

# SECURITIES AND EXCHANGE COMMISSION

## FORM 497

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### FILER

#### **INVESCO INTERNATIONAL FUNDS INC**

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[LOGO OMITTED]

INVESCO ASIAN GROWTH FUND  
(A SERIES OF INVESCO SPECIALTY FUNDS, INC.)

March 23, 1999

Dear INVESCO Asian Growth Fund Shareholder:

The attached proxy materials describe a proposal that INVESCO Asian Growth Fund ("Asian Growth Fund") reorganize and become part of INVESCO Pacific Basin Fund. If the proposal is approved and implemented, each shareholder of Asian Growth Fund will automatically become a shareholder of INVESCO Pacific Basin Fund.

The attached proxy materials also seek your approval to convert Asian Growth Fund to a series of INVESCO International Funds, Inc. ("International Funds") and to make certain changes in the fundamental investment restrictions of Asian Growth Fund (if the reorganization is not approved or cannot be completed for some other reason), to elect directors, and to ratify the appointment of PricewaterhouseCoopers LLP as independent accountants of Asian Growth Fund.

YOUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ALL PROPOSALS. The board believes that combining the two Funds will benefit Asian Growth Fund's shareholders by providing them with a portfolio that has an investment objective that is substantially similar to that of Asian Growth Fund, that has a similar investment strategy. If, however, the reorganization is not approved or cannot be completed for some other reason, you are being asked to approve the conversion of Asian Growth Fund to a series of International Funds. You are also being asked to approve certain changes to the fundamental investment restrictions of Asian Growth Fund that will update and streamline the Fund's restrictions. The attached proxy materials provide more information about the proposed reorganization and the two Funds, the proposed conversion, and the proposed changes in fundamental investment restrictions, as well as the other matters you are being asked to vote upon.

YOUR VOTE IS IMPORTANT NO MATTER HOW MANY SHARES YOU OWN. Voting your shares early will permit Asian Growth Fund to avoid costly follow-up mail and telephone solicitation. After reviewing the attached materials, please complete, sign and date your proxy card and mail it in the enclosed return envelope today. As an alternative to using the paper proxy card to vote, you may vote by telephone, by facsimile, through the Internet or in person.

Very truly yours,

/s/ Mark H. Williamson  
-----

Mark H. Williamson  
President  
INVESCO Asian Growth Fund

WHAT YOU SHOULD KNOW ABOUT  
THIS PROPOSED FUND MERGER

March 23, 1999

INVESCO AND THE FUND'S BOARD OF DIRECTORS ENCOURAGE YOU TO READ THE ENCLOSED PROXY STATEMENT CAREFULLY. THE FOLLOWING IS A BRIEF OVERVIEW OF THE KEY ISSUE.

WHY IS MY FUND HOLDING A SPECIAL SHAREHOLDER MEETING?

The main reason for the meeting is so that shareholders of INVESCO Asian Growth Fund can decide whether or not to reorganize their fund. If shareholders decide in favor of the proposal, ASIAN GROWTH FUND WILL MERGE with another, similar mutual fund managed by INVESCO, and you will become a shareholder of INVESCO PACIFIC BASIN FUND.

Whether or not shareholders decide they wish to merge the Funds, there are other matters of business to be considered. So, even if you vote in favor of the proposed merger, please do review all of the other proposals and vote on them as well.

WHAT ARE THE ADVANTAGES OF MERGING THE FUNDS?

There are two key potential advantages:

- o By combining the Funds, SHAREHOLDERS MAY ENJOY LOWER EXPENSE RATIOS over time. Larger funds tend to enjoy economies of scale not available to funds with smaller assets under management.

o These LOWER COSTS MAY LEAD TO STRONGER PERFORMANCE, since total return to a fund's shareholders is net of fund expenses.

The potential benefits and possible disadvantages are explained in more detail in the enclosed proxy statement.

#### HOW ARE THESE TWO FUNDS ALIKE?

The investment goals of the Funds are the same: Asian Growth Fund seeks capital appreciation, while Pacific Basin Fund pursues long-term capital growth. Because

these funds invest primarily overseas, both are subject to the special risks of international investing (such as currency fluctuations, and differences in accounting and securities regulation). However, there are significant differences in investment strategy.

- o ASIAN GROWTH FUND invests in companies located throughout Asia and the Pacific Rim -- but excludes Japan in favor of less developed markets.
- o PACIFIC BASIN FUND invests throughout the Far East and Pacific Rim, including Japan. This greater geographical area, which incorporates the dominant economy of the region, offers additional opportunities for seeking the Fund's goal.

#### WHAT HAPPENS IF SHAREHOLDERS DECIDE IN FAVOR OF A MERGER?

A Closing Date will be set for the reorganization. Shareholders will receive full and fractional shares of Pacific Basin Fund equal in value to the shares of Asian Growth Fund that they owned on the Closing Date.

The net asset value per share of Pacific Basin Fund will not be affected by the transaction. That means the reorganization will not result in a dilution of any shareholder's interest.

#### IF THE FUNDS MERGE, WILL THERE BE TAX CONSEQUENCES FOR ME?

Unlike a transaction where you direct INVESCO to sell shares of one fund in order to buy shares of another, the reorganization WILL NOT BE CONSIDERED A TAXABLE EVENT. The Funds themselves will recognize no gains or losses on assets as a result of a reorganization. So you will not have reportable capital gains or losses due to the reorganization. (HOWEVER, SHAREHOLDERS OF THE FUND MAY RECEIVE A DISTRIBUTION OF ORDINARY INCOME AND/OR CAPITAL GAINS IMMEDIATELY PRIOR TO THE REORGANIZATION, TO THE EXTENT THAT UNPAID AMOUNTS OF INCOME AND/OR GAINS REMAIN IN THE FUND.)

You should consult your own tax advisor regarding any possible effect a reorganization might have on you, given your personal circumstances - particularly regarding state and local taxes.

#### WHO WILL PAY FOR THIS REORGANIZATION?

The expenses of the reorganization, including legal expenses, printing, packaging and postage, plus the costs of any supplementary solicitation, will be borne partly by INVESCO and partly by the two Funds.

#### WHAT DOES THE FUND'S BOARD OF DIRECTORS RECOMMEND?

The Board believes you should vote in favor of the reorganization. More important, though, the directors recommend that you study the issues involved, call us with any questions, and vote promptly to ensure that a quorum of Asian Growth Fund shares will be represented at the Fund's special shareholders meeting.

#### WHERE DO I GET MORE INFORMATION ABOUT INVESCO PACIFIC BASIN FUND?

- o Please visit our Web site at [WWW.INVESCO.COM](http://WWW.INVESCO.COM)
- o Or call Investor Services toll-free at 1-800-646-8372

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#### YOU SHOULD KNOW WHAT INVESCO KNOWS

At INVESCO, we've built a global reputation on professional investment management. Some of the world's largest institutions and more than a million individuals rely on our knowledgeable investment specialists for effective management of their portfolios. INVESCO provides investors the perspective gained from more than 65 years of helping clients seek their financial goals.

The heart of INVESCO's business is to provide strong core mutual fund portfolios designed as solid foundations for our clients' investments. We draw on the resources of affiliates worldwide, so we have seasoned experts in the investment strategies you want to pursue -- both for your core investments as well as to meet special needs. And we offer award-winning service to help you better take advantage of our investment expertise. Call us to learn more about your choices at INVESCO.

INVESCO ASIAN GROWTH FUND  
(A SERIES OF INVESCO SPECIALTY FUNDS, INC.)

NOTICE OF  
SPECIAL MEETING OF SHAREHOLDERS  
MAY 20, 1999

To The Shareholders:

A special meeting of shareholders of the INVESCO Asian Growth Fund ("Asian Growth Fund"), a series of INVESCO Specialty Funds, Inc. ("Specialty Funds"), will be held on May 20, 1999, at 10:00 a.m., Mountain Time, at the office of INVESCO Funds Group, Inc., 7800 East Union Avenue, Denver, Colorado 80237, for the following purposes:

- (1) To approve an Agreement and Plan of Reorganization and Termination under which INVESCO Pacific Basin Fund ("Pacific Basin Fund"), a series of INVESCO International Funds, Inc. ("International Funds"), would acquire all of the assets of Asian Growth Fund in exchange solely for shares of Pacific Basin Fund and the assumption by Pacific Basin Fund of all of Asian Growth Fund's liabilities, followed by the distribution of those shares to the shareholders of Asian Growth Fund, all as described in the accompanying Prospectus/Proxy Statement;
- (2) To approve an Agreement and Plan of Conversion and Termination providing for the conversion of Asian Growth Fund from a separate series of Specialty Funds to a separate series of International Funds;
- (3) To approve certain changes to the fundamental investment restrictions of Asian Growth Fund;
- (4) To elect a board of directors of Specialty Funds;
- (5) To ratify the selection of PricewaterhouseCoopers LLP as independent accountants of Asian Growth Fund; and
- (6) To transact such other business as may properly come before the meeting or any adjournment thereof.

