



# Invesco European Small Company Fund

## International/global growth

Data as of Dec. 31, 2011

### Investment objective and strategy

The fund seeks long-term growth of capital by investing in reasonably priced, quality, small-cap European companies with strong fundamentals and/or accelerating earnings growth.

### Portfolio management

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### How does the fund fit into your portfolio?

- **Small-cap European exposure.** The fund offers investors the ability to tap into the extremely inefficient (i.e., under-researched) small-cap universe across both developed and emerging Europe.

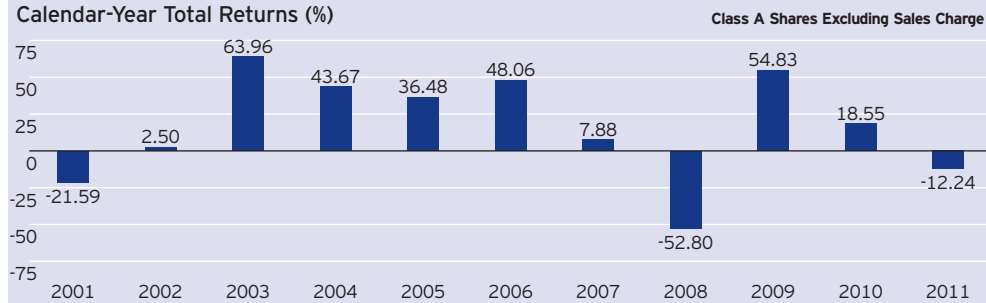
### Investment Results

Period	Class A Shares Inception: 08/31/00		Class C Shares Inception: 08/31/00		Class Y Shares Inception: 10/03/08		as of Dec. 31, 2011
	Max Load 5.50%	NAV	Max CDSC 1.00%	NAV	NAV	Style-Specific Index	MSCI Europe Small Cap Index
Inception	9.28	9.82	9.04	9.04	-	-	-
10 Years	14.22	14.88	14.05	14.05	14.98	9.28	9.28
5 Years	-4.97	-3.89	-4.60	-4.60	-3.72	-5.60	-5.60
3 Years	15.03	17.22	16.35	16.35	17.53	16.90	16.90
1 Year	-17.07	-12.24	-13.75	-12.93	-12.01	-20.12	-20.12
Quarter	-7.75	-2.40	-3.44	-2.52	-2.27	0.41	0.41

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. Performance shown prior to the inception date of Class Y shares is that of Class A shares and includes the 12b-1 fees applicable to Class A shares. Class A share performance reflects any applicable fee waivers or expense reimbursements. Had fees not been waived and/or expenses reimbursed currently or in the past, returns would have been lower. Returns less than one year are cumulative; all others are annualized.

Index source: Lipper Inc.

### Calendar-Year Total Returns (%)



### About risk

Securities issued by foreign companies and governments located in developing countries may be affected more negatively by inflation, devaluation of their currencies, higher transaction costs, delays in settlement, adverse political developments, the introduction of capital controls, withholding taxes, nationalization of private assets, expropriation, social unrest, war or lack of timely information than those in developed countries.

The fund's foreign investments may be affected by changes in the foreign country's exchange rates; political and social instability; changes in economic or taxation policies; difficulties when enforcing obligations; decreased liquidity; and increased volatility. Foreign companies may be subject to less regulation resulting in less publicly available information about the companies.

Because the fund's investments are concentrated in Europe, the fund's performance is expected to be closely tied to social, political, and economic conditions within Europe and to be more volatile than the performance of more geographically diversified funds.

Growth stocks tend to be more expensive relative to their earnings or assets compared with other types of stock. As a result they tend to be more sensitive to changes in their earnings and can be more volatile.

The investment techniques and risk analysis used by portfolio managers may not produce desired results.

The fund is non-diversified and can invest a greater portion of its assets in a single issuer. A change in the value of the issuer could affect the value of the fund more than if it was a diversified fund.

