

Invesco Small Cap Growth Fund

Q4 2023

Key takeaways

1 Investment philosophy
Invesco Small Cap Growth seeks to create wealth by investing in companies generating sustainable, above-average earnings and cash flow growth that is not fully reflected in investor expectations or equity valuations.

2 Process highlights
Rigorous fundamental research and thematic analysis drive bottom-up stock selection. Disciplined portfolio construction acts as risk control and ensures alignment with small-cap market sectors with modest over/underweights. The fund has a long-term investment horizon with relatively low turnover.

3 Potential benefits
The investment team's unique approach to the small-cap arena sets the fund apart from peers through proprietary financial modeling and a disciplined, risk-controlled portfolio construction process.

Investment objective

The fund seeks long-term growth of capital.

Fund facts

Fund AUM (\$M)	2,118.71
----------------	----------

Portfolio managers

Juan Hartsfield, Clay Manley,
Justin Sander

Manager perspective and outlook

- US equities posted strong gains in the fourth quarter as investors appeared to anticipate a possible end to Federal Reserve (Fed) interest rate hikes.
- Inflation slowed during the quarter as indicated by the Consumer Price Index (CPI) 12-month headline inflation rate, which fell from 3.7% in September to 3.1% in November, below its 2022 peak.
- Robust consumer spending contributed to a higher-than-expected estimate for third quarter GDP growth, according to a release by the Bureau of Economic Analysis.
- The Fed kept the federal funds rate steady at its December meeting and signaled three rate cuts for 2024.
- Chairman Powell noted that "our policy rate is likely at or near its peak for this tightening cycle," prompting a decline in the 10-year US Treasury yield. Stocks also rallied on Powell's remarks.
- Rate increases have slowed the economy and dampened inflation, although the labor market have remained healthy.
- Elevated consumer savings and a strong job market have supported consumption despite higher interest rates and a decelerating economy.
- In our view, forecasting a recession is difficult as labor market resilience and excess savings have been offsetting negative macroeconomic data.
- The recent rally in low quality stocks signals to us that the market thinks the Fed has achieved a soft landing, has finished raising interest rates, and is ready to pivot to easing. However, we remain cautious.



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

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
Natera Inc	1.67	0.00
Altair Engineering Inc	1.48	0.37
Guidewire Software Inc	1.48	0.00
Saia Inc	1.35	0.00
Repligen Corp	1.33	0.00
AZEK Co Inc/The	1.28	0.00
EastGroup Properties Inc	1.26	0.00
Wingstop Inc	1.24	0.00
TMX Group Ltd	1.20	0.00
Glaukos Corp	1.20	0.31

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

Portfolio positioning

Relative to its benchmark, the fund is biased toward higher quality and larger market-cap stocks. Underweights include REITs, where we see lack of growth opportunities, and pharma/biotechnology, where we seek to manage the risk of binary events, i.e., developments that cause extreme gains or losses. Positioning changes result from bottom-up stock selection, while disciplined portfolio construction acts as a risk control and ensures alignment with small-cap sector exposure with modest over- and underweights. We scaled back some defensive positioning and introduced more cyclicality, but 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.

New Positions

Synaptics is a California-based manufacturer of chips for mobile devices and other consumer products. We added it to the fund as a potential beneficiary of the generative AI revolution expected in mobile devices and continuing growth of the Internet-of-Things (IoT).

Myr is an engineering and construction company we expect to benefit from growing demand for its electrical transmission and distribution segment amid electrification of cars, expansion of renewable power sources and reinforcement of the US power grid.

Bio-Techne is a life sciences tools company with a leading position in key consumable-based categories, but most importantly proteins used for drug discovery. We view the consumable end market for drug discovery as one of the best in health care, which has historically allowed Bio-Techne to enjoy solid growth and margins.