You are entitled to vote at the meeting and any adjournment thereof if you owned shares of Asian Growth Fund at the close of business on March 12, 1999. IF YOU ATTEND THE MEETING, YOU MAY VOTE YOUR SHARES IN PERSON. IF YOU DO NOT EXPECT TO ATTEND THE MEETING, PLEASE COMPLETE, SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD IN THE ENCLOSED POSTAGE PAID ENVELOPE.

By order of the board of directors,

/s/ Glen A. Payne

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Glen A. Payne  
Secretary

March 23, 1999  
Denver, Colorado

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YOUR VOTE IS IMPORTANT  
NO MATTER HOW MANY SHARES YOU OWN

Please indicate your voting instructions on the enclosed proxy card, sign and date the card, and return it in the envelope provided. IF YOU SIGN, DATE AND RETURN THE PROXY CARD BUT GIVE NO VOTING INSTRUCTIONS, YOUR SHARES WILL BE VOTED "FOR" THE PROPOSALS DESCRIBED ABOVE. In order to avoid the additional expense of further solicitation, we ask your cooperation in mailing your proxy card promptly. As an alternative to using the paper proxy card to vote, you may vote by mail, by telephone, through the Internet, by facsimile machine or in person. Shares that are registered in your name, as well as shares held in "street name" through a broker, may be voted via the Internet or by telephone. To vote in this manner, you will need the 12-digit "control" number(s) that appear on your proxy card(s). To vote via the Internet, please access <http://www.proxyvote.com> on the World Wide Web. In addition, shares that are registered in your name may be voted by faxing your completed proxy card(s) to 1-800-733-1885. If we do not receive your completed proxy after several weeks, you may be contacted by our

proxy solicitor, Shareholder Communications Corporation. Our proxy solicitor will remind you to vote your shares or will record your vote over the phone if you choose to vote in that manner. You may also call 1-800-690-6903 and vote by phone.

Unless proxy cards submitted by corporations and partnerships are signed by the appropriate persons as indicated in the voting instructions on the proxy card, they will not be voted.

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INVESCO PACIFIC BASIN FUND (A SERIES OF INVESCO  
INTERNATIONAL FUNDS, INC.)

INVESCO ASIAN GROWTH FUND  
(A SERIES OF INVESCO SPECIALTY FUNDS, INC.)

7800 EAST UNION AVENUE  
DENVER, COLORADO 80237  
(TOLL FREE) 1-800-646-8372

PROSPECTUS/PROXY STATEMENT

MARCH 23, 1999

This Prospectus/Proxy Statement ("Proxy Statement") is being furnished to shareholders of the INVESCO Asian Growth Fund ("Asian Growth Fund"), a series of INVESCO Specialty Funds, Inc. ("Specialty Funds"), in connection with the solicitation of proxies by its board of directors for use at a special meeting of its shareholders to be held on May 20, 1999, at 10:00 a.m., Mountain Time, and at any adjournment of the meeting, if the meeting is adjourned for any reason.

As more fully described in this Proxy Statement, one of the main purposes of the meeting is to vote on a proposed reorganization. In the reorganization, the INVESCO Pacific Basin Fund ("Pacific Basin Fund"), a series of INVESCO International Funds, Inc. ("International Funds"), would acquire all of the assets of Asian Growth Fund, in exchange solely for shares of Pacific Basin Fund and the assumption by Pacific Basin Fund of all of the liabilities of Asian Growth Fund. Those shares of Pacific Basin Fund would then be distributed to the shareholders of Asian Growth Fund, so that each shareholder would receive a number of full and fractional shares of Pacific Basin Fund having an aggregate value that, on the effective date of the reorganization, is equal to the aggregate net asset value of the shareholder's shares of Asian Growth Fund. As soon as practicable following the distribution of shares, Asian Growth Fund will be terminated.

Pacific Basin Fund is a diversified series of International Funds, which is an open-end management investment company. The investment objective of both Pacific Basin Fund and Asian Growth Fund is to seek capital appreciation.

This Proxy Statement, which should be retained for future reference, sets forth concisely the information about the reorganization and Pacific Basin Fund that a shareholder should know before voting on the reorganization. A Statement of Additional Information, dated March 23, 1999, relating to the reorganization and including historical financial statements, has been filed with the Securities and Exchange Commission ("SEC") and is incorporated herein by reference (that is, the Statement of Additional Information is legally a part of this Proxy Statement). A Prospectus and a Statement of Additional Information for Pacific Basin Fund, each dated March 1, 1999, and Annual Report to

Shareholders for the fiscal year ended October 31, 1998 have been filed with the SEC and are incorporated herein by this reference. Asian Growth Fund's Prospectus and Statement of Additional Information, each dated December 1, 1998, have been filed with the SEC and also are incorporated herein by this reference. Copies of Pacific Basin Fund's Prospectus and Annual Report to Shareholders accompany this Proxy Statement. Copies of the other referenced documents, as well as Asian Growth Fund's Annual Report to Shareholders for the fiscal year ended July 31, 1998, may be obtained without charge, and further inquiries may be made, by writing to INVESCO Distributors, Inc., P.O. Box 173706, Denver, Colorado 80217-3706, or by calling toll-free 1-800-646-8372.

The SEC maintains a website (<http://www.sec.gov>) that contains the Statement of Additional Information and other material incorporated by reference, together with other information regarding Pacific Basin Fund and Asian Growth Fund.

THE SEC HAS NOT APPROVED OR DISAPPROVED THE SHARES OF THE INVESCO PACIFIC BASIN FUND, OR DETERMINED WHETHER THIS PROXY STATEMENT IS ACCURATE OR COMPLETE.

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INVESCO ASIAN GROWTH FUND  
(a series of INVESCO Specialty Funds, Inc.)

PROSPECTUS/PROXY STATEMENT

SPECIAL MEETING OF SHAREHOLDERS  
MAY 20, 1999  
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VOTING INFORMATION

This Prospectus/Proxy Statement ("Proxy Statement") is being furnished to shareholders of INVESCO Asian Growth Fund ("Asian Growth Fund"), a series of INVESCO Specialty Funds, Inc. ("Specialty Funds"), in connection with the solicitation of proxies from Asian Growth Fund shareholders by the board of directors ("Board") of Specialty Funds for use at a special meeting of shareholders to be held on May 20, 1999 ("Meeting"), and at any adjournment of the Meeting. This Proxy Statement will first be mailed to shareholders on or about March 23, 1999.

One-third of Asian Growth Fund's shares outstanding on March 12, 1999, represented in person or by proxy, shall constitute a quorum and must be present for the transaction of business at the Meeting. If a quorum is not present at the Meeting or a quorum is present but sufficient votes to approve one or more of the proposals are not received, the persons named as proxies may propose one or more adjournments of the Meeting to permit further solicitation of proxies. Any such adjournment will require the affirmative vote of a majority of those shares represented at the Meeting in person or by proxy. The persons named as proxies will vote those proxies that they are entitled to vote FOR any proposal in favor of such an adjournment and will vote those proxies required to be voted AGAINST a proposal against such adjournment. A shareholder vote may be taken on one or more of the proposals in this Proxy Statement prior to any such adjournment if sufficient votes have been received and it is otherwise appropriate.

Broker non-votes are shares held in street name for which the broker indicates that instructions have not been received from the beneficial owners or other persons entitled to vote and for which the broker does not have discretionary voting authority. Abstentions and broker non-votes will be counted as shares present for purposes of determining whether a quorum is present but will not be voted for or against any adjournment or proposal. Accordingly, abstentions and broker non-votes effectively will be a vote against adjournment or against any proposal where the required vote is a percentage of the shares present or outstanding. Abstentions and broker non-votes will not be counted, however, as votes cast for purposes of determining whether sufficient votes have been received to approve a proposal.

The individuals named as proxies on the enclosed proxy card will vote in accordance with your directions as indicated on the proxy card, if your proxy card is received properly executed by you or by your duly appointed agent or attorney-in-fact. If you sign, date and return the proxy card, but give no voting instructions, your shares will be voted in favor of approval of each of the proposals and the duly appointed proxies may, in their discretion, vote upon such other matters as may come before the Meeting. The proxy card may be revoked by giving another proxy or by letter or telegram revoking the initial proxy. To be effective, revocation must be received by Specialty Funds prior to the Meeting and must indicate your name and account number. If you attend the Meeting in person you may, if you wish, vote by ballot at the Meeting, thereby canceling any proxy previously given.