Stocks of small and mid-sized companies tend to be more vulnerable to adverse developments and may have little or no operating history or track record of success, and limited product lines, markets, management and financial resources. The securities of small and mid-sized companies may be more volatile due to less market interest and less publicly available issuer information. They also may be illiquid or restricted as to resale, or may trade less frequently and in smaller volumes, all of which may cause difficulty when establishing or closing a position at a

### Fund Facts

Nasdaq A: ESMAX C: ESMCX Y: ESMYX

Total Net Assets \$106,765,367

Total Number of Holdings 66

Annual Turnover (as of 12/31/10) 21%

### Top Equity Holdings

% of Total Net Assets

Kier Group PLC 3.76

DCC plc 3.41

Aryzta AG 3.22

Paddy Power PLC 3.00

Wirecard AG 2.78

Pro-Safe Inc 2.57

Diploma PLC 2.50

IG Group Holdings Plc 2.27

Mediq NV 2.08

Mears Group PLC 2.07

Holdings are subject to change and are not buy/sell recommendations.

### Top Countries

United Kingdom 33.33

Ireland 16.00

Germany 10.18

Norway 7.28

France 5.77

Switzerland 4.52

Spain 3.17

Austria 3.05

Turkey 2.95

Netherlands 2.89

Holdings are subject to change and are not buy/sell recommendations.

### Expense Ratios

% Net % Total

Class A Shares 1.71 1.71

Class C Shares 2.46 2.46

Class Y Shares 1.46 1.46

Per the current prospectus

**About risk (continued)**

desirable price.

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.

Neither MSCI nor any party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the data is permitted without MSCI's express written consent.

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.

**12-month forward and trailing P/E** are calculated using weighted harmonic averaging, which helps avoid extreme results that may occur due to small relative numbers in the denominator. It doesn't exclude extreme values; instead, it reduces the effect of outliers on the aggregate calculation. The **price/book ratio** is the market price of a stock divided by the book value per share. **Return on equity (ROE)** is net income divided by net worth. The **median 12-Month Fwd. Growth Rate** is the percent change between the next twelve months' mean EPS estimate and the previous twelve months' actuals. The **three-year EPS growth rate** is a weighted average of each stock holding's growth rate in earnings per share (EPS). EPS is total earnings divided by the number of shares outstanding. This measurement is not a forecast of the fund's performance. The **five-year dividend growth rate** is the weighted average of each stock holding's annualized percentage rate of growth in dividend yield over five years. This measurement is not a forecast of the fund's performance. **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. **R-squared** (cash adjusted) expresses the proportion of variation in the return of one fund explained by the return of a benchmark. **Tracking error** measures the difference between returns of a portfolio and its benchmark index. 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. **Standard deviation** measures a fund's range of total returns and identifies the spread of a fund's short-term fluctuations.

All data provided by Invesco unless otherwise noted.

**External Comparisons Based on Total or Risk-Adjusted Return****Morningstar Ratings and Rankings and Lipper Rankings**

Class A Shares as of Dec. 31, 2011

	Overall	1 Year	3 Years	5 Years	10 Years
vs. Morningstar Europe Stock Category*					
A Shares (Load)	★★★★	N/A	★★★★	★★★	★★★★★
A Shares (Load Waived)	★★★★★	N/A	★★★★	★★★★	★★★★★
Number of Funds in Category	103	N/A	103	93	75
vs. Morningstar Europe Stock Category**					
	(52 of 123)	(18 of 103)	(27 of 93)	(3 of 75)	
vs. Lipper European Region Funds Category***					
	(52 of 108)	(8 of 92)	(23 of 84)	(1 of 68)	

\*Source: ©2012 Morningstar Inc. All rights reserved. The information contained herein is proprietary to Morningstar and/or its content providers. It may not be copied or distributed and is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. **Ratings are based on a risk-adjusted return measure that accounts for variation in a fund's monthly performance, placing more emphasis on the downward variations and rewarding consistent performance.** With-load ratings include the effect of sales charges, loads and redemption fees. Load-waived ratings exclude sales charges, loads and redemption fees, and are only applicable to investors not subject to sales charges. Had fees not been waived and/or expenses reimbursed in the past, the Morningstar rating would have been lower. The overall rating is derived from a weighted average of three-, five- and 10-year rating metrics, as applicable. Ratings are as of the most recent quarter end and are subject to change every month. A fund is eligible for a Morningstar rating three years after inception. The top 10% of funds in a category receive five stars, the next 22.5% four stars, the next 35% three stars, the next 22.5% two stars and the bottom 10% one star. (Each share class is counted as a fraction of one fund within this scale and rated separately, which may cause slight variations in the distribution percentages.) Ratings for other share classes may differ due to different performance characteristics. Past performance does not guarantee future results.

