

Invesco International Small-Mid Company Fund

Q1 2024

Key takeaways

1 The fund underperformed after strong outperformance last quarter

Class A shares had a positive return for the quarter but underperformed the MSCI ACWI ex-US SMid Index. This was due to strong performance in areas in which the fund has historically typically – and deliberately – underinvested.

2 Back to the future

Over the next few years as we go likely “back to the future” and capital is likely again a scarce resource, earnings and creditworthiness will probably become more important. Cheap corporate debt will mature and likely be refinanced at higher interest rates. We’re pleased that the companies in the fund do not rely on debt.

3 Time-tested discipline

We seek to invest in companies with high rates of return on capital, the ability to fund growth with operating cash flow and strong balance sheets. We believe the earning power, balance sheet stability and quality indicators of fund holdings will be increasingly valuable in coming years.

Investment objective

The fund seeks capital appreciation.

Fund facts

Fund AUM (\$M)	5,102.35
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Portfolio managers

David Nadel, Andrey Belov

Manager perspective and outlook

- During the quarter, equities experienced some profit taking and then consolidation before resuming the rally that began in November 2023. In our opinion, the US Federal Reserve has tightened monetary policy for the last time in this interest rate cycle. Most market participants appear to agree. Adding to market optimism was the growth evident in most company earnings reports. By and large, it was in our view a good earnings season.
- We believe this is the second year of a cyclical bull market that launched in late 2022. In 2022, there was a reset of interest rates, and therefore valuations, to more sustainable, realistic levels.
- Over the next few years, as we likely go “back to the future,” a normal future in which capital is once again likely a scarce resource, earnings and creditworthiness will probably become more important. Cheap corporate debt will mature, likely rolling over at higher interest rates. We are comforted that the companies in the fund’s portfolio do not rely on debt.



Top issuers

(% of total net assets)

	Fund	Index
Carl Zeiss Meditec AG	2.46	0.05
Croda International PLC	2.34	0.09
Obic Co Ltd	1.96	0.00
Nice Ltd	1.86	0.18
Partners Group Holding AG	1.60	0.00
DiaSorin SpA	1.58	0.02
VZ Holding AG	1.34	0.00
Sartorius AG	1.33	0.00
Descartes Systems Group Inc/The	1.32	0.08
Bruker Corp	1.28	0.00

As of 03/31/24. 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 supported by structural growth trends in the global economy, that have significant pricing power, can fund operations and growth with operating cash flow and have strong balance sheets. We find the bulk of our targets in the industrials, health care and information technology sectors.

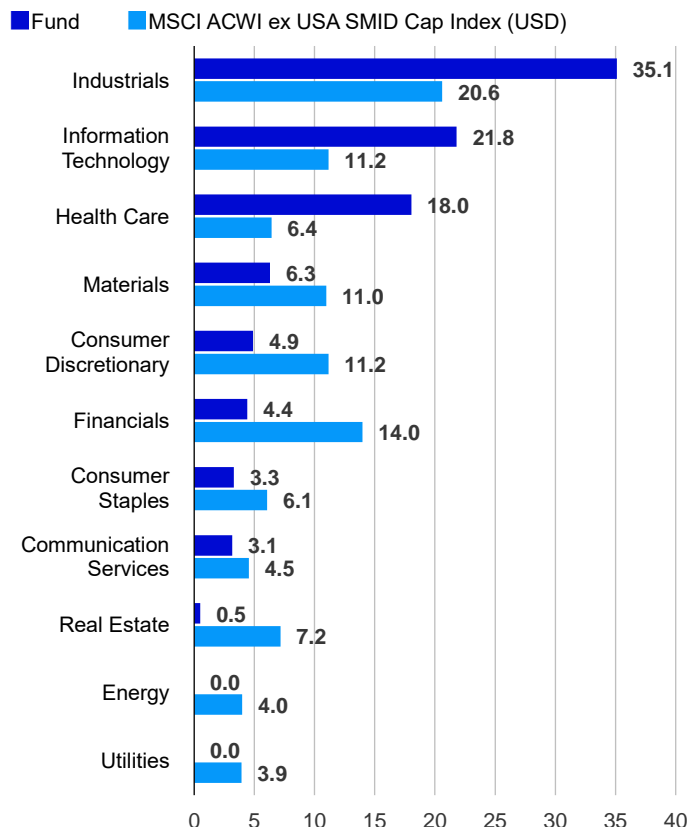
We historically tend to avoid the utilities and real estate sectors, which are viewed as “bond proxies,” as well as sectors with many industries whose products are commoditized, such as energy and materials.

We added one new stock to the fund during the quarter. However, we are still building the position judiciously and so will discuss it at a later time.

