

Invesco Small Cap Growth Fund

Q2 2024

Key takeaways

1 The fund outperformed its benchmark.
The fund held up better than its benchmark as both declined for the quarter. Stock selection in health care, consumer discretionary, technology and financials contributed to the fund's outperformance of its index. Selection in industrials and consumer staples detracted.

2 Small cap stocks underperformed large-cap stocks.
The US small-cap universe declined in the second quarter, trailing US large-cap as investors appeared to consider the potential negative effects if interest rates stay higher for longer.

3 We remain cautious with a balance of defensive stable growth and offensive cyclical growth.
While the market seems in our view ready for a shift to lower interest rates, we remain cautious and continue to monitor the weight of the evidence for possible changes in interest rates and the economy.

Investment objective

The fund seeks long-term growth of capital.

Fund facts

Fund AUM (\$M) 2,003.71

Portfolio managers

Juan Hartsfield, Clay Manley, Justin Sander

Manager perspective and outlook

- Large-cap US equities advanced during the second quarter as investors appeared to continue to process the possibility of a Fed pivot to easier monetary policy in 2024 and a select group of mega-cap technology stocks rallied on headlines about artificial intelligence.
- The US small-cap universe declined during the second quarter, trailing US large-caps, as investors appeared to consider the potential negative effects if the Fed keeps interest rates higher for a longer period.
- Since 2022, interest rate increases have slowed the US economy and dampened inflation, although the US labor market has remained healthy.
- While markets seem in our view ready for a shift to lower interest rates, we remain cautious and continue to monitor data in order to weigh the evidence for or against changes in interest rates and the economy.
- We scaled back some defensive positioning and introduced more cyclicity to the fund. However, we are aware of potential risks, so we seek to maintain balanced positioning.
- We see artificial intelligence as a significant technology trend with wide-ranging implications for technology investment, employment and productivity enhancements moving forward.



Top issuers

(% of total net assets)

	Fund	Index
Natera Inc	1.69	0.00
Glaukos Corp	1.69	0.44
Onto Innovation Inc	1.55	0.71
Wingstop Inc	1.52	0.00
TransMedics Group Inc	1.38	0.37
Tenet Healthcare Corp	1.36	0.00
Guidewire Software Inc	1.35	0.00
Clean Harbors Inc	1.35	0.00
TMX Group Ltd	1.31	0.00
Element Solutions Inc	1.24	0.00

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

Portfolio positioning

At the end of the second quarter, the fund's largest absolute weights were in the health care, technology, industrials and consumer discretionary sectors. Relative to the Russell 2000 Growth Index, the fund was overweight in consumer discretionary and health care and underweight in communication services, technology and utilities. During the quarter, we added to the fund's positions in health care and materials and reduced exposure in the technology, industrials and consumer discretionary sectors. In technology, we added Rambus, Impinj, SiTime, Nova and Itron and sold DoubleVerify, Manhattan Associates, Blackline, Freshworks, Lattice Semiconductor, Credo Technology, Gitlab and Globant. In health care, we added Vericel, ADMA Biologics, Integer, Inspire Medical Systems, Encompass Health and BioLife Solutions and sold Cytokinetics, Shockwave Medical and Acadia Healthcare. In industrials, we added FTAI Aviation. In consumer discretionary, we added SharkNinja and sold On Holding. In consumer staples, we sold Grocery Outlet. In energy, we sold ChampionX. In materials, we added ATI.

Second quarter additions to the fund:

Rambus makes memory semiconductor chips.

Impinj makes radio-frequency identification (RFID) devices and software.

SiTime makes miniaturized electro-mechanical circuitry and systems for advanced precision timing devices.

Nova makes dimensional, material and chemical metrology solutions for semiconductor manufacturing.

Itron provides systems for utilities and municipalities to manage energy, water and infrastructure.

Vericel makes a biological human cellular product used in orthopedic surgical treatments.

ADMA Biologics makes immuno-technology plasma-derived therapeutics to treat infectious diseases and manage immunocompromised patients.

Integer provides outsource manufacturing to medical device equipment manufacturers.

Inspire Medical Systems provides implanted devices used to treat obstructive sleep apnea.

Encompass Health operates rehabilitation hospitals.

