

# Invesco International Small-Mid Company Fund

## Q1 2025

## Key takeaways

- 1 The fund outperformed its benchmark and peers for the quarter**

Class A shares outperformed the MSCI ACWI ex-US SMID Index and the Morningstar Foreign Small/Mid Growth peer group average (0.14) and finished in the top quartile of the peer group (28 out of 128).
- 2 International equities, particular SMID caps, outperformed US counterparts**

Apparent uncertainty about US industrial, tax and trade policy held back US stocks. International equities outperformed, particularly among small and mid-sized companies for whom proposed US tariff taxes present a potentially greater threat.
- 3 The fund's companies are in our view well-positioned for recession and stagflation**

Fund holdings have exposure to secular growth trends that may enable them to grow faster than the general economy in both expanding and recessionary environments. Pricing power may help them preserve profit margins in inflationary periods.

### Investment objective

The fund seeks capital appreciation.

### Fund facts

Fund AUM (\$M) 3,383.74

### Portfolio managers

David Nadel, Andrey Below

## Manager perspective and outlook

- During the quarter, apparent uncertainty about US industrial, tax and trade policy appeared to dampen equity results, particularly in the US. International equities outperformed.
- Small and mid-sized companies performed worse than their larger peers, particularly in the US. In general, we expect proposed US tariff taxes and the recession they may cause to be a greater threat to smaller companies than larger ones.
- As of two days after the announcement of US import tariffs on April 2nd, all equity markets had declined. International equities continued to outperform, especially in the small- and mid-cap segment. As we have often noted, quality measures for US smid-cap companies - such as debt levels - are poor compared to international smid-caps. Therefore, operating through business slowdowns is expected to be more challenging for them.
- Growth rate forecasts have naturally been lowered and recession is in our view a significant possibility, as is inflation from higher prices on imported and domestically produced goods. Earnings of the fund's companies are driven by structural growth trends. In our experience, positive secular trends have grown faster than the average economy during recessions. Also, we choose companies for their pricing power, which supports margins during inflationary periods. Finally, with strong balance sheets and little to no debt, they may better operate through painful economic environments.



## Top issuers

(% of total net assets)

	Fund	Index
Carl Zeiss Meditec AG	3.04	0.02
Partners Group Holding AG	2.21	0.00
Obic Co Ltd	2.08	0.09
Azbil Corp	1.90	0.03
Weir Group PLC/The	1.82	0.08
VZ Holding AG	1.80	0.00
Knorr-Bremse AG	1.56	0.07
SCSK Corp	1.50	0.04
TechnoPro Holdings Inc	1.46	0.02
Chemometec A/S	1.42	0.01

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

## Portfolio positioning

Our high conviction, low turnover portfolio has a consistent structure that changes little from quarter to quarter. We are benchmark independent, bottom-up investors, focusing on company fundamentals rather than using a “top-down” perspective to overweight or underweight any sector or region. We seek companies we believe to be high quality growth compounders. They have been consistently profitable; have exhibited high internal rates of return on their capital; have funded their operations and growth via internally generated cash flow without bank financing; and historically have strong balance sheets.

We added five new positions during the quarter, three of which we can discuss.

**ANDRITZ**, an Austrian company, is a niche provider of equipment and services for hydropower stations. The company in our view has strong growth prospects to increase already robust profitability and cash flow generation. In our opinion, ANDRITZ’s current valuation is very attractive.

**Elisa** is in our view a reliable and cash generative provider of telecommunications services in Finland, a difficult market to navigate with limited threat of new competition. Elisa historically produces internal rates of return almost 2x higher than the average European competitor.

**PT Telkom Indonesia** is a telecommunications service provider with state ownership, one of Indonesia’s two largest providers and the most profitable. It has strong market share in rural areas that are harder to penetrate. We believe the company is well positioned to benefit from Indonesia’s strong growth in gaming and household broadband access.

We exited 12 positions during the quarter.