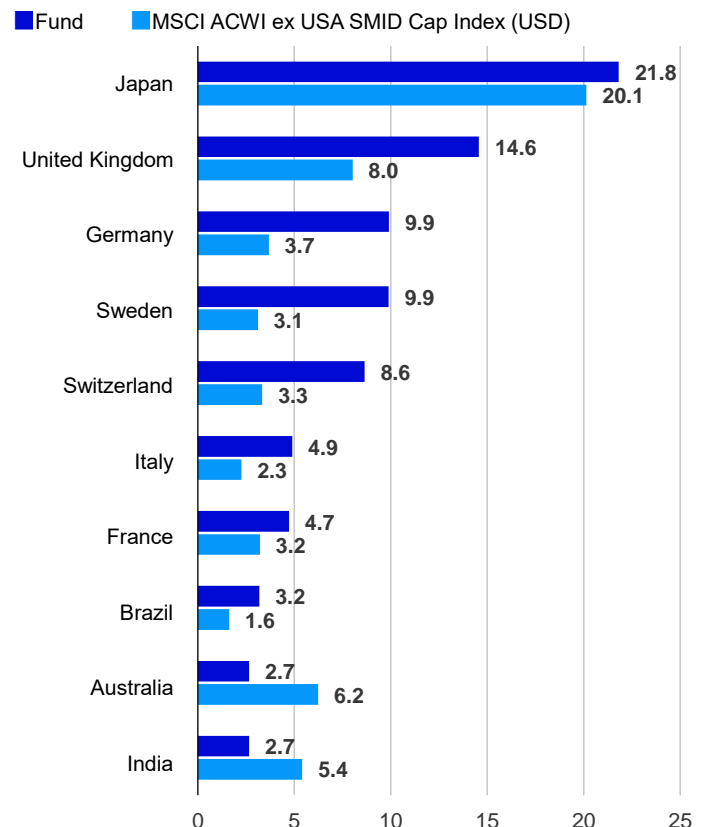
We exited one position during the quarter.

Antares Vision, based in Italy, provides inspection systems for production, quality control and traceability to the life science, food, beverage, cosmetics and container industries. We invested in the company about two years after its initial public offering. We were attracted to the secular demand growth supporting the industry and to the strong market position Antares held within each of its niche product offerings. Unfortunately, we have been disappointed in this investment. Management has not in our view executed well. Although gross profit margins appears to have held up, indicating that Antares continues to enjoy pricing power for its product offering, margins at the operating level have narrowed. Consensus forecasts by sell-side analysts estimate that operating margins will likely recover next year. We do not share that opinion. We have higher conviction that other companies held in the fund and on our watch list can deliver the rate of return on capital that we require from the companies in which we invest. Therefore, we have chosen to exit the position and redeploy that capital.

Sector breakdown (% of total net assets)



Top countries (% of total net assets)



Top contributors (%)

Issuer	Return	Contrib. to return
NICE Ltd.	30.63	0.48
DISCO Corporation	52.79	0.43
Carl Zeiss Meditec AG	15.61	0.37
Bruker Corporation	27.92	0.33
Biotage AB	27.03	0.28

Top detractors (%)

Issuer	Return	Contrib. to return
OBIC Co., Ltd.	-12.03	-0.30
LEM Holding SA	-23.18	-0.28
TechnoPro Holdings, Inc.	-22.03	-0.28
TOTVS S.A.	-18.25	-0.19
Azbil Corporation	-15.54	-0.18

Performance highlights

The fund outperformed most in health care due to stock selection, in real estate due to its usual underweight, and in materials due to stock selection.

The fund underperformed in industrials due to stock selection, in financials due to the usual underweight, and in consumer discretionary due to stock selection.

Contributors to performance

NICE is an Israeli company that provides call center software to businesses, increasingly through the cloud-based software-as-a-service model. During the quarter, Nice announced earnings above consensus forecasts and raised guidance. The company reported that AI application within its product suite contributed significantly, allaying earlier fears about AI-based competition. The share price reacted favorably.

Disco, based in Japan, is a leading global provider of cutting and grinding machinery for the semiconductor industry. With its 70%+ global market share in the slicing, dicing and polishing of silicon wafers, Disco's product suite is mission-critical to stack more components onto chips. Furthermore, parts and service comprise half of Disco's revenues, creating in our view a reliable cashflow stream. During the quarter, Disco was added to Japan's Nikkei 225 Index and the share price reacted favorably.

Carl Zeiss, based in Germany, has been a key fund holding since 2011. The name Zeiss is synonymous with lenses, and Carl Zeiss is a global leader in ophthalmic and other high-precision surgery. This company is in our

view well-positioned in growing markets fueled by an aging world population and increasing health care access in emerging markets. The company is one of the fund's larger holdings. During the quarter, the company announced earnings ahead of forecasts and advised that post-Covid destocking in Chinese channels steadily continues. The share price reacted favorably.

Detractors from performance

OBIC Business Consultants is based in Japan and provides enterprise software to small and medium-sized Japanese businesses. Demand has been rising as companies have continued to digitize their businesses. Furthermore, OBIC provides an increasing portion of its software through the cloud, as a service, which widens its profit margins. During the quarter, the company announced results that showed a slowdown in growth and the share price reacted unfavorably.

LEM, a French company, is a global leader in the niche market of transducers used in the transportation industry, particularly rail transport. During the quarter, LEM announced earnings below consensus forecasts and the share price reacted unfavorably. We continue to view the company's prospects positively.

