

Invesco Emerging Markets Select Equity Fund

Q1 2023

Key takeaways

- 1 The fund outperformed its benchmark**

The fund's Class A shares outperformed the MSCI EM Index. Stock selection in the consumer discretionary and materials sectors drove the fund's outperformance.
- 2 Emerging Markets near-term outlook is promising**

The next 12 months appear promising. The US and Europe are grappling with inflation, rich valuations and a series of asset bubbles. Emerging market central banks have been raising rates for some time and may be close to cutting, which should rekindle growth.
- 3 We remain focused on the long-term investment horizon**

We believe many emerging market companies are trimming oversized ambitions to focus on profitable, cash generating opportunities, which should improve earnings and returns as businesses become more rational and disciplined.

Investment objective

The fund seeks long-term growth of capital.

Fund facts

Fund AUM (\$M)	42.37
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Portfolio managers

Justin Leverenz

Manager perspective and outlook

- Against a global backdrop of considerable cyclical macroeconomic challenges, emerging market equities have underperformed their developed market peers year-to-date. However, in our view, the next 12 months appear promising for emerging market equities. While the US and Europe grapple with inflation, rich valuations and asset bubbles, including the recent financial sector crises, many emerging market countries have proven to be good stewards of capital and have dealt aggressively with inflation. Emerging market central banks have been in tightening mode for some time and may be close to reversing, which should rekindle growth. Furthermore, there are no major excesses across the emerging market landscape, with the possible exception of pockets in China. Emerging economies have become slower growing but more resilient and are home to some exceptional companies that have endured the challenges of the past few years and emerged with stronger fundamentals.
- Looking ahead, we believe many emerging market companies are cutting back on oversized ambitions and focusing on opportunities that are profitable and cash generating. This should improve earnings and returns as these businesses become more rational and disciplined. We believe this environment favors active managers with an idiosyncratic approach and should reward genuine imagination and creativity in unearthing these extraordinary companies.



Top issuers

(% of total net assets)

	Fund	Index
Taiwan Semiconductor Manufacturing Co Ltd	7.46	6.57
Housing Development Finance Corp Ltd	6.78	0.84
Yum China Holdings Inc	6.77	0.40
Pernod Ricard SA	5.32	0.00
Kotak Mahindra Bank Ltd	5.08	0.18
Grupo Mexico SAB de CV	4.82	0.22
H World Group Ltd	4.18	0.14
ZTO Express Cayman Inc	4.16	0.18
Tata Consultancy Services Ltd	3.90	0.54
Tencent Holdings Ltd	3.72	4.67

As of 03/31/23. Holdings are subject to change and are not buy/sell recommendations.

Portfolio positioning

Company fundamentals are especially crucial to us as long-term investors. Our investment approach has always been rooted in an unwavering focus on unearthing high-quality compounders – innovative companies with structural tailwinds, durable competitive advantages and a host of options that will manifest over time. We typically avoid companies with the following characteristics: governance conflicts, unsustainable advantages, mean reversion, product cycle/gadgets and capital intensive/cyclical industries.

We use a bottom-up, benchmark-agnostic approach. Sector and country exposure are a by-product of stock selection. Sector and industry weights reflect areas where we tend to find extraordinary companies and see dynamic changes and real value creation. Those areas include technology, consumer, health care, financials and resources/industrials. As of quarter end, relative to the MSCI EM Index, the fund was overweight in the consumer discretionary, consumer staples, materials, industrials, health care and real estate sectors. The fund was underweight the information technology, energy, financials, utilities and communication services sectors.

The largest purchases for the quarter included:

Tencent, a Chinese internet/technology company and a long-term holding, has developed a robust suite of offerings for its user base, which should provide structural support for future growth.

Fomento Economico Mexicano (FEMSA) operates the leading convenience store chain and beverage company in Latin America. FEMSA is undergoing restructuring and sold its stake in Heineken. The proceeds may be used to fund growth opportunities.

Housing Development Finance Corp. (HDFC) was India's first specialized mortgage company. We anticipate continued growth opportunity driven by the approved merger with its subsidiary, HDFC Bank.

