



# Invesco European Small Company Fund

## Quarterly Performance Commentary

Nasdaq: A: ESMAX C: ESMCX Y: ESMYX



### LIPPER FUND AWARDS FROM REFINITIV

2019 WINNER UNITED STATES

Class Y shares (ESMYX): Best among 20 European Region Funds for the 3-year period and best among 16 European Region Funds for the 10-year period ending 11/30/18 based on risk-adjusted performance.

#### Investment objective

The fund seeks long-term growth of capital.

#### Portfolio management

Jason T. Holzer, Borge Endresen

#### Portfolio information

Total Net Assets	\$494,036,995
Total Number of Holdings	58

Top holdings	% of total net assets
Fondul Proprietatea SA/Fund	4.87
Kardex	4.65
Origin Enterprises	4.12
Romgaz	3.75
Hilan	3.41
Linedata	3.11
Savills	2.59
JPJ Group	2.55
MorphoSys	2.45
Kaufman & Broad	2.36

Top contributors	% of total net assets
1. Fondul Proprietatea	4.87
2. Kardex	4.65
3. Bonheur	2.19
4. Hilan	3.40
5. Romgaz	3.75

Top detractors	% of total net assets
1. Staffline	0.62
2. Lookers	1.17
3. Danieli & C. Officine Meccaniche	1.83
4. Constructions Industrielles de la Mediterranee	0.91
5. Gruppo MutuiOnline	1.50

#### Market overview

- After a relatively calm start to 2019, global equity markets faced greater volatility in the second quarter, hampered by lingering US/China trade issues, potential for new tariffs and slowing global growth.
- Global equity markets, particularly China, declined sharply in May, ending a four-month rally. Trade and tariff issues, which were not limited to the US and China, clouded the outlook for many global economies. Disagreement within the UK about its withdrawal from the European Union increased uncertainty for the UK and Eurozone economies.
- Following better performance in June, most global equity markets managed modest positive returns for the second quarter, with developed markets generally outperforming emerging markets. China was an exception, declining during the second quarter.

#### Performance highlights

- Invesco European Small Company Fund Class A shares at net asset value (NAV) had a positive return for the quarter, but underperformed the MSCI Europe Small Cap Index. (Please see the investment results table on page 2 for fund and index performance.)

#### Contributors to performance

- From a sector perspective, the fund's holdings in energy and financials outperformed those of the index and were the largest contributors to relative return. Underweight exposure in real estate also added to relative performance.
- At the country level, exposure to Romania and Israel, countries not represented in the benchmark index, were among the largest contributors to relative results. Stock selection in Norway also added to relative return.
- Romania-based investment holding company **Fondul Proprietatea** was the largest individual contributor for the quarter as it benefited from improving political and economic sentiment in Romania, a reduction in its discount to net asset value, and the expectation that some of its larger holdings may be privatized in the future.

#### Detractors from performance

- Security selection in the industrials, consumer discretionary and information technology sectors were significant detractors from relative return.
- Geographically, stock selection in the UK, Italy and France negatively affected relative performance. An overweight in Ireland and lack of exposure to Sweden also dragged on relative results.
- Given the positive market environment, the fund's cash position, although reduced from the first quarter of 2019, detracted from relative results. It is important to note that cash is a by-product of the team's bottom-up investment process and not the result of any "top-down" tactical asset allocation or risk management allocation decision.
- Two UK-based companies, recruitment services provider **Staffline** and car dealership operator **Lookers**, were the largest detractors during the quarter.

#### Positioning and outlook

- There were no new additions to the portfolio this quarter. The team liquidated several positions, including **Micro Focus International**, **Anadolu Grubu**, **Takkt**, **Mondo TV** and **Autohellas** (all 0.00% of total net assets).
- Since mid-June 2018, investors have generally shifted their focus away from richly valued momentum growth stocks, focusing instead on fundamentals, valuation and risk. The investment team hopes the broadening in investor focus that has occurred in the last year will persist and develop into a more prolonged period of market rotation. In an environment where US growth might be peaking and volatility continues, the team believes its quality growth style may be moving back into favor.
- Regardless of the macroeconomic environment, the team remains focused on applying its well-established, long-term, bottom-up Earnings, Quality, Value (EQV) investment process that seeks to identify attractively valued, high-quality growth companies.