In order to reduce costs, notices to a shareholder having more than one account in Asian Growth Fund listed under the same Social Security number at a single address have been combined. The proxy cards have been coded so that a shareholder's votes will be counted for each such account.

As of March 12, 1999 ("Record Date"), Asian Growth Fund had 4,158,371.752

shares of common stock outstanding. The solicitation of proxies, the cost of which will be borne half by INVESCO Funds Group, Inc. ("INVESCO "), the investment adviser and transfer agent of Asian Growth Fund, and half by INVESCO Pacific Basin Fund ("Pacific Basin Fund"), a series of INVESCO International Funds, Inc. ("International Funds"), and Asian Growth Fund, will be made primarily by mail but also may be made by telephone or oral communications by representatives of INVESCO and INVESCO Distributors, Inc. ("IDI"), the distributor of the INVESCO group of investment companies ("INVESCO Funds"), who will not receive any compensation for these activities from either Asian Growth Fund or Pacific Basin Fund, or by Shareholder Communications Corporation, professional proxy solicitors, who will be paid fees and expenses of up to approximately \$1,500 for soliciting services. If votes are recorded by telephone, Shareholder Communications Corporation will use procedures designed to authenticate shareholders' identities, to allow shareholders to authorize the voting of their shares in accordance with their instructions, and to confirm that a shareholder's instructions have been properly recorded. You may also vote by mail, by facsimile or through a secure Internet site. Proxies voted by telephone, facsimile or Internet may be revoked at any time before they are voted in the same manner that proxies voted by mail may be revoked.

Except as set forth in Appendix A, INVESCO does not know of any person who owns beneficially 5% or more of the shares of Asian Growth Fund or Pacific Basin Fund (each a "Fund"). Directors and officers of Specialty Funds own in the aggregate less than 1 % of the shares of Asian Growth Fund.

VOTE REQUIRED. Approval of Proposals 1 and 2 requires the affirmative vote of a majority of the outstanding voting securities of Asian Growth Fund. Approval of Proposal 3 requires the affirmative vote of a "majority of the outstanding voting securities" of the Asian Growth Fund, as defined in the Investment Company Act of 1940, as amended ("1940 Act"). This means that Proposal 3 must be approved by the lesser of: (1) 67% of Asian Growth Fund's

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shares present at a meeting of shareholders if the owners of more than 50% of Asian Growth Fund's shares then outstanding are present in person or by proxy; or (2) more than 50% of Asian Growth Fund's outstanding shares. A plurality of the votes cast at the Meeting, and at concurrent meetings of the other series of Specialty Funds, taken in the aggregate, is sufficient to approve Proposal 4. Approval of Proposal 5 requires the affirmative vote of a majority of the shares of Asian Growth Fund present at the Meeting, provided a quorum is present. Each outstanding full share of Asian Growth Fund is entitled to one vote, and each outstanding fractional share thereof is entitled to a proportionate fractional share of one vote. If any Proposal is not approved by the requisite vote of shareholders, the persons named as proxies may propose one or more adjournments of the Meeting to permit further solicitation of proxies.

#### PART I. THE REORGANIZATION

PROPOSAL 1. TO APPROVE AN AGREEMENT AND PLAN OF REORGANIZATION AND TERMINATION ("REORGANIZATION PLAN") UNDER WHICH PACIFIC BASIN FUND WOULD ACQUIRE ALL OF THE ASSETS OF ASIAN GROWTH FUND IN EXCHANGE SOLELY FOR SHARES OF PACIFIC BASIN FUND AND THE ASSUMPTION BY PACIFIC BASIN FUND OF ALL OF ASIAN GROWTH FUND'S LIABILITIES, FOLLOWED BY THE DISTRIBUTION OF THOSE SHARES TO THE SHAREHOLDERS OF ASIAN GROWTH FUND ("REORGANIZATION")

#### SYNOPSIS

The following is a summary of certain information contained elsewhere in this Proxy Statement, the Prospectus and Statement of Additional Information of Pacific Basin Fund (which are incorporated herein by reference), the Prospectus and Statement of Additional Information of Asian Growth Fund (which are incorporated herein by reference), and the Reorganization Plan (which is attached as Appendix B to this Proxy Statement). As discussed more fully below, Specialty Funds' Board believes that the Reorganization will benefit Asian Growth Fund's shareholders. Pacific Basin Fund has an investment objective that is substantially similar to the investment objective of Asian Growth Fund and has similar investment strategies. It is anticipated that, following the Reorganization, the total operating expenses for the combined Fund will be lower as a percentage of net assets than those of Asian Growth Fund.

#### THE PROPOSED REORGANIZATION

Specialty Funds' Board considered and unanimously approved the Reorganization Plan at a meeting held on February 3, 1999. The Reorganization Plan provides for the acquisition of all the assets of Asian Growth Fund by Pacific Basin Fund, in exchange solely for shares of common stock of Pacific Basin Fund and the assumption by Pacific Basin Fund of all the liabilities of Asian Growth Fund. Asian Growth Fund then will distribute those shares of Pacific Basin Fund to its shareholders, so that each Asian Growth Fund

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shareholder will receive the number of full and fractional shares that is equal in aggregate value to the shareholder's holdings in Asian Growth Fund as of the day the Reorganization is completed. Asian Growth Fund then will be terminated as soon as practicable thereafter.

The Reorganization will occur as of the close of business on June 18, 1999, or at a later date when the Reorganization is approved and all contingencies have been met ("Closing Date").

For the reasons set forth below under "The Proposed Transaction - Reasons for the Reorganization," Specialty Funds' Board, including its directors who are not "interested persons," as that term is defined in the 1940 Act, of Specialty Funds, International Funds, INVESCO, INVESCO Asset Management Limited ("IAML") or INVESCO Asia Limited ("IAL") (collectively, the "Independent Directors"), has determined that the Reorganization is in the best interests of Asian Growth Fund, that the terms of the Reorganization are fair and reasonable and that the interests of Asian Growth Fund's shareholders would not be diluted as a result of the Reorganization. Accordingly, Specialty Funds' Board recommends approval of the transaction. In addition, the Board of International Funds, including its Independent Directors, has determined that the Reorganization is in the best interests of Pacific Basin Fund, that the terms of the Reorganization are fair and reasonable and that the interests of Pacific Basin Fund's shareholders would not be diluted as a result of the Reorganization.

COMPARATIVE FEE TABLE

As shown in the tables below, a shareholder pays no fees to purchase Fund shares, to exchange to another INVESCO Fund, or to sell shares. The only Fund costs a shareholder pays are annual Fund operating expenses that are deducted from Fund assets. The current fees and expenses incurred for the fiscal year ended October 31, 1998 by Pacific Basin Fund and the fiscal year ended July 31, 1998 by Asian Growth Fund, and PRO FORMA fees for Pacific Basin Fund after the Reorganization as shown below.

SHAREHOLDER FEES (fees paid directly from your investment)

	Pacific Basin Fund	Asian Growth Fund	Combined Fund (Pro Forma)
	-----	-----	-----
Sales charge (load) on purchases of shares	None	None	None
Sales charge (load) on reinvested dividends	None	None	None
Redemption fee or deferred sales charge (load)	None*	None*	None*
Exchange fee	None	None	None

ANNUAL FUND OPERATING EXPENSES (expenses that are deducted from fund assets)

	Pacific Basin Fund	Asian Growth Fund	Combined Fund (Pro Forma)
	-----	-----	-----
Management Fees	0.75%	0.75%	0.75%
Distribution (12b-1) Fees (1)	0.25%	0.25%	0.25%
Other Expenses	1.56% (3)	1.92% (4)	1.49%
Total Fund Operating Expenses (2)	2.56% (3)	2.92% (4)	2.49%

\* Effective May 1, 1999, Pacific Basin and Asian Growth Fund will impose redemption and exchange fees of 2.00% on shares held three months or less and 1.00% on shares held more than three months but less than six months. The fee will be retained by the Fund to offset transaction costs and other expenses associated with short-term redemptions and exchanges. This redemption fee will not apply to shares of Pacific Basin Fund issued in the Reorganization.

(1) Because each Fund pays distribution fees, long-term shareholders could pay more than the economic equivalent of the maximum front-end sales charge permitted by the National Association of Securities Dealers, Inc. Effective December 1, 1997, Pacific Basin Fund was authorized to pay a distribution (12b-1) fee of up to 0.25% of new assets (new sales of shares, exchanges into the Fund, and reinvestments of dividends and other distributions made on or after December 1, 1997). For the fiscal year ended October 31, 1998, actual distribution (12b-1) fees were 0.20% of average net assets. Currently, because of the increase in new assets, actual distribution (12b-1) fees are 0.25% of average new assets.