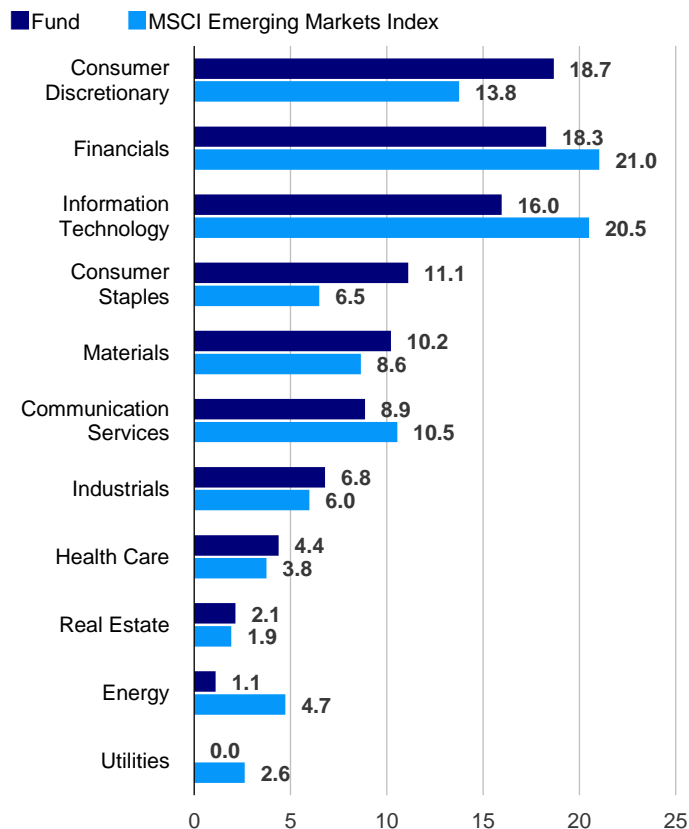
The largest sales this quarter included:

China Isotope & Radiation operates in China's health care industry, developing and distributing nuclear products. We decided to reduce the fund's position in the company and deploy capital elsewhere.

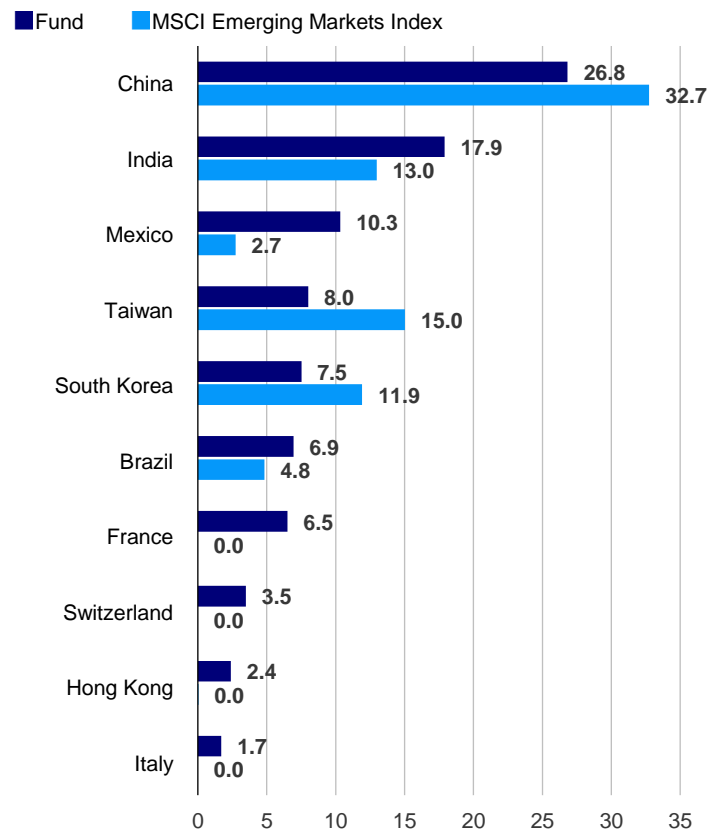
Pinduoduo operates an interactive ecommerce platform in China. While the company still has interesting long-term growth opportunities, we decided to exit the position and redeploy capital elsewhere.

