-14.48

Expense ratios per the current prospectus: Class A: Net: 1.09%, Total: 1.09%; Class R6: Net: 0.70%, Total: 0.70%; Class Y: Net: 0.84%, Total: 0.84%.

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. Performance shown prior to the inception date of Class R6 shares is that of Class A shares and includes the 12b-1 fees applicable to Class A shares. 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.

Portfolio characteristics*

	Fund	Index
No. of holdings	96	1,363
Top 10 issuers (% of AUM)	22.66	4.94
Wtd. avg. mkt. cap (\$M)	5,655	2,361
Price/earnings	9.54	10.71
Price to book	1.70	1.27
Est. 3 – 5 year EPS growth (%)	13.24	7.88
ROE (%)	13.19	5.76
Long-term debt to capital (%)	44.46	33.22
Operating margin (%)	18.60	18.11

Risk statistics (5 year)*

	Fund	Index
Alpha (%)	5.70	0.00
Beta	1.22	1.00
Sharpe ratio	0.27	0.13
Information ratio	0.50	0.00
Standard dev. (%)	31.45	24.70
Tracking error (%)	10.40	0.00
Up capture (%)	167.69	100.00
Down capture (%)	104.89	100.00
Max. drawdown (%)	45.96	37.54

Quarterly performance attribution**Sector performance analysis (%)**

Sector	Allocation effect	Selection effect	Total effect
Communication Services	-0.06	0.00	-0.06
Consumer Discretionary	-0.26	-0.68	-0.93
Consumer Staples	0.04	0.30	0.34
Currency Forward	-0.04	0.00	-0.04
Energy	0.12	-1.50	-1.38
Financials	1.89	-2.80	-0.91
Health Care	0.34	0.23	0.57
Industrials	1.28	0.85	2.14
Information Technology	0.14	0.13	0.28
Materials	0.49	0.31	0.80
Real Estate	-0.14	0.00	-0.14
Utilities	0.04	0.06	0.10
Cash	-0.22	0.00	-0.22
Total	3.61	-3.08	0.53

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 03/31/23. Unless stated otherwise, Index refers to Russell 2000 Value.

The Russell 2000® Value Index is an unmanaged index considered representative of small-cap value stocks. The Russell 2000 Value 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

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 risks of investing in securities of foreign issuers, including emerging markets, 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.

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.

A value style of investing is subject to the risk that the valuations never improve or that the returns will trail other styles of investing or the overall stock markets.

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.

Diversification does not guarantee a profit or eliminate the risk of loss.

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. **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. **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. **Information Ratio** is a measurement of portfolio returns beyond the returns of a benchmark, usually an index, compared to the volatility of those 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. **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.