(2) Each Funds' actual Total Fund Operating expenses were lower than the figures

shown because their custodian fees were reduced under expense offset arrangements. Because of an SEC requirement, the figures shown above DO NOT reflect these reductions.

- (3) Certain expenses of Pacific Basin Fund are being absorbed voluntarily by INVESCO. Accordingly, the Other Expenses and Total Operating Expenses paid, after absorption, by Pacific Basin Fund were 1.07% and 2.07%, respectively. INVESCO will continue to absorb expenses for a period of at least one year so that Total Fund Operating Expenses will not exceed 2.00%.
- (4) Certain expenses of Asian Growth Fund are being absorbed voluntarily by INVESCO and IAL, the Fund's sub-advisor. Accordingly, the actual Other Expenses and Total Fund Operating Expenses paid by Asian Growth Fund were 1.01% and 2.01%, respectively. INVESCO and IAL do not intend to continue absorbing the expenses of Asian Growth Fund. Thus, if the Reorganization is not approved, Asian Growth Fund's actual Other Expenses and Total Fund Operating Expenses will likely increase.

#### EXAMPLE OF EFFECT ON FUND EXPENSES

This Example is intended to help you compare the cost of investing in Asian Growth Fund with the cost of investing in Pacific Basin Fund and the cost of investing in Pacific Basin Fund assuming the Reorganization has been completed.

This Example assumes that you invest \$10,000 in the specified Fund for the time periods indicated and then redeem all of your shares at the end of those periods. This Example also assumes that your investment has a 5% return each year, that all dividends and other distributions are reinvested and that the Fund's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions, your costs would be:

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	ONE YEAR	THREE YEARS	FIVE YEARS	TEN YEARS
PACIFIC BASIN FUND	\$259	\$796	\$1,360	\$2,895
ASIAN GROWTH FUND	\$295	\$904	\$1,538	\$3,242
COMBINED FUND (PRO FORMA)	\$252	\$776	\$1,326	\$2,826

#### FORM OF ORGANIZATION

Pacific Basin Fund is a series of International Funds, an open-end, diversified investment management company that was organized as a Maryland corporation on April 2, 1993. Asian Growth Fund is a series of Specialty Funds, an open-end, diversified investment management company that was organized as a Maryland corporation on April 12, 1994. Neither International Funds nor Specialty Funds is required to (nor does it) hold annual shareholder meetings. Neither Fund issues share certificates.

#### INVESTMENT ADVISER

INVESCO is the investment adviser of both Funds. In this capacity, INVESCO is primarily responsible for providing the Funds with various administrative services and supervising their daily business affairs. IAML is the sub-adviser of Pacific Basin Fund and IAL is sub-adviser of Asian Growth Fund. The sub-adviser of each Fund is primarily responsible for selecting and managing that Fund's investments.

INVESCO is currently paid: (1) by Pacific Basin Fund a monthly advisory fee computed at the annual rate of 0.75% on the first \$350 million of the Fund's average net assets, 0.65% on the next \$350 million of such assets, and 0.55% on such assets over \$700 million; and (2) by Asian Growth Fund a monthly advisory fee computed at the annual rate of 0.75% on the first \$500 million of the Fund's average net assets, 0.65% on the next \$500 million of such assets, and 0.55% on such assets over \$1 billion.

Out of the advisory fee which it receives from Pacific Basin Fund, INVESCO pays IAML, as sub-adviser of Pacific Basin Fund, a monthly fee based upon the average net asset value of 0.30% on the first \$350 million of such assets; 0.26% on the next \$350 million of such assets, and 0.22% on such assets over \$700 million. Out of the advisory fee which it receives from the Asian Growth Fund, INVESCO pays IAL, as sub-adviser of Asian Growth Fund, a monthly fee based upon the average net asset value of 0.30% on the first \$500 million of the Fund's average net assets; 0.26% on the next \$500 million of such assets; and 0.22% on such assets over \$1 billion.

Following the Reorganization, INVESCO, in its capacity as investment adviser to Pacific Basin Fund, will be primarily responsible for providing the combined Fund with various administrative services and supervising the combined Fund's daily business affairs. Following the Reorganization, IAML, in its capacity as investment sub-adviser to Pacific Basin Fund, will be primarily responsible for managing the investments of the combined Fund's assets.

## INVESTMENT OBJECTIVES AND POLICIES

Pacific Basin Fund has an investment objective generally similar to that of Asian Growth Fund in that each Fund seeks capital appreciation through investment in equity securities of issuers in a particular region of the world, but the methodologies through which the Funds seek this objective differ. Pacific Basin Fund focuses on issuers in both developed and emerging markets in the Pacific Basin region and, under normal conditions, invests at least 80% of its total assets in the equity securities of companies domiciled in Far Eastern or Western Pacific countries. Asian Growth Fund focuses on issuers in Asian markets and, under normal circumstances, invests at least 65% of its total assets in equity securities of large and small companies domiciled or with primary operations in Asia and the Pacific Rim, excluding Japan.

There are certain similarities between the investment policies of Pacific Basin Fund and those of Asian Growth Fund: (1) each Fund invests primarily in equity securities of non-U.S. issuers; (2) Pacific Basin Fund is permitted to invest substantially in securities of emerging market issuers while Asian Growth Fund invests primarily in such securities; (3) there is significant overlap between the countries in which Pacific Basin Fund may invest and those in which Asian Growth Fund may invest; and (4) Pacific Basin Fund and Asian Growth Fund are each "diversified" portfolios under the 1940 Act, which means that each Fund is limited with respect to the percentage of its assets that it may invest in the securities of a limited number of issuers.

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However, there also are significant differences between the investment policies of Pacific Basin Fund and those of Asian Growth Fund: (1) Pacific Basin Fund's investments focus on countries in the Pacific Basin, which is more limited in scope than Asian Growth Fund, which may invest in a broader range of Asian and Pacific Rim countries; (2) Pacific Basin Fund may invest substantially in a number of developed countries, including Japan, as well as emerging markets countries while Asian Growth Fund focuses more on emerging markets countries and does not invest in Japan; and (3) Pacific Basin Fund normally is required to invest a higher percentage of its assets (80%) in its permitted pool of countries than Asian Growth Fund (65%).

## OTHER INVESTMENT POLICIES AND PRACTICES.

Pacific Basin Fund may only invest in investment grade debt securities. Asian Growth Fund may invest up to 30% of its total assets in debt securities rated below investment grade, commonly referred to as "junk bonds." As spelled out in greater detail in Asian Growth Fund's Prospectus, investment in junk bonds involves a higher degree of investment risk than investment in higher rated debt securities. However, junk bonds also generally provide an opportunity to earn higher yields. Consequently, Pacific Basin Fund may incur less investment risk in its debt security investments but also may be more limited in the income it earns from such investments.

Asian Growth Fund may engage in a variety of futures and options transactions and may enter into swap contracts and purchase securities for forward delivery for hedging purposes. These practices involve distinct risks that are described in the Prospectus and Statement of Additional Information of Asian Growth Fund. Pacific Basin Fund may not engage in such transactions and hence does not incur these risks. However, Pacific Basin Fund may enter into foreign currency forward contracts as a hedge against fluctuations in foreign exchange rates.

Each Fund also may engage in securities lending transactions and purchasing illiquid and Rule 144A securities. These practices and the associated risks are described in detail in the Prospectus and Statement of Additional Information for each Fund. Each Fund's ability to employ these practices is substantially similar.

There can be no assurance that either Fund will achieve its investment objective.

## OPERATIONS OF PACIFIC BASIN FUND FOLLOWING THE REORGANIZATION

As indicated above, the investment objectives and policies of the two Funds are similar, although each Fund has authority to invest in certain securities and instruments that the other Fund does not. Based on their review of the investment portfolios of each Fund, INVESCO and IAML believe that most of the assets held by Asian Growth Fund will be consistent with the investment policies of Pacific Basin Fund and thus can be transferred to and held by Pacific Basin Fund if the Reorganization Plan is approved. If, however, Asian Growth Fund has any assets that may not be held by Pacific Basin Fund, those assets will be sold prior to the Reorganization. The proceeds of such sales will be held in temporary investments or reinvested in assets that qualify to be held by Pacific Basin Fund. The possible need for Asian Growth Fund to dispose of assets prior to the Reorganization could result in selling securities at a disadvantageous time and could result in Asian Growth Fund's realizing losses that would not otherwise have been realized. Alternatively, these sales could

result in Asian Growth Fund's realizing gains that would not otherwise have been realized, the net proceeds of which would be included a distribution to its shareholders prior to the Reorganization.