Inner Mongolia Yili is a Chinese packaged food company that produces milk and dairy products, along with frozen foods. We exited this position and put capital to work elsewhere.

Sector breakdown (% of total net assets)



Top countries (% of total net assets)



Top contributors (%)

Issuer	Return	Contrib. to return
Grupo Mexico S.A.B. de C.V.	36.22	1.34
Taiwan Semiconductor Manufacturing Company Limited	20.33	1.30
Yum China Holdings, Inc.	16.53	0.97
Pernod Ricard SA	15.46	0.66
H World Group Ltd.	15.47	0.62

Top detractors (%)

Issuer	Return	Contrib. to return
Meituan	-18.67	-0.21
BeiGene, Ltd.	-19.56	-0.19
Wuxi Biologics (Cayman) Inc.	-19.45	-0.14
Glencore plc	-13.66	-0.13
Kotak Mahindra Bank Limited	-4.38	-0.13

Performance highlights

From a sector perspective, stock selection in the consumer discretionary, materials and consumer staples sectors contributed the most to relative return. The largest detractor from relative return was stock selection and an underweight in the information technology sector. Stock selection in health care also detracted. Geographically, an overweight and stock selection in Mexico was the largest contributor to relative performance. Stock selection in China and India also added to relative return. The largest detractor from relative return was an overweight allocation to Hong Kong. An underweight in South Korea detracted from relative return, as did an overweight in Australia.

Absolute Contributors to performance:

Grupo Mexico is a diversified mining company that controls a portfolio of high-quality assets through its subsidiaries, including the world's fourth largest copper mine, and is the largest rail operator in Mexico. Grupo Mexico's copper reserves should prove valuable as the world transitions to renewable energy. **Taiwan Semiconductor Manufacturing Co. (TSMC)** is a leading semiconductor foundry. Despite weak smartphone and PC demand, TSMC's growth trajectory should be strong

as the company continues migrating to next generation processing nodes.

Yum China operates a portfolio of quick serve restaurants in China with notable brands such as KFC and Pizza Hut. China lifted COVID-related mobility restrictions, which should aid growth, alongside expansion initiatives.

Absolute Detractors from performance:

Meituan operates one of the leading service-based ecommerce platforms in China. Investors' concern about increased competition and investments in new initiatives has weighed on the company's stock price.

BeiGene is an innovative Chinese biopharmaceutical company with a deep pipeline of clinical-stage oncology candidates. BeiGene should be well-positioned to generate long-term growth as it continues expansion efforts in domestic and global markets. During the quarter, the US announced a focus on domestic biomanufacturing, which caused concern.

WuXi Biologics, based in China, leveraged its technology and drug production knowledge to become a successful contract development and manufacturing organization (CDMO). Like BeiGene, the stock was affected by the announcement of a US focus on domestic biomanufacturing.

Standardized performance (%) as of March 31, 2023

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 05/31/11	NAV	8.17	8.17	-9.03	-2.47	-5.14	0.23	-1.88
	Max. Load 5.5%	2.27	2.27	-14.07	-4.31	-6.20	-0.34	-2.35
Class R6 shares inception: 09/24/12	NAV	8.16	8.16	-8.79	-2.25	-4.91	0.45	0.28
Class Y shares inception: 05/31/11	NAV	8.15	8.15	-8.78	-2.20	-4.91	0.47	-1.65
MSCI Emerging Markets Index		3.96	3.96	-10.70	7.83	-0.91	2.00	-
Total return ranking vs. Morningstar Diversified Emerging Mkts category (Class A shares at NAV)		-	-	44% (380 of 831)	100% (739 of 742)	97% (634 of 653)	90% (355 of 394)	-

Calendar year total returns (%)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Class A shares at NAV	-7.57	-4.31	-10.40	6.15	47.52	-22.85	37.50	26.30	-24.19	-28.81
Class R6 shares at NAV	-7.42	-3.99	-10.26	6.56	47.44	-22.59	37.67	26.76	-24.07	-28.59
Class Y shares at NAV	-7.30	-4.13	-10.27	6.57	47.80	-22.56	37.62	26.73	-24.05	-28.55
MSCI Emerging Markets Index	-2.60	-2.19	-14.92	11.19	37.28	-14.57	18.42	18.31	-2.54	-20.09

Expense ratios per the current prospectus: Class A*: Net: 1.33%, Total: 1.83%; Class R6*: Net: 1.08%, Total: 1.37%; Class Y*: Net: 1.08%, Total: 1.58%.