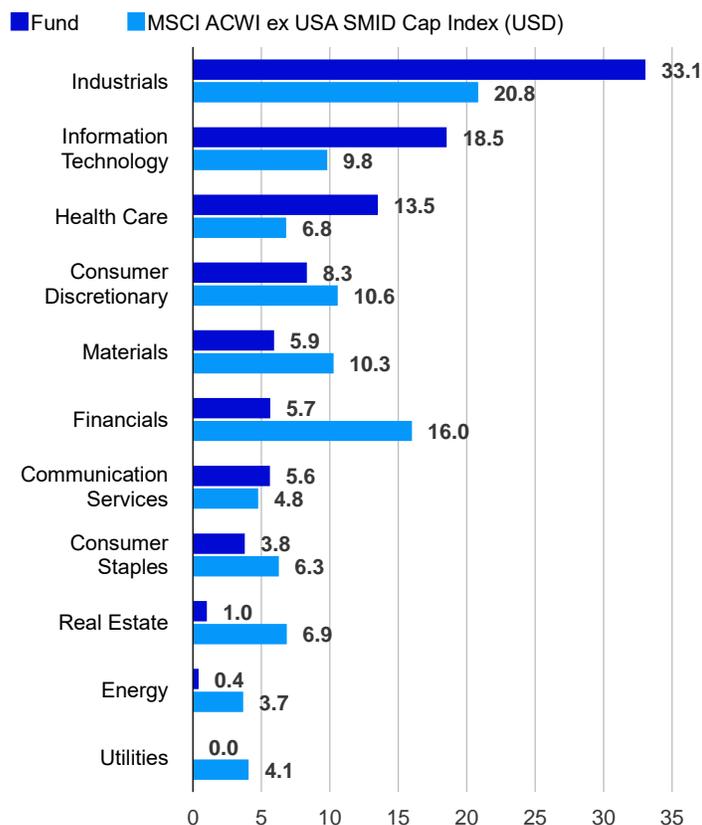
**Bravida**, a Swedish technical service and installation company, has a diversified client base and focuses on small projects. We sold the position due to deteriorating internal rates of return and decreased confidence in company governance.

**Britannia Industries** is an India-based company that manufactures food products. The company is a market share leader in India’s cookie market. We maintain a favorable view of the company; however, valuation rose to levels we found unattractive.

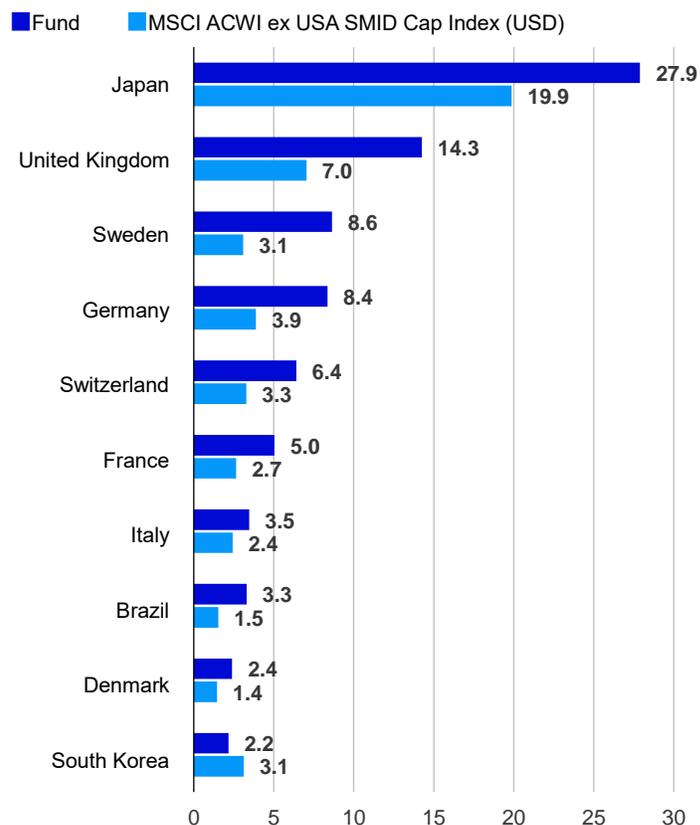
**Descartes Systems**, a Canadian company that produces supply chain management software, has performed well for the fund and we maintain a favorable view of the business. However, a rising valuation made the risk/reward profile in our view less attractive at this time.

We also sold **LEM, NICE, Tinexta, Vaisala, Forbo, Interroll, Medistim, Restore, Zuken** and **Technoprobe**.