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As discussed above, INVESCO serves as investment adviser to both Funds, and IAML serves as sub-adviser to Pacific Basin Fund and IAL serves as sub-adviser to Asian Growth Fund. After the Reorganization, INVESCO and IAML will continue their respective roles. In its capacity as investment adviser to Pacific Basin Fund, INVESCO will continue to be primarily responsible for providing the combined Fund with various administrative services and supervising the combined Fund's daily business affairs. IAML, as the sub-adviser to the Pacific Basin Fund, will continue to be primarily responsible for selecting and managing the combined Fund's investments. In addition, the directors and officers of Pacific Basin Fund, its distributor, and other outside agents will continue to serve the Fund in their current capacities.

#### PURCHASES AND REDEMPTIONS

**PURCHASES.** Shares of each Fund may be purchased by wire, telephone, mail or direct payroll purchase. The shares of each Fund are sold on a continuous basis at the net asset value ("NAV") per share next calculated after receipt of a purchase order in good form. The NAV per share for each Fund is computed separately and is determined once each day that the New York Stock Exchange is open ("Business Day") as of the close of regular trading on that exchange, but may also be computed at other times. For a more complete discussion of share purchases, see "How to Buy Shares" in either Fund's Prospectus.

**REDEMPTIONS.** Shares of each Fund may be redeemed by telephone or by mail. Redemptions are made at the NAV per share next determined after a request in proper form is received at the Fund's office. Normally, payments for shares redeemed will be mailed within seven days following receipt of the required documents.

Effective May 1, 1999, Pacific Basin Fund and Asian Growth Fund will impose redemption and exchange fees of 2.00% on shares held three months or less and 1.00% on shares held more than three months but less than six months. The fee will be retained by the Fund's to offset transaction costs and other expenses associated with short-term redemptions and exchanges. This redemption fee will NOT apply to shares of Pacific Basin Fund issued in the Reorganization. For a more complete discussion of share redemption procedures, see "How to Redeem Shares" in either Fund's Prospectus.

Asian Growth Fund shares will no longer be available for purchase on the Business Day following the Closing Date. Redemptions of Asian Growth Fund's shares may be effected immediately prior to the Closing Date.

#### EXCHANGES

Shares of each Fund may be exchanged for shares of another INVESCO Fund on the basis of their respective NAVs per share at the time of the exchange. After the Reorganization, shares of Pacific Basin Fund will continue to be exchangeable for shares of another INVESCO Fund. For a more complete discussion of the Funds' exchange policies, see "How to Buy Shares" in either Fund's Prospectus.

#### DIVIDENDS AND OTHER DISTRIBUTIONS

Each Fund earns investment income in the form of interest and dividends on investments. Dividends paid by each Fund are based solely on its net investment income. Each Fund's policy is to distribute substantially all of its investment income, less expenses, to shareholders on an annual or semiannual basis, at the discretion of the Board of that Fund. Dividends are automatically reinvested in additional shares of a Fund at the NAV on the ex-dividend date unless otherwise requested.

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Each Fund also realizes capital gains and losses when it sells securities or derivatives for more or less than it paid. If total gains on these sales exceed total losses (including losses carried forward from previous years), a Fund has capital gain net income. Net realized capital gains, if any, together with net gains realized on foreign currency transactions, if any, are distributed to each Fund's shareholders at least annually, usually in December. Capital gains distributions are automatically reinvested in shares of the respective Fund at the NAV on the ex-dividend date unless otherwise requested. Dividends and other distributions are paid to holders of shares on the record date of distribution regardless of how long a Fund's shares have been held by the shareholder.

On or before the Closing Date, Asian Growth Fund will declare as a distribution substantially all of its net investment income and realized net

capital gain, if any, and distribute that amount plus any previously declared but unpaid dividends, in order to continue to maintain its tax status as a regulated investment company.

#### FEDERAL INCOME TAX CONSEQUENCES OF THE REORGANIZATION

International Funds and Specialty Funds will receive an opinion of their counsel, Kirkpatrick & Lockhart LLP, to the effect that the Reorganization will constitute a tax-free reorganization within the meaning of section 368(a)(1)(C) of the Internal Revenue Code of 1986, as amended ("Code"). Accordingly, neither Fund will recognize any gain or loss as a result of the Reorganization. See "The Proposed Transaction - Federal Income Tax Considerations," below. To the extent that Asian Growth Fund sells securities prior to the Closing Date, there may be net recognized gains or losses to the Fund. Any net recognized gains would increase the amount of any distribution made to shareholders of Asian Growth Fund prior to the Closing Date.

#### COMPARISON OF PRINCIPAL RISK FACTORS

Because Asian Growth Fund's investment objective and policies are substantially similar to those of Pacific Basin Fund, an investment in Pacific Basin Fund is subject to many of the same specific risks as an investment in Asian Growth Fund. However, there are differences between the Funds. The principal specific risks associated with investing in the Funds include:

**FOREIGN SECURITIES RISK.** Investment in Pacific Basin Fund and Asian Growth Fund involves the risks associated with investing in foreign securities. Each Fund differs, however, with respect to the particular geographical region or type of foreign security in which it invests. Asian Growth Fund focuses its investments in emerging markets issuers located in Asia (except Japan) and Pacific Basin Fund in regions that are characterized by emerging markets. While both Funds seek their objectives by investing in this part of the world, Asian Growth Fund focuses more intensely on investment opportunities in emerging markets while Pacific Basin Fund tends to emphasize investments in certain developed countries in the Pacific Basin (including Japan), in addition to investing in emerging countries in that region. For example, Pacific Basin Fund will invest in countries such as Japan, which has a highly developed and sophisticated capital market, while it will also invest in countries such as

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Malaysia and India, which are considered emerging markets because they are characterized by various features associated with emerging markets, such as archaic legal systems or government imposed currency controls. Accordingly, although Pacific Basin Fund is subject to the risks discussed below related to investing in emerging markets, it will tend to have less exposure to emerging markets than Asian Growth Fund because of its additional focus on securities of issuers in developed markets such as Japan and Australia.

On the other hand, the Pacific Basin Fund presents greater investment risks in certain respects than Asian Growth Fund. Pacific Basin Fund invests in a more limited number of countries than Asian Growth Fund, although certain of those countries have large, developed capital markets. Thus, it may be more subject to adverse economic, political, regulatory and other changes in a single or a limited number of countries than Asian Growth Fund.

Investments in securities of foreign companies and in foreign markets involve certain additional risks not associated with investments in domestic companies and markets. For U.S. investors, the returns on foreign securities are influenced not only by the returns on the foreign investments themselves, but also by currency fluctuations. That is, when the U.S. dollar rises against a foreign currency, returns for U.S. investors on foreign securities denominated in that foreign currency generally will decline. In contrast, when the U.S. dollar declines against foreign currencies, returns on those foreign securities generally will increase. Other aspects of international investing to consider include:

- o less publicly available information than is generally available about U.S. issuers
- o differences in accounting, auditing and financial reporting standards
- o generally higher commission rates and longer settlement periods on foreign portfolio transactions
- o smaller trading volumes and generally lower liquidity of foreign stock markets, which may cause greater price volatility
- o less government regulation of stock exchanges, brokers and listed companies abroad than in the United States
- o investments in certain countries may be subject to foreign withholding taxes, which may reduce dividend income or capital gains payable to shareholders

Additional risks attendant to investing in foreign securities include: the possibility of expropriation or confiscatory taxation; adverse changes in investment or exchange control regulations; political instability; potential restrictions on the flow of international capital; and the possibility of the

Fund experiencing difficulties in pursuing legal remedies and collecting judgments.

EMERGING MARKETS. To varying degrees, Pacific Basin Fund and Asian Growth Fund may invest in the securities of issuers located in developing countries and emerging markets. The emerging countries in which a Fund invests may be subject to a substantially greater degree of social, political and economic instability

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than is the case in the United States and other developed countries. Such instability may result from, among other things, the following: (i) authoritarian governments or military involvement in political and economic decision-making, and changes in government through extra-constitutional means; (ii) popular unrest associated with demands for improved political, economic and social conditions; (iii) internal insurgencies and terrorist activities; (iv) hostile relations with neighboring countries; and (v) drug trafficking. Social, political and economic instability could significantly disrupt the principal financial markets in which a Fund invests and adversely affect the value of the Fund's assets.

