

Invesco Small Cap Equity Fund

Q1 2025

Key takeaways

- 1 The fund outperformed its benchmark.**

Both the fund and benchmark had negative returns for the quarter with the fund holding up better than the index amid a challenging market.
- 2 Outperformance was driven by security selection in several sectors.**

Stock selection in the health care, industrials, consumer discretionary, consumer staples, energy and real estate sectors added to relative return.
- 3 We adjusted the portfolio to be somewhat more defensive.**

We have rotated into companies with lower economic cyclicality and stable business models, a strategy we believe is further reinforced by ongoing tariff uncertainty.

Investment objective

The fund seeks long-term growth of capital.

Fund facts

Fund AUM (\$M)	911.66
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Portfolio managers

Juan Hartsfield, Davis Paddock

Manager perspective and outlook

- The first quarter was marked by considerable volatility and economic uncertainty. The year started with positive expectations for the US economy and markets, but sentiment appeared to reverse by mid-February.
- The annualized growth rate for US Gross Domestic Product for 2024 was 2.8%. Unemployment stayed low, but employment data showed signs of softening. The US Federal Reserve noted "inflation remains somewhat elevated" and held benchmark interest rates steady, with no cuts expected until mid-2025.
- The US economic policy uncertainty index has been near highs experienced during COVID and the 2008 financial crisis, a sign to us of the unpredictable magnitude, duration and outcome of global trade negotiations.
- Before the April 2nd tariff announcement, we had already been adjusting the portfolio to be somewhat more defensive by rotating into companies with lower economic cyclicality and stable business models. We have been reducing exposure and reallocating capital within sectors to mitigate risks of tariff impacts and potentially slower economic growth. We reduced exposure to artificial intelligence (AI)-related stocks, capital markets and cyclicals.
- We foresee increased likelihood of recession and have further focused on companies exhibiting high quality earnings and greater visibility for revenue.
- We believe companies will provide very conservative guidance during this earnings season, which could further weigh on market sentiment.



Top issuers

(% of total net assets)

	Fund	Index
Mr Cooper Group Inc	2.05	0.31
Applied Industrial Technologies Inc	1.95	0.36
Piper Sandler Cos	1.86	0.18
Ollie's Bargain Outlet Holdings Inc	1.85	0.00
Pinnacle Financial Partners Inc	1.81	0.00
ITT Inc	1.70	0.00
Bancorp Inc/The	1.70	0.10
Leonardo DRS Inc	1.65	0.10
Skyward Specialty Insurance Group Inc	1.61	0.08
Encompass Health Corp	1.58	0.00

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

Portfolio positioning

At quarter end, the fund's largest absolute weights were in the financials, industrials, health care, information technology (IT) and consumer discretionary sectors. Relative to the Russell 2000 Index, the fund was overweight in financials, consumer discretionary, industrials and materials, while underweight in communication services, health care, real estate, utilities and energy.

First quarter additions:

Murphy USA benefits from high traffic and competitive gasoline prices at its retail gas stations and convenience stores next to Walmart locations, which has led to above-average fuel volumes and gross profit.

Shift4 Payments provides payment processing solutions. We consider its core offerings attractive, with a market-leading position in Point of Sale (PoS) payment processing in the restaurant, travel & leisure and sports & events sectors.

Virtu is a global financial services firm and market maker. The company benefits from the emergence of a highly engaged retail trading community.

Prestige Consumer Healthcare manufactures and distributes over-the-counter health care and household cleaning products to retail stores. It benefited from better-than-expected results driven by recovery in Clear Eyes, its eye drops product line.

First quarter eliminations:

Taylor Morrison Home is a homebuilder, a segment where we see emerging signs of buyer fatigue and increased competition from sales of existing homes.

