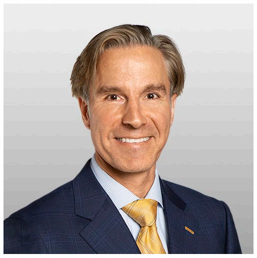
Invesco International Small-Mid Company Fund 2024 Shareholder Letter



David Nadel
Portfolio Manager

Andrey Belov, PhD
Portfolio Manager

Dear Fellow Shareholders,

During 2024, US equity markets – and international equities to a lesser extent – rallied as central banks began easing monetary policy. Quality-growth portfolios, like ours, were not rewarded this year either. Low-quality, indebted companies benefitted most by the beginnings of interest rate cuts. It is important to consider that at the onset of monetary easing, circumstances first improve for those who are heavily indebted, however, while interest rates are being cut, they will not be going back to zero anytime soon, and capital will have a cost going forward. Companies that depend on debt financing will be financing at higher rates than they have for most of the last two decades.

We prioritize high-quality companies with strong balance sheets, predictable cash flows, and little to no need for debt financing. We focus on healthy, growing industries with pricing power and believe that over the long-term, return on invested capital (ROIC) is the single best measure and predictor of investor outcomes. We believe this approach is most desirable for long-term investing. Over any given 12-month period however, “Mr. Market’s” preferences don’t always align.

The top performing segments of the market were many things that we typically avoid. For example, banks, insurance, and aerospace & defense were among the top performing industries in our benchmark, MSCI All Country World ex USA SMID index. As long-term growth investors, we find these industries to be lower quality due to high levels of government involvement, cyclicality, and high debt.

As we enter 2025, we are feeling increasingly confident that the high-quality companies that we target are closer to their trough valuations than their peak in terms of investor sentiment. Typically, we see one or two of our holdings acquired for a premium every year. In 2024, five were bought as attractive valuations drew strategic and private equity buyers.

The dispersion between US and international equity valuations is unprecedented. This has led to attractive opportunities for us, particularly among consumer discretionary and staples companies. A key unifying theme of the investments we made in the consumer sectors is the US is a key consumer market for their products. We like getting US consumer exposure at a fraction of the multiple investors are paying for US-domiciled consumer companies.

We are excited about many other themes we are exposed to in the portfolio heading into 2025, such as value-added distributors and IT consulting, the latter of which is a play on artificial intelligence (AI), big data, 5G, and the internet of things. The companies that we own are capital rich; have demonstrated pricing power, and strong incumbent positions. As we navigate economic uncertainty globally, we believe ‘Mr. Market’ will return to appreciating the high-quality companies that we – along with many strategic and private buyers – do.

As always, we are grateful for the trust you have placed in us. We thank you for investing alongside us in our portfolio.

Regards,

David Nadel *Andrey Belov*

David Nadel Andrey Belov

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. Past performance is not a guarantee of future results.

All data provided by Invesco unless otherwise noted.

About risk

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.

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 opinions expressed are those of the Portfolio Manager of the Invesco International Small-Mid Company Fund and 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.

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 financial professional for a prospectus/summary prospectus or visit invesco.com/fundprospectus.