The economies of individual emerging countries may differ favorably or unfavorably and significantly from the U.S. economy in such respects as the rate of growth of gross domestic product or gross national product, rate of inflation, currency depreciation, capital reinvestment, resource self-sufficiency, structural unemployment and balance of payments position. Governments of many emerging countries have exercised and continue to exercise substantial influence over many aspects of the private sector. In some cases, the government owns or controls many companies, including some of the largest in the country. Accordingly, government actions in the future could have a significant effect on economic conditions in an emerging country, which could affect private sector companies and a Fund, and on market conditions, prices and yields of securities in the Fund's portfolio. There may be the possibility of nationalization, asset expropriation or future confiscatory levels of taxation affecting a Fund. In the event of nationalization, expropriation or other confiscation, a Fund may not be fairly compensated for its loss and could lose its entire investment in the country involved. The economies of most emerging countries are heavily dependent upon international trade and accordingly are affected by protective trade barriers and the economic conditions of their trading partners. The enactment by the United States or other principal trading partners of protectionist trade legislation, reduction of foreign investment in the local economies and general declines in the international securities markets could have a significant adverse effect upon the securities markets of these countries. The economies of emerging countries generally are less diverse and mature than the economies of the United States and other developed countries, and are vulnerable to weaknesses in world prices for the emerging countries' commodity exports and natural resources.

Securities exchanges and broker-dealers in most emerging countries are subject to less regulatory scrutiny than in the United States, as are emerging country issuers. The limited size of the markets for securities may enable adverse publicity, investors' perceptions or traders' positions or strategies to affect prices unduly, at times decreasing not only the value but also the liquidity of a Fund's investments.

The market capitalizations of listed equity securities on exchanges in emerging countries are significantly smaller than those of the United States and other major economies. Only a few issuers may constitute a major portion of the market capitalization and trading equity. A large segment of the ownership of many emerging country issuers may be held by a limited number of persons and families, which may limit the number of shares available for investment by a Fund. As a consequence, individual emerging country securities markets are vulnerable to the effect of large investors trading significant blocks of securities or by large dispositions of securities, e.g., as a result of margin

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calls. The resulting limitations on the liquidity of emerging country securities will influence a Fund's ability to acquire and dispose of such securities at the price and time it desires to do so.

In addition, in certain emerging countries, there may be limitations on investment by foreigners in the securities of companies located in those countries, and restrictions on foreign currency transactions or repatriation of capital. The ability to invest may be restricted to the use of investment vehicles authorized by the local government, investment in shares of other investment companies, or investments in American Depositary Receipts or American Depositary Shares, or other similar depository securities.

SMALLER CAPITALIZATION COMPANIES. Both Funds may invest in smaller capitalization companies, including those traded on regional foreign stock exchanges or in the foreign over-the-counter market. These are typically companies with a market capitalization of less than \$1 billion. Smaller

capitalization companies may have limited operating histories, product lines, and financial and managerial resources. These companies also may be subject to intense competition from larger companies, and their stock may be subject to more abrupt or erratic market movements than the stock of larger, more established companies. Due to these and other factors, smaller capitalization companies may suffer significant losses, although they may realize substantial growth.

FUTURES, OPTIONS, FORWARD CONTRACTS, AND OTHER DERIVATIVES. The Funds differ in the types of futures, options, forward contracts, and other derivative securities in which they may invest. The Pacific Basin Fund is limited to investing only in forward contracts for the purchase or sale of foreign currencies ("forward currency contracts"). It may not invest in any other types of derivative securities. A forward currency contract is an agreement between contracting parties to exchange an amount of currency at some future time at an agreed-upon rate. Pacific Basin Fund enters into forward foreign currency contracts as a hedge against fluctuations in foreign exchange rates pending the settlement of transactions in foreign securities or during the time the Fund holds foreign securities, and not for purposes of speculation. Although Pacific Basin Fund has not adopted any limitations on its ability to use forward currency contracts, it does not attempt to hedge all of its foreign investment positions, and will enter into forward currency contracts only to the extent, if any, deemed appropriate by INVESCO or IAML. Pacific Basin Fund does not enter into forward contracts for terms of more than one year and no predictions can be made with respect to whether the total of such transactions will result in a better or worse position than had the Fund not entered into any forward contracts. Forward contracts may, from time to time, be considered illiquid, in which case they would be subject to Pacific Basin Fund's limitation on investing in illiquid securities, discussed below.

Asian Growth Fund may invest in futures, options, forward contracts, swaps, and other derivative instruments. Asian Growth Fund invests in these instruments as a hedge against adverse movements in securities, foreign currency, and interest rate markets, and not for purposes of speculation. Risks inherent in the use of futures, options, forward contracts, and swaps include: (1) the risk that interest rates, securities prices and currency markets will

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not move in the directions anticipated, in which case Asian Growth Fund could be left in a less favorable position than if such strategies had not been used; (2) imperfect correlation between the price of futures, options and forward contracts and movements in the prices of the securities or currencies being hedged; (3) the fact that the skills needed to use these strategies are different from those needed to select portfolio securities; and (4) the possible absence of a liquid secondary market for any particular instrument at any time. The use of futures, options, forward contracts, and swaps exposes Asian Growth Fund to additional investment risks and transaction costs and, as a result, no more than 5% of Asian Growth Fund's total assets are committed to such investments.

ILLIQUID AND RULE 144A SECURITIES. The Funds differ slightly in their respective approaches toward investing in illiquid and Rule 144A securities. Securities are considered to be illiquid if they have not been registered under the Securities Act of 1933 and are thus subject to restrictions on their resale ("restricted securities") or if, based upon their nature or the market for such securities, they are not readily marketable. Any limitations on resale and marketability may have the effect of preventing the Funds from disposing of such securities at the time desired or at a reasonable price. In addition, in order to resell restricted securities, the Funds might have to bear the expense and incur the delays associated with registering such securities. Pacific Basin Fund may not invest more than 10% of its net assets in illiquid and restricted securities. For both Funds, repurchase agreements maturing in more than seven days are considered as illiquid for purposes of this restriction. Rule 144A securities are not registered for sale to the general public and are thus restricted. However, these securities can be resold to qualified institutional investors, provided that a liquid institutional trading market develops. For Pacific Basin Fund, Rule 144A securities are subject to the 10% limitation on illiquid securities, even if a liquid institutional trading market develops. In contrast, Asian Growth Fund may purchase Rule 144A securities without regard to its 15% limitation on illiquid securities if a liquid institutional trading market exists. If a liquid institutional trading market does not develop for the Funds' Rule 144A securities, the value of the Funds' investments in these securities may be negatively affected.

INVESTMENTS IN OTHER INVESTMENT COMPANIES. Pacific Basin Fund may invest in companies domiciled in certain countries by purchasing common shares of closed-end investment companies organized to invest in the securities markets of particular countries (each a "country fund"). This is done only when it is not possible for non-residents to make direct investments in securities of the companies in those countries. Pacific Basin Fund's investments in country funds are limited in that it may not purchase shares of a country fund if: (a) such a purchase would cause the Fund to own more than 3% of the total outstanding voting stock of a particular country fund; or (b) such purchase would cause the

Fund to have more than 5% of its total assets invested in a particular country fund or more than 10% of its total assets invested in the securities of other investment companies. Investments in certain country funds may involve the payment of substantial premiums above the value of such country funds' portfolio securities. In addition, to the extent that Pacific Basin Fund invests in country funds, its investment return may be reduced by duplicative advisory fees and operating expenses resulting from two separate management companies managing the Fund's assets. Asian Growth Fund does not invest in other investment companies.

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**LOWER-RATED DEBT SECURITIES.** Pacific Basin Fund does not invest in lower-rated debt securities. In contrast, Asian Growth Fund may invest up to 30% of total fund assets in debt securities that are rated below BBB by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P"), or Baa by Moody's Investors Service, Inc. ("Moody's") or, if unrated, are determined by INVESCO or IAL to be equivalent in quality to debt securities having such ratings (commonly referred to as "junk bonds"). Asian Growth Fund does not invest in debt securities rated below CCC by S&P or Caa by Moody's or, if unrated, determined by INVESCO or IAL to be equivalent in quality to debt securities having such ratings. (For a further discussion of bond ratings, see the Statement of Additional Information of Asian Growth Fund.)

**WHEN-ISSUED OR DELAYED DELIVERY SECURITIES.** Pacific Basin Fund does not invest in when-issued securities, while Asian Growth Fund may make commitments to purchase or sell equity or debt securities in advance of their issue in an amount up to 10% of its total assets, measured at the time the commitment is made. The purchase of securities on a when-issued basis involves the risk that the value of the securities purchased will decline prior to settlement.

**TURNOVER RATE.** Each Fund's investment portfolio is actively traded. Because each Fund's strategy highlights many short-term factors - current information about a company, investor interest, price movements of the company's securities and general market and monetary conditions - securities may be bought and sold relatively frequently. Each Fund's portfolio turnover rate may be higher than that of many other mutual funds, sometimes exceeding 200%. This turnover may result in greater brokerage commissions and acceleration of capital gains, which are taxable when distributed to shareholders.