*Net = Total annual operating expenses less any contractual fee waivers and/or expense reimbursements by the adviser in effect through at least Feb 29, 2024. See current prospectus for more information.

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. Index source: 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.

Portfolio characteristics*

	Fund	Index
No. of holdings	53	1,379
Top 10 issuers (% of AUM)	52.15	24.01
Wtd. avg. mkt. cap (\$M)	102,892	102,602
Price/earnings	17.11	12.60
Price to book	3.08	1.66
Est. 3 – 5 year EPS growth (%)	13.45	11.41
ROE (%)	15.88	17.17
Long-term debt to capital (%)	24.76	21.47
Operating margin (%)	21.12	20.77

Risk statistics (5 year)*

	Fund	Index
Alpha (%)	-3.95	0.00
Beta	1.00	1.00
Sharpe ratio	-0.32	-0.12
Information ratio	-0.51	0.00
Standard dev. (%)	20.74	18.94
Tracking error (%)	8.25	0.00
Up capture (%)	98.98	100.00
Down capture (%)	107.50	100.00
Max. drawdown (%)	53.02	35.98

Quarterly performance attribution**Sector performance analysis (%)**

Sector	Allocation effect	Selection effect	Total effect
Communication Services	-0.26	0.38	0.12
Consumer Discretionary	-0.14	2.30	2.16
Consumer Staples	-0.04	0.83	0.78
Energy	0.16	-0.04	0.12
Financials	0.25	-0.15	0.11
Health Care	-0.05	-0.45	-0.51
Industrials	-0.01	0.24	0.24
Information Technology	-0.12	-0.39	-0.51
Materials	-0.02	1.29	1.27
Real Estate	0.00	-0.01	-0.01
Utilities	0.44	0.00	0.44
Cash	-0.05	0.00	-0.05
Total	0.23	4.01	4.23

Region performance analysis (%)

Region	Allocation effect	Selection effect	Total effect
Developed	0.83	0.00	0.83
Asia/Pacific Ex Japan	-0.53	0.00	-0.53
Europe	1.33	0.00	1.33
Japan	0.03	0.00	0.03
Emerging	0.00	3.45	3.45
Africa/Mideast	0.55	0.11	0.65
Asia/Pacific Ex Japan	-0.16	1.56	1.41
Europe	0.06	0.00	0.06
Latin America	-0.02	1.35	1.33
Cash	-0.05	0.00	-0.05
Total	0.79	3.45	4.23

Performance analysis by country — top 5 (%)

	Total effect	Avg. weight	Total return
Mexico	1.19	8.05	26.56
China	0.90	27.29	8.28
India	0.61	17.39	-0.72
France	0.54	5.78	12.56
Switzerland	0.53	3.05	23.22

Performance analysis by country — bottom 5 (%)

	Total effect	Avg. weight	Total return
Hong Kong	-0.34	2.90	-5.67
South Korea	-0.26	7.63	8.92
Australia	-0.19	0.97	-13.66
Taiwan	-0.06	8.60	21.68
Peru	-0.05	0.77	-1.96

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.**

Unless otherwise specified, all information is as of 03/31/23. Unless stated otherwise, Index refers to MSCI Emerging Markets Index.

The MSCI Emerging Markets Index (ND) is an unmanaged index considered representative of stocks of developing countries. The index is computed using the net return, which withholds applicable taxes for non-residents investors. An investment cannot be made directly in an index.

About risk

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.

Preferred securities may include provisions that permit the issuer to defer or omit distributions for a certain period of time, and reporting the distribution for tax purposes may be required, even though the income may not have been received. Further, preferred securities may lose substantial value due to the omission or deferment of dividend payments.

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.

A value style of investing is subject to the risk that the valuations never improve or that the returns will trail other styles of investing or the overall stock markets.

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. **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. **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. **Information Ratio** is a measurement of portfolio returns beyond the returns of a benchmark, usually an index, compared to the volatility of those 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. **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.