## Sector breakdown (% of total net assets)



## Top countries (% of total net assets)



## Top contributors (%)

Issuer	Return	Contrib. to return
Carl Zeiss Meditec AG	41.37	0.84
VZ Holding AG	20.23	0.31
TOTVS S.A.	35.11	0.30
Knorr-Bremse AG	24.80	0.28
CTS Eventim AG & Co. KGaA	18.54	0.25

## Top detractors (%)

Issuer	Return	Contrib. to return
Greggs plc	-35.39	-0.35
Biotage AB	-34.30	-0.24
SMS Co., Ltd.	-22.67	-0.22
ICON plc	-16.56	-0.21
NICE Ltd.	-17.20	-0.19

## Performance highlights

The fund outperformed most in the information technology, health care and communication services sectors, all due to stock selection.

The fund underperformed most in financials, due to the typical underweight allocation, and in the materials and industrials sectors due to stock selection.

### Contributors to performance

**Carl Zeiss**, based in Germany, has been a key fund holding since 2011. The name Zeiss is synonymous with lenses, and the company is a global leader in ophthalmic and other high-precision surgery. Management announced earnings above consensus forecasts.

**VZ** in Switzerland provides investment management services. Its competitive position improved with the removal of Credit Suisse. Earnings were above consensus forecasts.

**TOTVS** in Brazil supplies Portuguese language software to corporate clients, dominating the market. Earnings were above consensus forecasts.

**Knorr-Bremse**, based in Germany, is the world's leading supplier of braking systems for railroads (50% market share compared to 15% share for the next biggest competitor) and commercial vehicles (40% market share vs. 34% for the nearest competitor). Aftermarket maintenance contracts can have a 30- to 40-year tenure. Knorr announced earnings above consensus forecasts.

**CTS Eventim** is a German company similar to Ticketmaster in the US and is similarly dominant in Europe for theater, concerts and sporting events. The company announced 2024 revenue growth of 19%.

### Detractors from performance

**Greggs** in the UK runs a quick-serve, fresh-food network of 2,200 outlets. Greggs announced sales growth below consensus forecasts and the share price fell from its record high.

**Biotage** is a Swedish maker of high-tech separation and purification equipment used in life sciences and varied industrial settings. The share price has been relatively volatile after the company's merger with Astrea Bioseparations.

**SMS** in Japan operates a website for elders and their caregivers. Despite the company's first mover advantage, new competitors have entered the market, seemingly raising investor concerns about profitability.

**NICE** produces software for optimizing call center operations and customer service. It has been transitioning to a cloud subscription model. Management announced slower-than-expected growth of cloud revenue.

**DISCO**, based in Japan, is a leading global provider of cutting and grinding machinery for the semiconductor industry. Visibility on global semiconductor demand trends has declined.

## Standardized performance (%) as of March 31, 2025

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
Class A shares inception: 11/17/97	NAV	2.63	2.63	-4.92	-3.54	6.08	5.84	10.36
	<b>Max. Load 5.5%</b>	-3.00	-3.00	-10.15	-5.34	4.88	5.24	10.14
Class R6 shares inception: 12/29/11	NAV	2.73	2.73	-4.57	-3.18	6.46	6.25	10.03
Class Y shares inception: 09/07/05	NAV	2.71	2.71	-4.68	-3.31	6.33	6.10	9.03
MSCI ACWI ex USA SMID Cap Index (USD)		2.69	2.69	3.73	1.99	11.15	4.92	-
Total return ranking vs. Morningstar Foreign Small/Mid Growth category (Class A shares at NAV)		-	-	82% (100 of 126)	77% (96 of 121)	85% (90 of 108)	20% (17 of 77)	-

Expense ratios per the current prospectus: Class A: Net: 1.37%, Total: 1.37%; Class R6: Net: 0.99%, Total: 0.99%; Class Y: Net: 1.13%, Total: 1.13%.

