

Invesco Small Cap Value Fund

Q1 2025

Key takeaways

- 1 The fund outperformed its benchmark**

Stock selection in industrials and energy drove outperformance in the first quarter. Stock selection and an overweight in materials also aided relative performance.
- 2 We capitalized on heightened market volatility to find new opportunities**

We took advantage of market volatility during the quarter to purchase several new fund holdings across various sectors. Conversely, we eliminated several holdings and used the proceeds to fund investments we believe have more upside potential.
- 3 Longer term, small-cap value stocks appear attractive relative to S&P 500 stocks**

The price/earnings (P/E) multiple of the Russell 2000 Value Index is at a large historical discount compared to the P/E of the S&P 500 Index. We believe this valuation represents a compelling long-term investment opportunity (Source: FactSet Research Systems, Inc.).

Investment objective

The fund seeks long-term growth of capital.

Fund facts

Fund AUM (\$M)	6,228.77
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Portfolio managers

Jonathan Edwards, Jonathan Mueller

Manager perspective and outlook

- In managing the fund, we employ an intrinsic value approach to select holdings. It should be noted that the portfolio is not constructed based on a short-term macroeconomic view. Instead, positioning is driven by a bottom-up stock selection process based on our estimate of intrinsic value.
- We seek to create wealth by maintaining a long-term investment horizon and by investing in companies that we believe are significantly undervalued on an absolute basis.
- Given our focus on intrinsic value and our long-term investment horizon, at quarter end, the fund was positioned with greater exposure to economically sensitive stocks compared to its peers.
- Following the outperformance of large-cap stocks over small-cap stocks in recent years, we see greater long-term upside to intrinsic value in many small-caps compared to large-caps.
- At quarter end, the difference between the market prices of the fund's holdings and our estimates of their intrinsic value was attractive, in our view.
- 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 indicated attractive long-term capital appreciation potential.



Top issuers

(% of total net assets)

	Fund	Index
Western Alliance Bancorp	3.11	0.00
Globe Life Inc	2.66	0.00
NRG Energy Inc	2.28	0.00
East West Bancorp Inc	2.12	0.00
Coherent Corp	2.12	0.00
Lumentum Holdings Inc	2.08	0.00
Rambus Inc	2.04	0.00
Quide!Ortho Corp	2.00	0.00
Webster Financial Corp	1.99	0.00
ICON PLC	1.95	0.00

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

Portfolio positioning

During the quarter, tariff policy and recession appeared to raise investors' short-term fears, allowing us to identify stocks with attractive long-term upside to intrinsic value across a diverse set of industries. At quarter end, the fund had overweights in more economically sensitive stocks than its benchmark and peers.

Notable Additions:

Match: This digital technology company operates a portfolio of dating applications to help users connect, including Tinder, Hinge, Match and OKCupid. Our analysis suggests business has stabilized following a decline in paid users across its apps, and Match will be returning a significant portion of free cash flow back to shareholders. We purchased the stock at a discount to our estimate of the company's intrinsic value.

Vishay Intertechnology: This manufacturer of discrete semiconductors and passive electronic components faced headwinds as slowing in its industrial and auto end markets appeared to weigh on profit margins. Weakness gave us an opportunity to purchase the company at a discount to its intrinsic value.

Crown Holdings: One of the world's largest producers of aluminum beverage cans, the company has been facing higher raw material costs due to steel and aluminum tariffs, which we believe it will be able to pass through to customers. The near-term impact of this issue created a disconnect between market price and our estimate of intrinsic value.

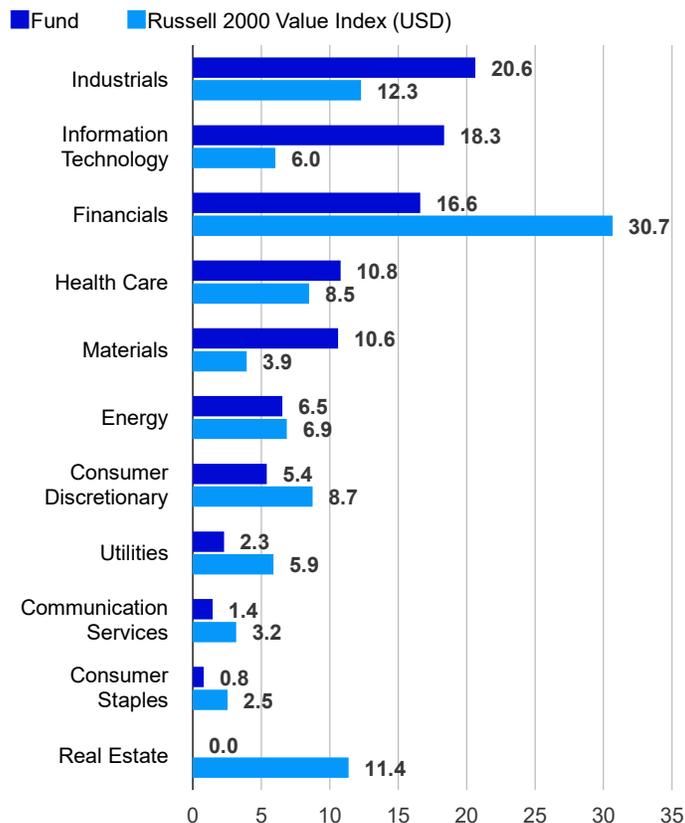
Notable Sales:

Leonardo: The company is one of Europe's largest defense firms and in our view a strong free cash flow generator. A new CEO and board have achieved meaningful operational and ROIC (return on invested capital) improvements. We sold after the stock rose on news the European Union would boost defense spending. We believe higher share price reduced upside potential relative to our estimate of intrinsic value.

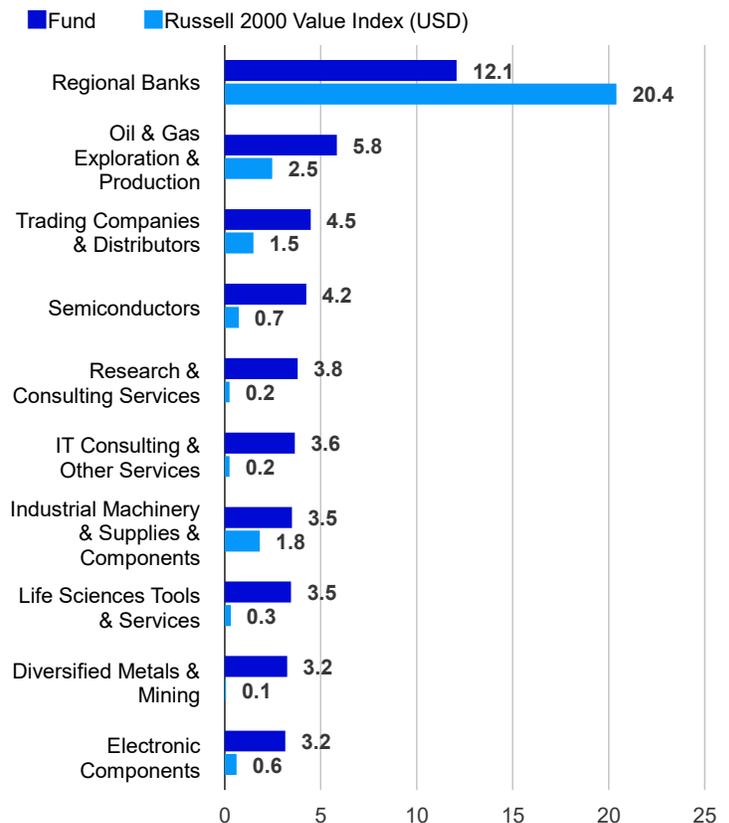
Vertiv: We purchased this manufacturer of electrical power, thermal management and other data center equipment several years ago. Shares performed well amid higher data center spending due to artificial intelligence (AI) investments. We sold the position to fund opportunities we believe have better upside potential relative to intrinsic value.

Intra-Cellular Therapies: This biopharmaceutical company discovers, develops and commercializes small molecule drugs for psychiatric and neurological disorders. In January, Johnson & Johnson (not a fund holding) made a bid to acquire it at a significant premium, sending shares higher. We sold the position after the announcement.

Sector breakdown (% of total net assets)



Top industries (% of total net assets)



Top contributors (%)

Issuer	Return	Contrib. to return
Leonardo SpA	74.89	0.92
Renk Group AG	94.43	0.53
HENSOLDT AG	87.85	0.45
Globe Life Inc.	18.37	0.35
Pan American Silver Corp.	28.29	0.27

Top detractors (%)

Issuer	Return	Contrib. to return
Coherent Corp.	-31.45	-0.82
Lumentum Holdings Inc.	-25.74	-0.58
EPAM Systems, Inc.	-27.79	-0.53
Endava plc	-36.86	-0.50
QuidelOrtho Corporation	-21.50	-0.49

Performance highlights

Sector performance within the fund was mixed. Only industrials, energy and materials posted positive returns. Stock selection in these sectors aided relative performance. Within industrials, a number of the fund's European defense holdings were notable contributors. Among the fund's sector results, information technology (IT) had the lowest absolute return, driven in part by a decline in AI-related stocks. Selection and an overweight in IT was the primary detractor from relative return as well.

Contributors to performance

Leonardo: The Italian aerospace and defense firm reported strong results for 2024 with double-digit increases in revenues and new orders. More broadly, Leonardo's share price also benefited from an outlook for higher defense spending by European nations.

Renk: Based in Germany, the company specializes in high-efficiency propulsion and drivetrain technology for defense, energy and industrial sectors. Renk's share price also benefited from expectations for higher defense spending in Europe.