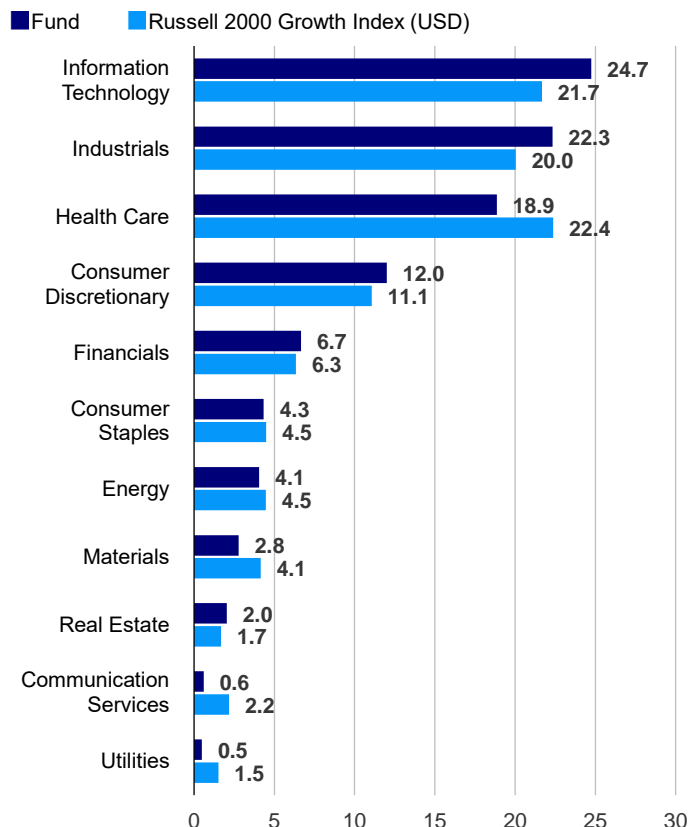
Notable sales

Morningstar was sold during the quarter to reallocate capital into more cyclical financial stocks. Morningstar's valuation had recovered to historical highs during the quarter and many of our anticipated catalysts had been realized.

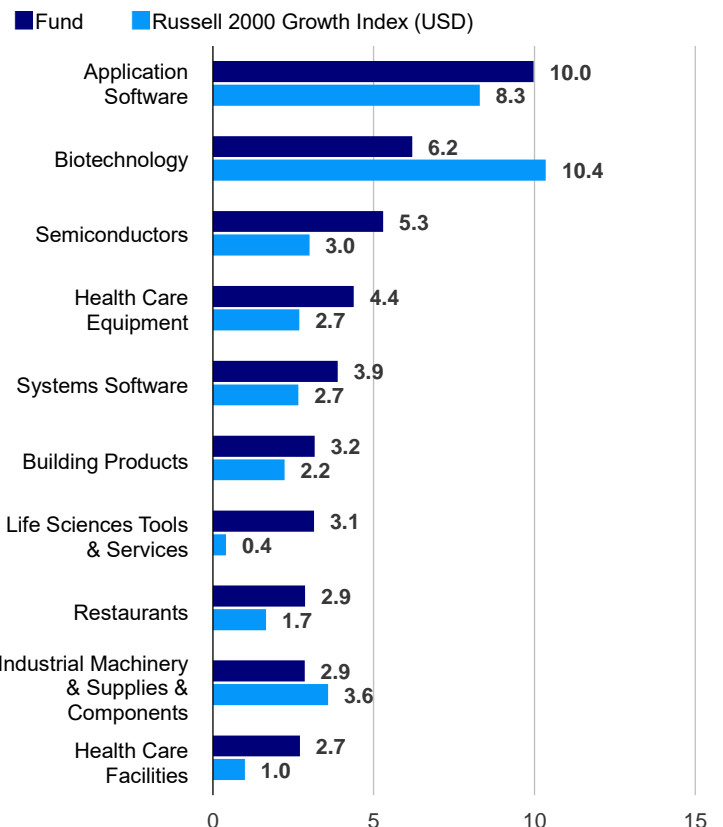
Selective Insurance is a property and casualty insurer and a defensive growth business. With the federal funds rate having likely peaked and given resulting alleviation of pressure on more cyclical financials such as banks, we sold Selective Insurance to shift capital to cyclical areas.

MKS Instruments was sold during the quarter on growing concerns that capital expenditures are being delayed further, putting an MKS recovery at risk in 2024. Significant debt from a recent acquisition is, in our view, another concern.

Sector breakdown (% of total net assets)



Top industries (% of total net assets)



Top contributors (%)

Issuer	Return	Contrib. to return
Wingstop, Inc.	42.81	0.78
Natera, Inc.	41.56	0.59
Cytokinetics, Incorporated	183.40	0.47
Karuna Therapeutics, Inc.	87.18	0.47
Stride, Inc.	31.85	0.42

Top detractors (%)

Issuer	Return	Contrib. to return
Confluent, Inc.	-40.43	-0.48
R1 RCM, Inc.	-32.85	-0.40
Lattice Semiconductor Corporation	-19.71	-0.40
Flywire Corporation	-27.41	-0.38
Wayfair Inc.	-31.81	-0.31

Performance highlights

During the quarter, the fund had a positive absolute return but trailed its benchmark index. Stock selection in the health care, materials, consumer discretionary and energy sectors added to relative return. An underweight in the utilities sector also contributed to positive results.

Conversely, notable detractors from relative results included stock selection in the information technology, financials, industrials, communication services and real estate sectors.