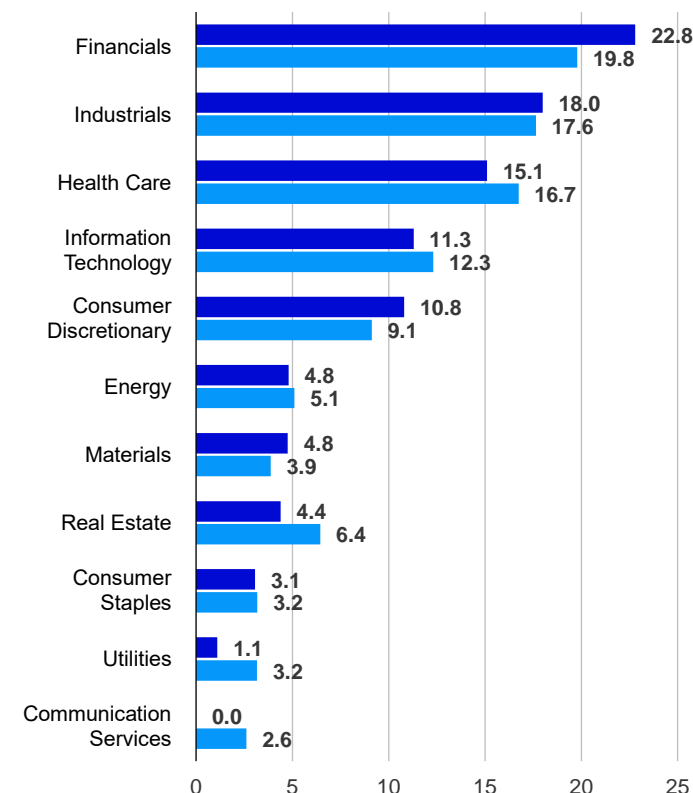
Jefferies Financial is a global diversified financial services company. We sold it to reduce the fund's capital markets holdings.

Comfort Systems USA installs, maintains, repairs and replaces heating, ventilation and air conditioning systems that are used in data centers. We reduced the fund's AI exposure due to recent economic uncertainty and market volatility.

Coherent designs engineered materials and optoelectronic components and was a top contributor in 2024. We sold it to reduce AI exposure on concerns about sustainability of AI capital expenditures, which have come under pressure in recent months.

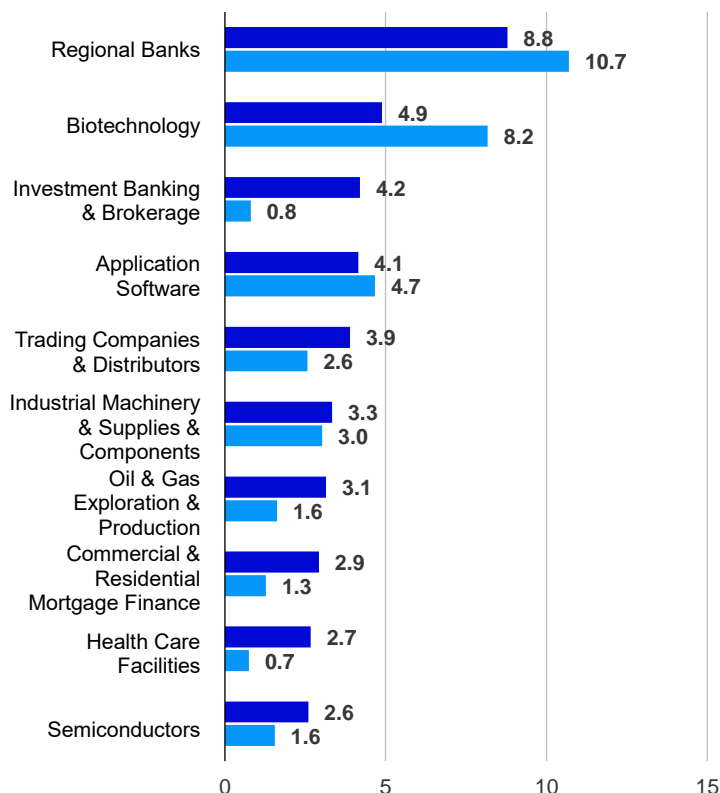
Sector breakdown (% of total net assets)

■ Fund ■ Russell 2000 Index (USD)



Top industries (% of total net assets)

■ Fund ■ Russell 2000 Index (USD)



Top contributors (%)

Issuer	Return	Contrib. to return
Mr. Cooper Group Inc.	24.57	0.35
Intra-Cellular Therapies, Inc.	52.06	0.27
TMX Group Limited	19.04	0.18
Antero Resources Corporation	15.38	0.17
Sprouts Farmers Market, Inc.	20.12	0.17

Top detractors (%)

Issuer	Return	Contrib. to return
Q2 Holdings, Inc.	-20.51	-0.44
Astera Labs, Inc.	-22.02	-0.37
Frontdoor, Inc.	-29.72	-0.34
Piper Sandler Companies.	-16.28	-0.34
Jefferies Financial Group Inc.	-25.93	-0.31

Performance highlights

The fund outperformed the Russell 2000 Index during the quarter. Stock selection in the health care, industrials, consumer discretionary, consumer staples, energy and real estate sectors added to relative return. Stock selection in IT and materials detracted.

Contributors to performance

Mr. Cooper Group provides financial services. During the quarter, the company announced an agreement to be acquired by Rocket Mortgage (not a fund holding) at a premium.

Intra-Cellular Therapies develops central nervous system treatments and was acquired by Johnson & Johnson (not a fund holding).