TechnoPro is a temporary employment company in Japan, specializing in engineers. During the quarter, the company announced earnings that some – although not we – found disappointing. The share price reacted unfavorably.

Standardized performance (%) as of March 31, 2024

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 11/17/97	NAV	0.98	0.98	5.38	-2.84	3.94	6.71	10.99
	Max. Load 5.5%	-4.58	-4.58	-0.41	-4.65	2.77	6.11	10.75
Class R6 shares inception: 12/29/11	NAV	1.07	1.07	5.77	-2.49	4.33	7.14	11.32
Class Y shares inception: 09/07/05	NAV	1.04	1.04	5.63	-2.61	4.19	6.97	9.82
MSCI ACWI ex USA SMID Cap Index (USD)		2.44	2.44	12.31	0.31	5.51	4.35	-
Total return ranking vs. Morningstar Foreign Small/Mid Growth category (Class A shares at NAV)		-	-	83% (109 of 129)	41% (52 of 119)	62% (65 of 117)	6% (5 of 82)	-

Expense ratios per the current prospectus: Class A: Net: 1.35%, Total: 1.35%; Class R6: Net: 0.99%, Total: 0.99%; Class Y: Net: 1.11%, Total: 1.11%.

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 (%)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Class A shares at NAV	0.11	14.91	-0.49	37.93	-9.46	24.78	24.78	13.86	-31.19	12.29
Class R6 shares at NAV	0.54	15.40	-0.07	38.54	-9.09	25.28	25.23	14.26	-30.94	12.73
Class Y shares at NAV	0.38	15.15	-0.24	38.30	-9.25	25.08	25.07	14.14	-31.02	12.57
MSCI ACWI ex USA SMID Cap Index (USD)	-3.05	0.44	3.57	30.35	-17.06	22.36	12.01	10.16	-19.49	15.79

Portfolio characteristics*

	Fund	Index
No. of holdings	115	5,704
Top 10 issuers (% of AUM)	17.08	2.51
Wtd. avg. mkt. cap (\$M)	7,204	7,038
Price/earnings	26.35	16.10
Price to book	4.02	1.57
Est. 3 – 5 year EPS growth (%)	10.42	11.62
ROE (%)	18.04	11.59
Long-term debt to capital (%)	17.26	27.05
Operating margin (%)	19.91	15.93

Risk statistics (5 year)*

	Fund	Index
Alpha (%)	-1.10	0.00
Beta	1.00	1.00
Sharpe ratio	0.09	0.18
Information ratio	-0.17	0.00
Standard dev. (%)	21.57	19.37
Tracking error (%)	9.40	0.00
Up capture (%)	118.18	100.00
Down capture (%)	108.42	100.00
Max. drawdown (%)	41.76	31.23

Quarterly performance attribution

Sector performance analysis (%)

Sector	Allocation effect	Selection effect	Total effect
Communication Services	0.01	0.19	0.20
Consumer Discretionary	-0.03	-0.44	-0.47
Consumer Staples	0.14	0.11	0.25
Energy	-0.21	0.00	-0.21
Financials	-0.39	-0.32	-0.71
Health Care	-0.50	1.48	0.99
Industrials	0.47	-2.26	-1.79
Information Technology	0.05	-0.01	0.04
Materials	0.13	0.15	0.28
Other	0.00	0.00	0.00
Real Estate	0.40	-0.07	0.34
Utilities	0.15	0.00	0.15
Cash	-0.03	0.00	-0.03
Total	0.20	-1.16	-0.96

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
Developed	0.14	-1.10	-0.96
Africa/Mideast	-0.01	0.30	0.29
Asia/Pacific Ex Japan	0.17	0.04	0.21
Europe	-0.12	-0.02	-0.14
Japan	0.13	-2.00	-1.87
North America	-0.03	0.58	0.55
Emerging	0.38	-0.35	0.03
Africa/Mideast	0.01	-0.06	-0.05
Asia/Pacific Ex Japan	0.39	-0.01	0.38
Europe	-0.06	0.00	-0.06
Latin America	-0.03	-0.22	-0.25
Cash	-0.03	0.00	-0.03
Total	0.49	-1.45	-0.96

Performance attribution (cont'd)

Performance analysis by country — top 5 (%)

	Total effect	Avg. weight	Total return
Germany	0.66	9.99	9.80
United States	0.51	2.52	23.02
Sweden	0.36	9.67	5.17
China	0.31	0.00	0.00
Israel	0.29	1.71	30.63

Performance analysis by country — bottom 5 (%)

	Total effect	Avg. weight	Total return
Japan	-1.87	22.74	-2.59
Italy	-0.54	5.25	-4.90
United Kingdom	-0.29	15.42	-0.27
Switzerland	-0.25	8.84	-2.79
Brazil	-0.25	3.34	-7.72

Unless otherwise specified, all information is as of 03/31/24. Unless stated otherwise, Index refers to MSCI ACWI ex USA SMID Cap Index (USD).

As of the close of business on April 1, 2016, the fund limited public sales of its shares to certain investors. For more information on who may invest in the fund, please see the prospectus.

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.

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.