Hensoldt: Also based in Germany, Hensoldt is a global leader in sensor solutions for defense and security applications. Stronger investor demand for stocks of European

defense contractors pushed the price higher in the first quarter.

Detractors from performance

Coherent: This laser company develops and manufactures optoelectronic components and devices. Its optical transceivers are key enablers for networking of AI servers. The stock declined following news about DeepSeek, a lower cost AI model out of China. Awareness of DeepSeek triggered a broader sell-off of AI-related stocks as investors appeared to worry that companies might not need to invest as heavily in AI model development. We believe investors are overestimating the long-term negative effect of DeepSeek.

Lumentum: Shares of this market-leading designer and manufacturer of innovative optical and photonic products for the communications and electronics end markets also suffered amid the broader decline in AI-related stocks amid apparent fear of DeepSeek's potential disruption.

EPAM Systems: This global company that specializes in software engineering services, digital platform engineering and digital product design offers a full spectrum of AI services, from strategy and consulting to implementation and maintenance. The stock declined as the company's guidance indicated slower revenue growth in 2025.

Standardized performance (%) as of March 31, 2025

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
Class A shares inception: 06/21/99	NAV	-5.91	-5.91	4.55	11.35	32.61	10.54	11.30
	Max. Load 5.5%	-11.09	-11.09	-1.18	9.27	31.13	9.92	11.06
Class R6 shares inception: 02/07/17	NAV	-5.85	-5.85	4.95	11.78	33.13	10.89	-
Class Y shares inception: 08/12/05	NAV	-5.84	-5.84	4.82	11.62	32.93	10.81	11.23
Russell 2000 Value Index (USD)		-7.74	-7.74	-3.12	0.05	15.31	6.07	-
Total return ranking vs. Morningstar Small Value category (Class A shares at NAV)		-	-	4% (11 of 496)	1% (3 of 475)	1% (3 of 449)	1% (3 of 361)	-

Expense ratios per the current prospectus: Class A: Net: 1.12%, Total: 1.12%; Class R6: Net: 0.72%, Total: 0.72%; Class Y: Net: 0.87%, Total: 0.87%.

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.

Performance highlights (cont'd)

Calendar year total returns (%)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Class A shares at NAV	-8.83	18.27	18.28	-25.29	32.05	10.81	36.51	4.32	22.91	24.53
Class R6 shares at NAV	-8.83	-	18.68	-24.97	32.55	11.31	37.00	4.71	23.46	25.00
Class Y shares at NAV	-8.64	18.61	18.58	-25.11	32.35	11.15	36.83	4.58	23.21	24.81
Russell 2000 Value Index (USD)	-7.47	31.74	7.84	-12.86	22.39	4.63	28.27	-14.48	14.65	8.05

Portfolio characteristics*

	Fund	Index
No. of holdings	114	1,427
Top 10 issuers (% of AUM)	22.49	5.44
Wtd. avg. mkt. cap (\$M)	7,706	2,758
Price/earnings	16.50	14.04
Price to book	1.71	1.21
Est. 3 – 5 year EPS growth (%)	14.41	10.00
ROE (%)	6.37	4.92
Long-term debt to capital (%)	37.98	32.69
Operating margin (%)	12.64	16.58

Risk statistics (5 year)*

	Fund	Index
Alpha (%)	15.57	0.00
Beta	1.00	1.00
Sharpe ratio	1.24	0.56
Information ratio	1.91	0.00
Standard dev. (%)	24.24	22.49
Tracking error (%)	9.05	0.00
Up capture (%)	162.91	100.00
Down capture (%)	87.86	100.00
Max. drawdown (%)	20.02	21.12

Quarterly performance attribution

Sector performance analysis (%)

Sector	Allocation effect	Selection effect	Total effect
Communication Services	0.07	-0.01	0.06
Consumer Discretionary	0.16	0.19	0.36
Consumer Staples	-0.11	-0.15	-0.26
Energy	0.09	0.92	1.02
Financials	-0.60	0.01	-0.59
Health Care	-0.13	0.50	0.37
Industrials	-0.28	2.69	2.41
Information Technology	-1.06	-0.96	-2.02
Materials	0.08	1.19	1.27
Real Estate	-0.43	0.00	-0.43
Utilities	-0.41	-0.02	-0.43
Cash	0.43	0.00	0.43
Total	-2.19	4.36	2.17

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 Value Index (USD).

Asset allocation/diversification does not guarantee a profit or eliminate the risk of loss.

The fund has limited public sales of its shares to certain investors. For more information on who may continue to invest in the fund, please see the prospectus.

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. Developing markets may especially be volatile.

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. Real estate companies, including REITs or similar structures, tend to be small and mid-cap companies and their shares may be more volatile and less liquid.

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.

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.