## Investment results

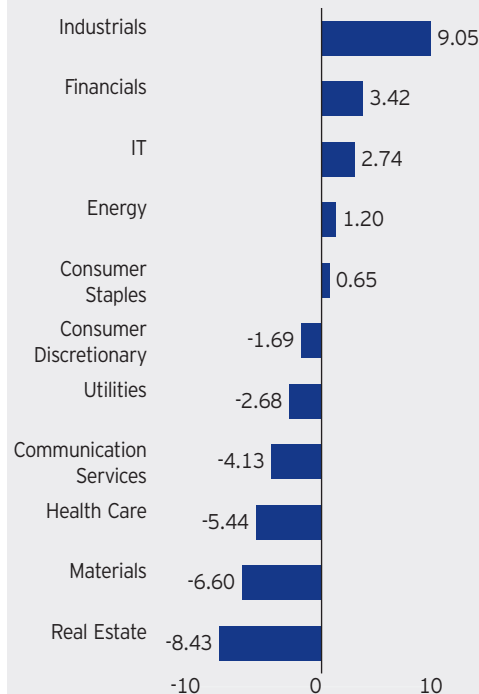
Average annual total returns (%) as of June 30, 2019

Period	Class A Shares Inception: 08/31/00		Class C Shares Inception: 08/31/00		Class Y Shares Inception: 10/03/08	Style-Specific Index  MSCI Europe Small Cap Index
	Max Load 5.50%	NAV	Max CDSC 1.00%	NAV	NAV	
Inception	9.97	10.30	9.88	9.88	9.64	-
10 Years	10.23	10.86	10.02	10.02	11.12	11.07
5 Years	2.28	3.45	2.66	2.66	3.69	3.79
3 Years	6.97	9.00	8.17	8.17	9.24	9.96
1 Year	-10.54	-5.31	-6.90	-6.01	-5.09	-6.76
Quarter	-4.08	1.49	0.21	1.21	1.48	2.79

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. Visit [invesco.com/performance](http://invesco.com/performance) 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, and you may have a gain or a loss when you sell shares. No contingent deferred sales charge (CDSC) will be imposed on redemptions of Class C shares following one year from the date shares were purchased. Performance shown at NAV does not include applicable CDSC or front-end sales charges, which would have reduced the performance. Class Y shares have no sales charge; therefore, performance is at NAV. Returns less than one year are cumulative; all others are annualized. Fund performance reflects any applicable fee waivers and/or expense reimbursements. Had the adviser not waived fees and/or reimbursed expenses currently or in the past, returns would have been lower. See current prospectus for more information. Index returns do not reflect any fees, expenses, or sales charges.

Index source: FactSet Research Systems Inc.

## The fund's positioning versus the MSCI Europe Small Cap Index (% underweight/overweight)



## Asset mix (%)

Intl Common Stock	92.51
Cash	7.08
Other	0.41

## Expense ratios

	% net	% total
Class A Shares	1.39	1.42
Class C Shares	2.14	2.17
Class Y Shares	1.14	1.17

Per the current prospectus

Net = Total annual operating expenses less any contractual fee waivers and/or expense reimbursements by the adviser in effect through at least June 30, 2020. See current prospectus for more information.

From Lipper Fund Awards from Refinitiv, ©2019 Refinitiv. All rights reserved. Used under license. The 2019 Lipper Fund Award winners are selected based on the highest risk-adjusted performance among funds within a given category. The calculation periods extend over 36, 60, and 120 months. The highest Lipper Leader for Consistent Return (Effective Return) value within each eligible classification determines the fund classification winner over three, five or 10 years. A high Lipper rating does not necessarily imply that a fund had the best total performance or that the fund achieved positive results for that period. Lipper Inc. is a major independent mutual fund tracking organization. Other share classes may have different performance characteristics.

For more information you can visit us at [www.invesco.com/us](http://www.invesco.com/us)

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.

Class Y shares are available only to certain investors. See the prospectus for more information.

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.

EQV stands for earnings, quality and valuation. Our investment process looks for companies with strong Earnings growth, they must be Quality companies that can sustain those earnings and these companies need to have attractive Valuations.

The MSCI Europe Small Cap Index is an unmanaged index considered representative of small-cap European stocks. An investment cannot be made directly in an index.

The S&P 500® Index is an unmanaged index considered representative of the US stock market. 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.

The performance of an investment concentrated in issuers of a certain region or country is expected to be closely tied to conditions within that region and to be more volatile than more geographically diversified funds.

Growth stocks tend to be more sensitive to changes in their earnings and can be more volatile.

Stocks of small and mid-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.

---

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

***Before investing, investors should carefully read the prospectus and/or summary prospectus and carefully consider the investment objectives, risks, charges and expenses. For this and more complete information about the fund(s), investors should ask their advisors for a prospectus/summary prospectus or visit [invesco.com/fundprospectus](https://www.invesco.com/fundprospectus).***

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. Advisors, please contact your home office.

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. Holdings are subject to change and are not buy/sell recommendations.

All data provided by Invesco unless otherwise noted.