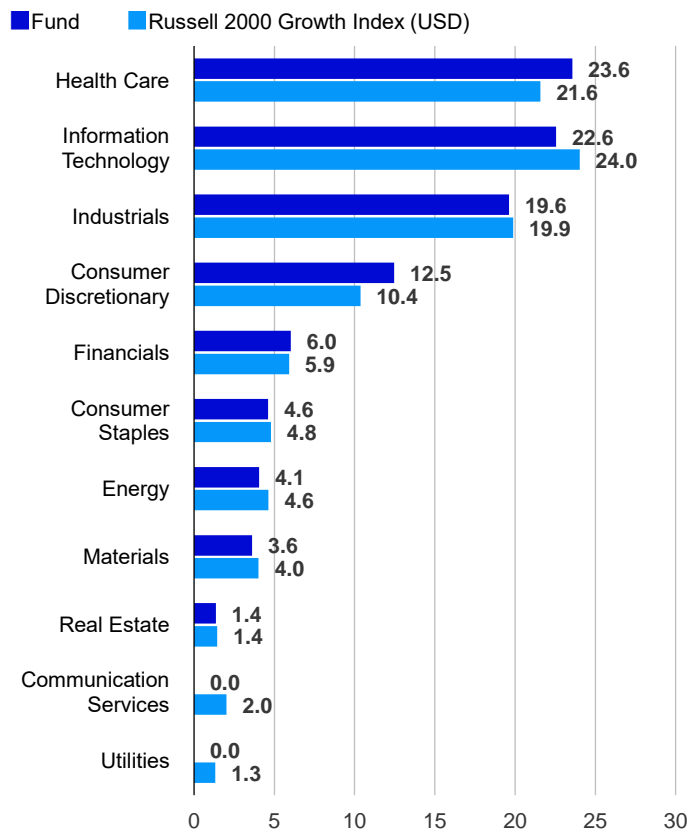
BioLife Solutions provides cryogenic cell processing consumables and storage services.

FTAI Aviation provides aircraft leasing, aircraft engine leasing and engine repair parts and services.

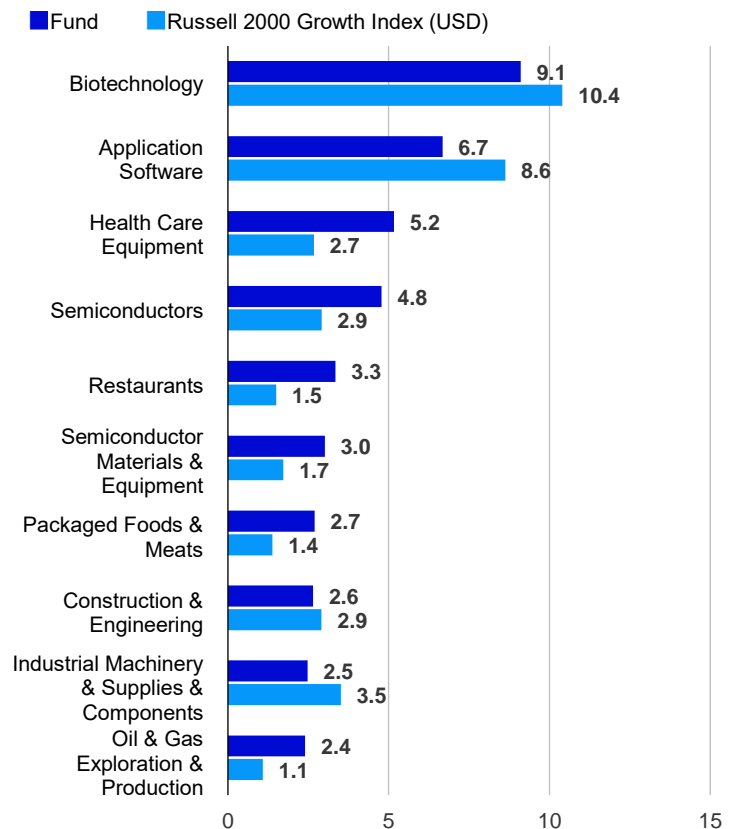
SharkNinja makes Shark and Ninja brand household products, including vacuums, steam mops, hair dryers, countertop appliances and more.

ATI makes high-performance metals, alloys and components for aerospace, defense, energy, auto, electronics, medical and mining.

Sector breakdown (% of total net assets)



Top industries (% of total net assets)



Top contributors (%)

Issuer	Return	Contrib. to return
TransMedics Group, Inc.	103.71	0.71
Twist Bioscience Corporation	43.63	0.39
Glaukos Corporation	25.52	0.35
Tenet Healthcare Corporation	26.56	0.29
Natera, Inc.	18.40	0.28

Top detractors (%)

Issuer	Return	Contrib. to return
DoubleVerify Holdings, Inc.	-45.14	-0.41
Inspire Medical Systems, Inc.	-44.29	-0.37
Kinsale Capital Group, Inc.	-26.55	-0.32
Repligen Corporation	-31.46	-0.30
SiteOne Landscape Supply, Inc.	-30.44	-0.27

Performance highlights

The fund outperformed its benchmark during the second quarter. Though both the fund and index declined, the fund held up better. Stock selection in the health care, consumer discretionary, technology and financials sectors contributed to the fund's outperformance of the index. Stock selection in industrials and consumer staples detracted.