\*\*Source: Morningstar Inc. **Morningstar rankings are based on total return, excluding sales charges and including fees and expenses,** versus all funds in the category tracked by Morningstar.

\*\*\*Source: Lipper Inc. **Lipper fund percentile rankings are based on total returns, excluding sales charges and including fees and expenses,** and are versus all funds in the category tracked by Lipper.

**Portfolio Characteristics: Fund vs. MSCI Europe Small Cap Index****Valuation Statistics**

	Fund	Index
12-Month Forward P/E	8.82	10.61
12-Month Trailing P/E	10.01	12.87
Price/Book (Wtd. Avg.)	2.44	2.20
1-Year ROE (Wtd. Avg.)	21.39	15.40
12-Month Fwd. Growth Rate (Median) (%)	7.36	11.91
3-Year EPS Growth Rate (Wtd. Avg.) (%)	9.44	0.91
5-Year Dividend Growth Rate (Wtd. Avg.) (%)	15.79	6.77
Weighted Average Market Cap (\$MM)	1,227	1,718
Weighted Median Market Cap (\$MM)	844	1,508
3-Year Standard Deviation	21.05	28.46

Sources: Invesco, Compustat, Thomson Financial, MSCI, StyleADVISOR

**Statistics**

Fund vs. Index	3 Years	5 Years
Alpha (%)	4.02	0.23
Beta	0.72	0.83
R-Squared	0.95	0.94
Tracking Error (%)	9.10	7.84
Up Capture (%)	69.96	79.15
Down Capture (%)	73.19	87.47

Source: StyleADVISOR; based on Class A shares

**Asset Mix (%)**

	at 12/31/11	at 12/31/10
Int'l Common Stk	95.86	93.51
Cash	3.78	6.28
Other	0.36	0.21

**Equity Sector Breakdown**

Market Sector	Fund	Index
Industrials	34.95	24.64
Consumer Discretionary	15.04	15.76
Information Technology	13.12	9.26
Consumer Staples	8.22	5.05
Energy	7.22	6.40
Financials	6.87	19.97
Health Care	5.50	6.33
Materials	4.54	9.01
Telecommunication Services	0.64	1.56
Utilities	0.00	2.01

Sources: Invesco, MSCI

**Capitalization Breakdown**

	% of Equities	
	Fund	Index
Giant	0.00	0.00
Large	0.00	0.13
Mid	36.03	53.49
Small	39.44	41.30
Micro	24.53	5.09

Based on Morningstar capitalization ranges

**Geographic Diversification**

Region	% of Total Net Assets
Europe	91.81
Asia	0.00
Latin America	0.00
Africa/Middle East	4.29
North America	0.00

Developed Market Exposure	93.13
Emerging Markets Exposure	2.96

**NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE**

Consider the investment objectives, risks, charges and expenses carefully before investing. Please read the prospectus carefully before investing. For this and more complete information about the funds, contact your financial advisor or visit [invesco.com/fundprospectus](http://invesco.com/fundprospectus).

Note: Not all products, materials or services available at all firms. Advisors, please contact your home office.