TMX operates Canadian market exchanges for equities, fixed income, derivatives and energy. It has in our opinion shown stable, defensive growth.

Antero Resources explores, develops and produces oil and natural gas. The stock's performance last quarter was influenced by higher commodity prices and increased production volumes.

Sprouts Farmers Market operates a chain of retail grocery stores. Stock performance last quarter was driven by strong same-store sales growth, effective cost management and

an expanding customer base appearing to seek healthy and organic food options.

Detractors from performance

Q2 Holdings provides secure, cloud-based virtual banking solutions. The company had slower-than-expected sales growth in its digital banking solutions and higher operational costs amid increased competition.

Astera Labs makes re-timers and switches that are paired with NVIDIA (not a fund holding) chips to clean up and optimize signals and was a top contributor for the fund in 2024. The stock pulled back on concerns about the sustainability of AI spending.

Frontdoor is a building sub-contractor. The company reported lower-than-expected customer retention rates, decreased revenue from direct-to-consumer channels and higher operational costs.

Piper Sandler is a global diversified financial services company. The company's earnings were below analysts' estimates and revenue fell short across key segments. We sold the stock before the earnings report.

Jefferies Financial is a global diversified financial services company. The company's earnings were below analysts' estimates and revenue fell short across key segments. We sold the stock before the earnings report.

Standardized performance (%) as of March 31, 2025

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
Class A shares inception: 08/31/00	NAV	-6.84	-6.84	1.30	3.75	16.79	6.56	7.34
	Max. Load 5.5%	-11.97	-11.97	-4.26	1.81	15.47	5.97	7.09
Class R6 shares inception: 09/24/12	NAV	-6.73	-6.73	1.70	4.21	17.32	7.07	9.09
Class Y shares inception: 10/03/08	NAV	-6.75	-6.75	1.60	4.02	17.08	6.83	9.11
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)		-	-	11% (61 of 613)	25% (132 of 583)	27% (134 of 561)	51% (200 of 401)	-

Expense ratios per the current prospectus: Class A: Net: 1.26%, Total: 1.26%; Class R6: Net: 0.82%, Total: 0.82%; Class Y: Net: 1.01%, Total: 1.01%.

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 (%)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Class A shares at NAV	-5.61	11.72	13.58	-15.16	26.13	27.29	20.02	-20.60	15.96	17.79
Class R6 shares at NAV	-5.10	12.31	14.19	-14.75	26.67	28.03	20.46	-20.25	16.58	18.20
Class Y shares at NAV	-5.37	12.02	13.88	-14.92	26.36	27.70	20.27	-20.40	16.23	18.06
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	88	1,953
Top 10 issuers (% of AUM)	18.68	4.15
Wtd. avg. mkt. cap (\$M)	6,097	3,439
Price/earnings	18.78	16.64
Price to book	2.89	1.81
Est. 3 – 5 year EPS growth (%)	12.45	12.29
ROE (%)	16.07	5.63
Long-term debt to capital (%)	35.62	33.85
Operating margin (%)	13.90	13.26

Risk statistics (5 year)*

	Fund	Index
Alpha (%)	3.89	0.00
Beta	0.92	1.00
Sharpe ratio	0.67	0.47
Information ratio	0.66	0.00
Standard dev. (%)	21.27	22.44
Tracking error (%)	5.33	0.00
Up capture (%)	98.75	100.00
Down capture (%)	92.99	100.00
Max. drawdown (%)	26.95	26.83

Quarterly performance attribution

Sector performance analysis (%)

Sector	Allocation effect	Selection effect	Total effect
Communication Services	0.08	0.00	0.08
Consumer Discretionary	-0.07	0.48	0.40
Consumer Staples	0.01	0.30	0.30
Energy	0.02	0.23	0.25
Financials	0.18	-0.09	0.09
Health Care	-0.07	1.25	1.18
Industrials	-0.01	0.85	0.84
Information Technology	0.02	-0.32	-0.30
Materials	0.02	-0.13	-0.11
Real Estate	-0.12	0.31	0.20
Utilities	-0.26	-0.06	-0.33
Cash	0.29	0.00	0.29
Total	0.10	2.82	2.92

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.

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.

The Fund's value may be affected by changes in the stock markets. Stock markets may experience significant short-term volatility and may fall or rise sharply at times. Adverse events in any part of the equity or fixed-income markets may have unexpected negative effects on other market segments. Different stock markets may behave differently from each other and U.S. stock markets may move in the opposite direction from one or more foreign stock markets.

The investment techniques and risk analysis used by the portfolio managers may not produce the desired results.

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.