**YEAR 2000.** Many computer systems in use today may not recognize any date after December 31, 1999. If these systems are not fixed by that date, it is possible that they could generate erroneous information or fail altogether. INVESCO has committed substantial resources to make sure that its own major computer systems will continue to function on and after January 1, 2000. In addition, the markets for, or value of, securities in which the Funds invest may possibly be hurt by computer failures affecting portfolio investments or trading of securities beginning January 1, 2000. For example, improperly functioning systems could result in securities trade settlement problems and liquidity issues, production issues for individual companies and overall economic uncertainties. Individual issuers may incur increased costs in making their own systems Year 2000 compliant. The combination of market uncertainty and increased costs means that there is a possibility that Year 2000 computer issues may adversely affect the Funds' investments.

See "Risk Factors" in the Prospectuses as of Pacific Basin Fund and Asian Growth Fund for a more complete description of investment risks.

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## THE PROPOSED TRANSACTION

### REORGANIZATION PLAN

The terms and conditions under which the proposed transaction will be consummated are set forth in the Reorganization Plan. Significant provisions of the Reorganization Plan are summarized below; however, this summary is qualified in its entirety by reference to the Reorganization Plan, which is attached as Appendix B to this Proxy Statement.

The Reorganization Plan provides for: (a) the acquisition by Pacific Basin Fund on the Closing Date of all the assets of Asian Growth Fund in exchange solely for Pacific Basin Fund shares and the assumption by Pacific Basin Fund of all of Asian Growth Fund's liabilities; and (b) the distribution of those Pacific Basin Fund shares to the shareholders of Asian Growth Fund.

The assets of Asian Growth Fund to be acquired by Pacific Basin Fund include all cash, cash equivalents, securities, receivables, claims and rights of action, rights to register shares under applicable securities laws, books and records, deferred and prepaid expenses shown as assets on Asian Growth Fund's books, and all other property owned by Asian Growth Fund. Pacific Basin Fund will assume from Asian Growth Fund all liabilities, debts, obligations and

duties of Asian Growth Fund of whatever kind or nature; provided, however, that Asian Growth Fund will use its best efforts to discharge all of its known liabilities before the Closing Date. Pacific Basin Fund will deliver its shares to Asian Growth Fund, which will distribute the shares to Asian Growth Fund's shareholders.

The value of Asian Growth Fund's assets to be acquired by Pacific Basin Fund and the NAV per share of the shares of Pacific Basin Fund to be exchanged for those assets will be determined as of the close of regular trading on the New York Stock Exchange on the Closing Date ("Valuation Time"), using the valuation procedures described in each Fund's then-current Prospectus and Statement of Additional Information. Asian Growth Fund's net value shall be the value of its assets to be acquired by Pacific Basin Fund, less the amount of Asian Growth Fund's liabilities, as of the Valuation Time.

On, or as soon as practicable after, the Closing Date, Asian Growth Fund will distribute the Pacific Basin Fund shares that it receives PRO RATA to its shareholders of record as of the effective time of the Reorganization, so that each Asian Growth Fund shareholder will receive a number of full and fractional Pacific Basin Fund shares equal in aggregate value to the shareholder's holdings in Asian Growth Fund; Asian Growth Fund will be terminated as soon as practicable after the share distribution. The shares will be distributed by opening accounts on the books of Pacific Basin Fund in the names of Asian Growth Fund shareholders and by transferring to those accounts the shares previously credited to the account of Asian Growth Fund on those books. Fractional shares in Pacific Basin Fund will be rounded to the third decimal place.

Because the Pacific Basin Fund shares will be issued at NAV in exchange for the net assets of Asian Growth Fund, the aggregate value of Pacific Basin

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Fund shares issued to Asian Growth Fund shareholders will equal the aggregate value of Asian Growth Fund shares. The NAV per share of Pacific Basin Fund will be unchanged by the transaction. Thus, the Reorganization will not result in a dilution of any shareholder's interest.

Any transfer taxes payable upon the issuance of Pacific Basin Fund shares in a name other than that of the registered Asian Growth Fund shareholder will be paid by the person to whom those shares are to be issued as a condition of the transfer. Any reporting responsibility of Asian Growth Fund to a public authority will continue to be its responsibility until it is dissolved.

Half of the cost of the Reorganization, including professional fees and the cost of soliciting proxies for the Meeting, consisting principally of printing and mailing expenses, together with the cost of any supplementary solicitation, will be borne by INVESCO, the investment adviser to each Fund, and half by the Funds. The Boards of International Funds and Specialty Funds each considered the fact that INVESCO will pay half of these expenses in approving the Reorganization and finding that the Reorganization is in the best interests of their Fund.

The consummation of the Reorganization is subject to a number of conditions set forth in the Reorganization Plan, some of which may be waived by either Fund. In addition, the Reorganization Plan may be amended in any mutually agreeable manner, except that no amendment may be made subsequent to the Meeting that has a material adverse effect on Asian Growth Fund shareholders' interests.

#### REASONS FOR THE REORGANIZATION

The Board of Specialty Funds, including a majority of its Independent Directors, has determined that the Reorganization is in the best interests of Asian Growth Fund, that the terms of the Reorganization are fair and reasonable and that the interests of Asian Growth Fund's shareholders will not be diluted as a result of the Reorganization. The Board of International Funds, including a majority of its Independent Directors, has determined that the Reorganization is in the best interests of Pacific Basin Fund, that the terms of the Reorganization are fair and reasonable and that the interests of Pacific Basin Fund's shareholders will not be diluted as a result of the Reorganization.

In approving the Reorganization, each Board, including a majority of its independent Directors, considered a number of factors, including the following:

- (1) the compatibility of the Funds' investment objectives, policies and restrictions;
- (2) the effect of the Reorganization on the Funds' expected investment performance;
- (3) the effect of the Reorganization on the expense ratio of each Fund relative to its current expense ratio;
- (4) the costs to be incurred by each Fund as a result of the Reorganization;

- (5) the tax consequences of the Reorganization;
- (6) possible alternatives to the Reorganization, including whether Asian Growth Fund could continue to operate on a stand-alone basis or should be liquidated; and
- (7) the potential benefits of the Reorganization to INVESCO and to other persons.

The Reorganization was recommended to the Board of each Fund by INVESCO at meetings of the Boards held on February 3, 1999. In recommending the Reorganization, INVESCO advised the Boards that the investment advisory fee schedule applicable to Pacific Basin Fund would be identical to the fee for Asian Growth Fund, but the expenses of Pacific Basin Fund are lower than those of Asian Growth Fund. INVESCO advised the Boards that, if the Reorganization is not approved, INVESCO most likely would cease to absorb certain expenses of Asian Growth Fund, as it has in the past. The Boards also considered the similarity in investment objective and portfolio composition between the two Funds. Further, the Boards were advised by INVESCO that, because Pacific Basin Fund has greater net assets than Asian Growth Fund, combining the two Funds could reduce the expenses borne by the Asian Growth Fund as a percentage of net assets. In addition, INVESCO advised the Board that any reduction in the expense ratios of the Reorganization could benefit INVESCO by reducing any reimbursements or waivers of expenses resulting from INVESCO's obligation to limit the expenses of Pacific Basin Fund to 2.00%. The Boards were also advised that following the Reorganization, the expense ratio for Pacific Basin Fund may decrease because the investment advisory fee paid by that Fund decreases as its size increases.

#### DESCRIPTION OF SECURITIES TO BE ISSUED

International Funds is registered with the SEC as an open-end management investment company. It has an authorized capitalization of 500 million shares of common stock (par value \$0.01 per share), of which 100 million are allocated to Pacific Basin Fund. Shares of Pacific Basin Fund entitle their holders to one vote per full share and fractional votes for fractional shares held.

Pacific Basin Fund does not hold annual meetings of shareholders. There normally will be no meetings of shareholders for the purpose of electing directors unless fewer than a majority of the directors holding office have been elected by shareholders, at which time the directors then in office will call a shareholders' meeting for the election of directors. The directors will call annual or special meetings of shareholders for action by shareholder vote as may be required by the 1940 Act or the Fund's Articles of Incorporation, or at their discretion.

Both Funds are series of investment companies organized as Maryland corporations. Thus, the rights of shareholders of each Fund with respect to shareholder meetings, inspection of shareholder lists, and distributions on liquidation of a Fund are identical.

#### TEMPORARY WAIVER OF THE INVESTMENT RESTRICTIONS

Certain fundamental investment restrictions of Asian Growth Fund, which prohibit it from acquiring more than a stated percentage of another company, might be construed as restricting its ability to carry out the Reorganization. By approving the Reorganization Plan, Asian Growth Fund shareholders are agreeing to waive, only for the purpose of the Reorganization, those fundamental investment restrictions that could prohibit or otherwise impede the transaction.