# Invesco European Small Company Fund

Data as of Dec. 31, 2011

## Performance summary

- Despite weak macroeconomic news, European equities were up 5.39% for the fourth quarter<sup>1</sup> (as represented by the MSCI Europe Index), outperforming the broader non-U.S. market. Small-caps in Europe were less resilient, however, lagging their large-cap peers.
- There was significant differentiation in results across the region. Northern European countries such as Sweden and Norway, as well as safe haven Switzerland, achieved above-average gains for the quarter. More heavily indebted Southern European countries such as Greece, Spain, and Italy underperformed.
- A comprehensive solution to Europe's debt crisis is still lacking, despite a few positive steps taken late in 2011. These included the European Central Bank's efforts to ensure liquidity to the ailing banking system, two interest rate cuts and discussions among political leaders to create a more coordinated fiscal union.
- Invesco European Small Company Fund was not immune to the volatility. Class A shares at net asset value (NAV) lagged the fund's benchmark in the fourth quarter. (Please see the returns table on page 1 for fund and index performance.)
- Underperformance was driven by lagging stock selection in the industrials and materials sectors.

## Contributors to performance

- From a sector perspective, fund exposures in the financials and information technology (IT) sectors had the largest positive effects on relative results.
- In the financials sector, strong stock selection in the real estate management and diversified financials industries enabled the fund to deliver a positive return even though the index sector was negative. A meaningful underweight in financials, the quarter's weakest sector, added to relative return as well.
- In the IT sector, stock selection again drove outperformance. Fund holdings across the IT services and electronic equipment industries showed strength. Top contributors included **Tessi SA** and **Diploma PLC** (1.59% and 2.50% of total net assets, respectively).
- From a geographic perspective, stock selection in Italy, Switzerland and Spain had the most positive impact on relative results.

## Detractors from performance

- Stock selection in the industrial sector (mainly in the aerospace and defense and commercial services industries) drove underperformance during the quarter. Several of the fund's largest detractors in this sector are U.K.-based.
- Stock selection was a drag in the materials sector as well. Most of this underperformance came from the fund's holdings of metals & mining stock **Koza Anadolu Metal Madencilik Isletmeleri** (1.27% of total net assets).
- **HomeServe PLC** and **Chemring Group PLC** were also notable individual detractors (1.62% and 1.88% of total net assets, respectively).
- **HomeServe** is a U.K.-based emergency home repairs insurance provider. Company management decided to freeze parts of its business after an internal review raised questions about whether the company's products were correctly sold through its call-center channel. The deficiencies were rectified and most of the company's call centers are now operational. **HomeServe's** international operations have shown strength and are increasingly contributing to the company's bottom line.
- **Chemring**, a U.K.-based defense manufacturer, is dominant in its niche segments, with attractive growth and better strategy execution than many of its peers. Despite its success, **Chemring's** stock price declined due to uncertainty in key defense markets both in the U.S. and U.K. We continue to find the company attractively positioned and cheaply valued.

## Top contributors and detractors

Contributors		Detractors	
	(%) of Total Assets		(%) of Total Assets
1. Paddy Power PLC	3.00	1. Homeserve PLC Com	1.62
2. Aryzta AG	3.22	2. Koza Anadolu Metal Madencilik Isletmeleri	1.27
3. Kier Group PLC	3.76	3. Chemring Group PLC	1.88
4. TGS Nopec Geophysical Co.	1.93	4. Mears Group PLC	2.07
5. Lancashire Holdings Ltd.	0.76	5. CPP Group PLC	1.38

## Positioning and outlook

- In line with our long-term (low turnover) approach, sector and country allocations were relatively unchanged over the quarter. There were no new purchases and we sold the fund's holdings of gaming software development company **Playtech** (0.00% of total net assets).
- We believe Europe's near-term return potential will largely be driven by the timing and specifics of solutions offered by European Union policymakers to address sovereign debt exposures and fiscal responsibilities.
- Over the long term, our outlook for European equities is favorable.
- The valuation gap between the European and U.S. markets is near its historic high. A reversion to the mean suggests the gap should narrow, which would potentially lead to equity outperformance from European companies.
- We believe, for long-term investors, market volatility can often provide opportunities to buy high-quality companies at attractive prices.

The MSCI Europe Index is an unmanaged index considered representative of European stocks. An investment cannot be made directly in an index. Opinions expressed are those of the fund's portfolio management. Holdings are subject to change and are not buy/sell recommendations.

<sup>1</sup> Source: Lipper Inc.