Contributors to performance:

TransMedics provides technology and services to transport organs in a warm living state for transplant surgery. The company has expanded its aircraft fleet with the goal of capacity, volume and margins.

Twist Bioscience makes synthetic DNA used in biopharma research and development. The company reported better-than-expected revenue and raised guidance while continuing to build manufacturing capacity with the goal of meeting growing demand.

Glaukos makes treatments and diagnostics for glaucoma and other eye disorders. The company reported better-than-expected revenue and raised guidance due to momentum in its treatment for intraocular pressure.

Tenet Healthcare operates hospitals, imaging centers, ambulatory surgery centers and other health facilities. The company has benefited from improving hospital utilization trends, a favorable shift in its procedure mix, and use of proceeds from hospital sales to reduce its debt.

Natera makes genetic diagnostics and monitoring tests for oncology, organ health and pre-natal testing. The company has

benefited from momentum in its cancer diagnostic business and effective execution in its pre-natal testing business.

Detractors from performance:

DoubleVerify provides systems to monitor and analyze the effectiveness of digital advertising and ecommerce. The company has experienced headwinds from lower advertisement spending by several major customers.

Inspire Medical Systems provides implanted devices to treat obstructive sleep apnea. Despite reporting double-digit sales growth, the stock declined on lower-than-expected US sales. The deceleration in sales growth and competitive threat from GLP-1 obesity drugs appear to have weakened investor sentiment. We have observed evidence that mitigates the competitive threat.

Kinsale Capital is a property and casualty insurer specializing in excess and surplus lines of insurance. The stock declined on a deceleration in revenue growth due to difficult year-over-year comparisons.

Repligen provides instruments, software, consumables and services used in bioprocessing and biopharma research and development. The stock declined during the quarter due to the longtime CEO's transition to Executive Chairman and a continued slow recovery in its bioprocessing end market.

SiteOne Landscape Supply distributes landscape supplies for residential and commercial landscape professionals. The stock declined during the quarter on falling commodity prices and slower end market demand across product categories and geographies.

Standardized performance (%) as of June 30, 2024

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 10/18/95	NAV	-2.14	7.86	10.42	-8.29	6.41	7.67	9.91
	Max. Load 5.5%	-7.51	1.93	4.33	-10.01	5.22	7.06	9.70
Class R6 shares inception: 09/24/12	NAV	-2.06	8.08	10.86	-7.91	6.87	8.16	10.66
Class Y shares inception: 10/03/08	NAV	-2.07	8.01	10.69	-8.06	6.68	7.94	10.96
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)		-	-	37% (211 of 578)	78% (422 of 550)	64% (298 of 519)	65% (258 of 403)	-

Expense ratios per the current prospectus: Class A: Net: 1.17%, Total: 1.17%; Class R6: Net: 0.75%, Total: 0.75%; Class Y: Net: 0.92%, Total: 0.92%.

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. 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	7.67	-1.84	11.30	24.91	-9.01	24.28	57.00	7.33	-35.60	12.66
Class R6 shares at NAV	8.21	-1.38	11.85	25.49	-8.58	24.86	57.70	7.80	-35.35	13.17
Class Y shares at NAV	7.95	-1.59	11.56	25.25	-8.80	24.59	57.38	7.61	-35.44	12.93
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	121	1,054
Top 10 issuers (% of AUM)	14.44	10.86
Wtd. avg. mkt. cap (\$M)	7,158	5,949
Price/earnings	25.10	22.71
Price to book	4.00	4.01
Est. 3 – 5 year EPS growth (%)	14.91	18.18
ROE (%)	7.04	8.01
Long-term debt to capital (%)	36.13	35.87
Operating margin (%)	9.86	9.47

Risk statistics (5 year)*

	Fund	Index
Alpha (%)	0.43	0.00
Beta	0.98	1.00
Sharpe ratio	0.17	0.17
Information ratio	0.04	0.00
Standard dev. (%)	24.27	23.97
Tracking error (%)	6.27	0.00
Up capture (%)	96.31	100.00
Down capture (%)	98.67	100.00
Max. drawdown (%)	43.28	33.43

Quarterly performance attribution

Sector performance analysis (%)

Sector	Allocation effect	Selection effect	Total effect
Communication Services	-0.10	0.00	-0.10
Consumer Discretionary	-0.05	0.43	0.39
Consumer Staples	-0.01	-0.26	-0.27
Energy	0.03	0.03	0.06
Financials	0.03	0.23	0.26
Health Care	0.06	1.23	1.29
Industrials	0.03	-0.82	-0.79
Information Technology	-0.02	0.36	0.34
Materials	-0.01	-0.03	-0.04
Real Estate	0.01	-0.01	0.01
Utilities	-0.06	0.00	-0.06
Cash	-0.02	0.00	-0.02
Total	-0.11	1.18	1.07

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).

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

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.

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.

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.