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. As the result of a reorganization on May 24, 2019, the returns of the fund for periods on or prior to May 24, 2019 reflect performance of the Oppenheimer predecessor fund. Share class returns will differ from the predecessor fund due to a change in expenses and sales charges. Index sources: Invesco, 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	14.91	-0.49	37.93	-9.46	24.78	24.78	13.86	-31.19	12.29	-6.45
Class R6 shares at NAV	15.40	-0.07	38.54	-9.09	25.28	25.23	14.26	-30.94	12.73	-6.11
Class Y shares at NAV	15.15	-0.24	38.30	-9.25	25.08	25.07	14.14	-31.02	12.57	-6.23
MSCI ACWI ex USA SMID Cap Index (USD)	0.44	3.57	30.35	-17.06	22.36	12.01	10.16	-19.49	15.79	3.49

### Portfolio characteristics\*

	Fund	Index
No. of holdings	104	5,312
Top 10 issuers (% of AUM)	19.76	2.69
Wtd. avg. mkt. cap (\$M)	6,986	8,253
Price/earnings	20.54	15.57
Price to book	3.39	1.51
Est. 3 – 5 year EPS growth (%)	10.11	11.50
ROE (%)	18.38	11.98
Long-term debt to capital (%)	16.77	26.81
Operating margin (%)	21.39	16.51

### Risk statistics (5 year)\*

	Fund	Index
Alpha (%)	-5.25	0.00
Beta	1.17	1.00
Sharpe ratio	0.16	0.52
Information ratio	-0.55	0.00
Standard dev. (%)	21.21	16.56
Tracking error (%)	9.20	0.00
Up capture (%)	126.44	100.00
Down capture (%)	125.23	100.00
Max. drawdown (%)	41.76	31.23

## Quarterly performance attribution

### Sector performance analysis (%)

Sector	Allocation effect	Selection effect	Total effect
Communication Services	-0.02	0.47	0.45
Consumer Discretionary	0.12	-0.16	-0.05
Consumer Staples	0.02	-0.10	-0.07
Energy	0.14	-0.02	0.12
Financials	-0.67	-0.15	-0.82
Health Care	-0.31	0.88	0.57
Industrials	0.29	-0.92	-0.63
Information Technology	-0.90	2.43	1.53
Materials	-0.18	-0.56	-0.74
Other	0.00	0.00	0.00
Real Estate	0.00	-0.10	-0.10
Utilities	-0.06	0.00	-0.06
Cash	0.00	0.00	0.00
<b>Total</b>	<b>-1.57</b>	<b>1.77</b>	<b>0.20</b>

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.**

### Region performance analysis (%)

Region	Allocation effect	Selection effect	Total effect
<b>Developed</b>	<b>0.31</b>	<b>-1.30</b>	<b>-0.99</b>
Africa/Mideast	0.19	-0.24	-0.04
Asia/Pacific Ex Japan	0.14	-0.04	0.10
Europe	1.18	-1.61	-0.43
Japan	0.09	-0.63	-0.54
North America	0.16	-0.24	-0.08
<b>Emerging</b>	<b>0.78</b>	<b>0.40</b>	<b>1.18</b>
Africa/Mideast	-0.04	-0.04	-0.08
Asia/Pacific Ex Japan	1.18	0.22	1.39
Europe	-0.17	0.00	-0.17
Latin America	0.18	-0.14	0.04
<b>Cash</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Total</b>	<b>1.09</b>	<b>-0.89</b>	<b>0.20</b>

## Performance attribution (cont'd)

### Performance analysis by country — top 5 (%)

	Total effect	Avg. weight	Total return
Germany	0.87	8.41	23.01
Taiwan	0.83	2.02	8.01
India	0.70	1.98	-11.81
France	0.20	4.67	8.82
Canada	0.15	1.29	-3.00

### Performance analysis by country — bottom 5 (%)

	Total effect	Avg. weight	Total return
Japan	-0.54	27.02	1.63
Italy	-0.45	4.15	-2.28
United Kingdom	-0.43	14.23	-1.36
China	-0.31	0.00	0.00
United States	-0.23	1.14	-15.94

Unless otherwise specified, all information is as of 03/31/25. Unless stated otherwise, Index refers to MSCI ACWI ex USA SMID Cap Index (USD).

The MSCI All Country World ex USA SMID Cap Index is considered representative of small- and mid-cap stocks in developed and emerging markets, excluding the US. The indexes are computing using the net return, which withholds applicable taxes for nonresident investors. An investment cannot be made directly in an index.

#### About Risk

Stock and other equity securities values fluctuate in response to activities specific to the company as well as general market, economic and political conditions.

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. Developing markets may especially be volatile.

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

Many countries in the European Union are susceptible to high economic risks associated with high levels of debt, notably due to investments in sovereign debts of European countries such as Greece, Italy, and Spain.

Investments concentrated in a comparatively narrow segment of the economy may be more volatile than non-concentrated investments.

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.**