

# Invesco European Small Company Fund

## Quarterly Performance Commentary

Mutual Fund Retail Share Classes  
Data as of Sept. 30, 2019



Limited Offering



### LIPPER FUND AWARD 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

#### Fund facts

Nasdaq	A: ESMAX	C: ESMCX Y: ESMYX
Total Net Assets	\$416,718,209	
Total Number of Holdings	53	

#### Top holdings

	% of total net assets
Fondul Proprietatea	5.49
Romgaz	4.36
Hilan	4.08
Origin Enterprises	4.04
Linedata	3.99
Kardex	3.66
Kaufman & Broad	2.91
Jackpotjoy	2.91
MorphoSys	2.83
Bonheur	2.80

#### Top contributors

	% of total net assets
1. Hilan	4.08
2. LineData	3.99
3. Ultra Electronics	2.07
4. Romgaz	4.36
5. MorphoSys	2.83

#### Top detractors

	% of total net assets
1. Kardex	3.66
2. TBC Bank	1.91
3. Construcciones y Auxiliar de Ferrocarriles	0.00
4. Danieli & C. Officine Meccaniche	0.27
5. SafeStyle UK	0.81

### Market overview

- + Weakening global economic data and ongoing US-China trade conflict contributed to higher market volatility in the third quarter. Data releases during the quarter showed slowing manufacturing activity and declining business investment, evidence that trade tensions were stifling economic growth across developed and emerging markets.
- + Global recession concerns caused a sharp equity selloff in August as investors crowded into asset classes perceived to be safe havens, including US Treasuries and gold.
- + In September, both the Federal Reserve and European Central Bank cut interest rates, providing a measure of support for risk assets. Growing optimism about a potential trade deal also boosted equities in September.
- + However, except for the US and Japan, most regions declined during the quarter. Uncertainty about the UK's withdrawal from the European Union continued to weigh on UK and European equities, while political and trade issues affected areas of Latin America and Asia.

### Positioning and outlook

- + There were no new additions to the portfolio this quarter. We sold several positions, including **Richter Gedeon, Construcciones y Auxiliar de Ferrocarriles, Total Produce** and **GEA** (all 0.00% of total net assets).
- + Since mid-June 2018, investors have generally shifted focus away from richly valued momentum growth stocks toward fundamentals, valuation and risk. The investment team hopes the broadening in investor focus that has occurred since then will persist and develop into a more prolonged period of market rotation. In an environment where US growth might be peaking and volatility continuing, we believe our 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.

### Performance highlights

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

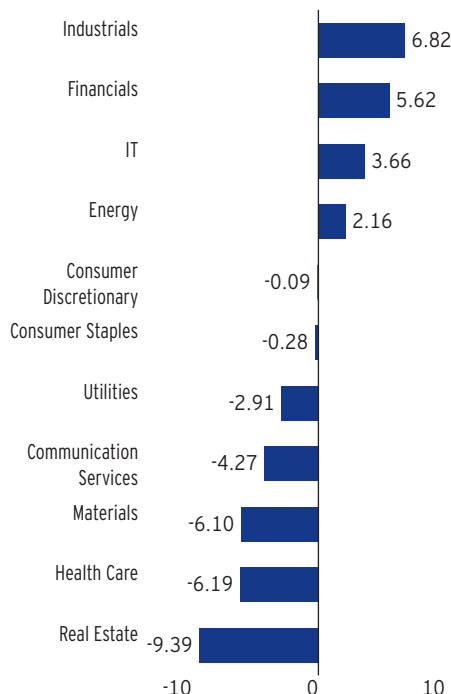
#### Contributors to performance

- + Fund holdings in the information technology, financials and energy sectors outperformed those of the index and were the largest contributors to relative return.
- + Strong stock selection in health care also added to relative return.
- + Exposure to Romania and Israel, countries not represented in the index, were among the largest contributors to relative results. Strong stock selection and an underweight in Germany also added to relative return.
- + The fund's cash position, which hampered relative return in the first half of 2019, added to relative results in the third quarter. Cash is a by-product of the team's bottom-up investment process and not the result of any "top-down" tactical or risk management allocation decision.
- + Israel-based technology company **Hilan** extended its run of consistent double-digit profit growth in the first half of the year. Given limited growth potential in its human resources and payroll processing activities, the company has successfully diversified into diverse information technology services while maintaining a high return on equity.

#### Detractors from performance

- + Security selection and an overweight in the industrials sector detracted from relative return.
- + Stock selection and an underweight in real estate and communication services negatively affected relative results.
- + Geographically, stock selection in Switzerland and the UK negatively affected relative return, as did security selection and an underweight in Belgium.
- + Switzerland-based industrials company **Kardex** was the largest detractor during the quarter. The stock suffered after management presented a more muted outlook in response to project launch delays that dragged order intake into negative territory in the first half of 2019. General industrial/macro concerns and some profit taking after a first-half rally also pulled down the stock price.

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



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**Investment results**

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

Period	Class A Shares		Class C Shares		Class Y Shares	Style-Specific Index
	Inception: 08/31/00	NAV	Inception: 08/31/00	NAV	Inception: 10/03/08	
	<b>Max Load 5.50%</b>		<b>Max CDSC 1.00%</b>			<b>MSCI Europe Small Cap Index</b>
Inception	9.73	10.05	9.64	9.64	9.25	-
10 Years	8.08	8.69	7.87	7.87	8.96	8.03
5 Years	4.22	5.40	4.60	4.60	5.66	5.46
3 Years	3.26	5.23	4.43	4.43	5.48	5.71
1 Year	-10.19	-4.94	-6.58	-5.69	-4.72	-7.80
Quarter	-7.06	-1.67	-2.85	-1.87	-1.60	-2.71

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.

Expense ratios	% net	% total	Asset mix (%)	
Class A Shares	1.39	1.42	Intl Common Stock	94.17
Class C Shares	2.14	2.17	Cash	5.56
Class Y Shares	1.14	1.17	Other	0.27

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.

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.

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**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.