Contributors to performance:

Wingstop is a popular chicken wing take-out restaurant that has enjoyed continuing strong fundamental results driven by same store sales growth and new store openings.

Natera offers pre-natal and cancer diagnostic and monitoring tests. The health care company benefited from better-than-expected revenue, pricing, and margins due to higher reimbursements.

Cytokinetics is a California-based biopharmaceutical company that rallied during the quarter on reports that it could be a potential acquisition target.

Karuna Therapeutics makes central nervous system treatments. The company received positive clinical data for its schizophrenia treatment and was acquired by Bristol-Myers Squibb (not a fund holding) for a 53% premium during the quarter.

Stride provides online and blended education programs and career development for

students and adult learners. Stride rebuffed the narrative that it only benefited from the remote study environment during COVID by delivering continued strong fundamental results reflecting stable growth.

Detractors from performance:

Confluent had a disappointing quarter after reporting earnings that fell short of analyst estimates, partly due to the loss of two large customers.

R1 RCM announced an acquisition of competitor Acclara, which would likely dilute earnings and was apparently poorly received by investors. We exited the position during the quarter.

Lattice Semiconductor manufactures programmable semiconductor chips. During the quarter, the semiconductor company provided guidance that was below consensus estimates due to industrial and telecommunications weakness.

Flywire provides accounts receivable software for education, health care and travel. Following several strong quarters on a fundamental basis, the software company reported a quarter that was just in line with analysts' estimates due to delayed implementation of projects in its education channel.

Wayfair sells furniture and home goods. Unfortunately, the home furnishing category continued to experience weakness as consumers have reined in spending on big-ticket items amid higher interest rates.

Standardized performance (%) as of December 31, 2023

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 10/18/95	NAV	10.60	12.66	12.66	-8.00	8.73	7.35	9.80
	Max. Load 5.5%	4.52	6.49	6.49	-9.72	7.50	6.74	9.58
Class R6 shares inception: 09/24/12	NAV	10.70	13.17	13.17	-7.61	9.20	7.84	10.39
Class Y shares inception: 10/03/08	NAV	10.66	12.93	12.93	-7.77	9.00	7.61	10.77
Russell 2000 Growth Index (USD)		12.75	18.66	18.66	-3.50	9.22	7.16	-
Total return ranking vs. Morningstar Small Growth category (Class A shares at NAV)		-	-	77% (452 of 597)	83% (457 of 564)	80% (410 of 529)	66% (263 of 409)	-

Expense ratios per the current prospectus: Class A: Net: 1.16%, Total: 1.16%; Class R6: Net: 0.74%, Total: 0.74%; Class Y: Net: 0.91%, Total: 0.91%.

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	122	1,074
Top 10 issuers (% of AUM)	13.48	6.54
Wtd. avg. mkt. cap (\$M)	6,551	3,774
Price/earnings	24.84	22.18
Price to book	3.80	3.99
Est. 3 – 5 year EPS growth (%)	14.21	16.01
ROE (%)	7.19	5.86
Long-term debt to capital (%)	34.91	37.47
Operating margin (%)	10.59	8.65

Risk statistics (5 year)*

	Fund	Index
Alpha (%)	-0.27	0.00
Beta	0.99	1.00
Sharpe ratio	0.27	0.30
Information ratio	-0.08	0.00
Standard dev. (%)	24.94	24.41
Tracking error (%)	6.04	0.00
Up capture (%)	99.47	100.00
Down capture (%)	100.57	100.00
Max. drawdown (%)	43.28	33.43

Quarterly performance attribution

Sector performance analysis (%)

Sector	Allocation effect	Selection effect	Total effect
Communication Services	-0.02	-0.17	-0.19
Consumer Discretionary	0.02	0.06	0.08
Consumer Staples	-0.02	0.01	-0.01
Energy	-0.23	0.25	0.01
Financials	0.02	-0.83	-0.81
Health Care	-0.04	0.60	0.57
Industrials	0.00	-0.22	-0.22
Information Technology	-0.04	-0.95	-0.99
Materials	-0.01	0.12	0.11
Real Estate	0.04	-0.21	-0.17
Utilities	0.04	-0.01	0.03
Cash	-0.16	0.00	-0.16
Total	-0.40	-1.35	-1.75

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 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

Source: ©2023 Morningstar Inc. All rights reserved. The information contained herein is proprietary to Morningstar and/or its content providers. It may not be copied or distributed and is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results. Open-end mutual funds and exchange-traded funds are considered a single population for comparison purposes. Had fees not been waived and/or expenses reimbursed currently or in the past, the ranking would have been lower. Rankings for other share classes may differ due to different performance characteristics.

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.