#### FEDERAL INCOME TAX CONSIDERATIONS

The exchange of Asian Growth Fund's assets for Pacific Basin Fund shares and Pacific Basin Fund's assumption of Asian Growth Fund's liabilities is intended to qualify for federal income tax purposes as a tax-free reorganization under section 368(a)(1)(C) of the Code. The Funds will receive an opinion of their counsel, Kirkpatrick & Lockhart LLP, substantially to the effect that:

- (1) Pacific Basin Fund's acquisition of Asian Growth Fund's assets in exchange solely for Pacific Basin Fund shares and Pacific Basin Fund's assumption of Asian Growth Fund's liabilities, followed by Asian Growth Fund's distribution of those shares PRO RATA to its shareholders constructively in exchange for their Asian Growth Fund shares, will constitute a "reorganization" within the meaning of section 368(a)(1)(C) of the Code, and each Fund will be "a party to a reorganization" within the meaning of section 368(b) of the Code;

- (2) Asian Growth Fund will recognize no gain or loss on the transfer to Pacific Basin Fund of its assets in exchange solely for Pacific Basin Fund shares and Pacific Basin Fund's assumption of Asian Growth Fund's liabilities or on the subsequent distribution of those shares to Asian Growth Fund's shareholders in constructive exchange for their Asian Growth Fund shares;
- (3) Pacific Basin Fund will recognize no gain or loss on its receipt of the transferred assets in exchange solely for Pacific Basin Fund shares and its assumption of Asian Growth Fund's liabilities;
- (4) Pacific Basin Fund's basis for the transferred assets will be the same as the basis thereof in Asian Growth Fund's hands immediately before the Reorganization, and Pacific Basin Fund's holding period for those assets will include Asian Growth Fund's holding period therefor;
- (5) An Asian Growth Fund shareholder will recognize no gain or loss on the constructive exchange of all its Asian Growth Fund shares solely for Pacific Basin Fund shares pursuant to the Reorganization; and

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- (6) An Asian Growth Fund shareholder's aggregate basis for the Pacific Basin Fund shares to be received by it in the Reorganization will be the same as the aggregate basis for its Asian Growth Fund shares to be constructively surrendered in exchange for those Pacific Basin Fund shares, and its holding period for those Pacific Basin Fund shares will include its holding period for those Asian Growth Fund shares, provided they are held as capital assets by the shareholder on the Closing Date.

The tax opinion may state that no opinion is expressed as to the effect of the Reorganization on the Funds or any shareholder with respect to any asset as to which any unrealized gain or loss is required to be recognized for federal income tax purposes at the end of a taxable year (or on the termination or transfer thereof) under a mark-to-market system of accounting.

Shareholders of Asian Growth Fund should consult their tax advisers regarding the effect, if any, of the Reorganization in light of their individual circumstances. Because the foregoing discussion only relates to federal income tax consequences of the Reorganization, those shareholders also should consult their tax advisers about state and local tax consequences, if any, of the Reorganization.

CAPITALIZATION

The following table shows the capitalization of each Fund as of October 31, 1998, and on a PRO FORMA combined basis (unaudited) as of October 31, 1998, giving effect to the Reorganization:

	PACIFIC BASIN FUND ----	ASIAN GROWTH FUND ----	COMBINED FUND (PRO FORMA) -----
		(unaudited)	(unaudited)
Net Assets.....	\$45,068,440	\$21,640,368	\$66,708,808
Net Asset Value Per Share...	\$ 6.69	\$ 3.72	\$ 6.69
Shares Outstanding.....	6,733,646	5,815,222	9,968,380

REQUIRED VOTE. Approval of the Reorganization Plan requires the affirmative vote of a majority of the outstanding voting securities of Asian Growth Fund.

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THE BOARD UNANIMOUSLY RECOMMENDS THAT  
THE SHAREHOLDERS VOTE "FOR" PROPOSAL 1

PART II. PROPOSED ORGANIZATIONAL MATTER

PROPOSAL 1 SEEKS SHAREHOLDER APPROVAL TO REORGANIZE ASIAN GROWTH FUND INTO PACIFIC BASIN FUND. IF PROPOSAL 1 IS APPROVED, SHAREHOLDERS WILL RECEIVE FULL AND FRACTIONAL SHARES OF PACIFIC BASIN FUND EQUIVALENT IN AGGREGATE VALUE TO THE SHARES OF ASIAN GROWTH FUND THAT THEY OWNED ON THE CLOSING DATE AND PROPOSAL 2 WILL HAVE NO EFFECT. HOWEVER, WHETHER OR NOT SHAREHOLDERS VOTE TO APPROVE THE REORGANIZATION PLAN AS SET FORTH IN PROPOSAL 1, THE BOARD RECOMMENDS THAT SHAREHOLDERS APPROVE PROPOSAL 2, SET FORTH BELOW. THIS PROPOSAL IS INTENDED TO RATIONALIZE THE OPERATIONS OF ASIAN GROWTH FUND BY RESTRUCTURING THAT FUND AS A SERIES OF INTERNATIONAL FUNDS RATHER THAN A SERIES OF SPECIALTY FUNDS.

PROPOSAL 2. TO APPROVE AN AGREEMENT AND PLAN OF CONVERSION AND TERMINATION ("CONVERSION PLAN") PROVIDING FOR THE CONVERSION OF ASIAN GROWTH FUND FROM A SEPARATE SERIES OF SPECIALTY FUNDS TO A SEPARATE SERIES OF INTERNATIONAL FUNDS ("CONVERSION")

Asian Growth Fund is presently organized as one of seven series of Specialty Funds. Specialty Fund's Board, including a majority of its Independent Directors, has approved the Conversion Plan attached to this Proxy Statement as Appendix C. The Conversion Plan provides for the conversion of Asian Growth Fund from a separate series of Specialty Funds, a Maryland corporation, to a newly established separate series (the "New Series") of International Funds, also a Maryland corporation. THE PROPOSED CHANGE WILL HAVE NO MATERIAL EFFECT ON THE SHAREHOLDERS, OFFICERS, OPERATIONS OR MANAGEMENT OF ASIAN GROWTH FUND.

The New Series, which has not yet commenced business operations and was established for the purpose of effecting the Conversion, will carry on the business of Asian Growth Fund following the Conversion and will have investment objectives, policies, and limitations identical to those of Asian Growth Fund. The investment objective, policies, and limitations of Asian Growth Fund will not change except as approved by shareholders and as described in Proposal 3 of this Proxy Statement. Since both Specialty Funds and International Funds are Maryland corporations organized under substantially similar Articles of Incorporation, the rights of the security holders of Asian Growth Fund under state law and its governing documents are expected to remain unchanged after the Conversion. Shareholder voting rights under both Specialty Funds and International Funds are currently based on the number of shares owned. The same individuals serve as Directors of both Specialty Funds and International Funds.

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INVESCO, Asian Growth Fund's investment adviser, will be responsible for providing the New Series with various administrative services and supervising the New Series' daily business affairs, subject to the supervision of International Funds' Board, under a management contract substantially identical to the contract in effect between INVESCO and Asian Growth Fund immediately prior to the Closing Date. IAL, Asian Growth Fund's sub-adviser, will have primary responsibility for providing investment advice and research services to the New Series under a Sub-Advisory Agreement substantially identical to the agreement in effect between IAL and INVESCO immediately prior to the Closing Date. Asian Growth Fund's distribution agent, IDI, will distribute shares of the New Series under a General Distribution Agreement substantially identical to the contract in effect between IDI and Asian Growth Fund immediately prior to the Closing Date.

REASON FOR THE PROPOSED CONVERSION

Specialty Funds' Board unanimously recommends conversion of Asian Growth Fund to a separate series of International Funds (i.e., the New Series). The proposed conversion is part of an overall plan that involves the conversion of other INVESCO Funds as well. The goal of the conversion is to combine similar types of funds into a single corporate entity. Ultimately, if all of the conversions are approved, the INVESCO funds will be organized into a group of core companies, with one core company for each major fund type of example, all INVESCO funds that invest internationally will be series of one core company, all INVESCO funds that invest solely in debt securities will be a series of one core company, and all INVESCO funds that invest in equity securities of domestic issuers will be series of one core company. Moving Asian Growth Fund from Specialty Funds to International Funds will also consolidate and streamline the production and mailing of certain financial reports and legal documents, reducing expense to Asian Growth Fund. Ultimately, it is expected that all INVESCO Funds that invest internationally will become series of International Funds. THE PROPOSED CHANGE WILL HAVE NO MATERIAL EFFECT ON THE SHAREHOLDERS, OFFICERS, OPERATIONS, OR MANAGEMENT OF ASIAN GROWTH FUND.

The proposal to present the Conversion Plan to shareholders was approved by the Board of Specialty Funds, including all of its Independent Directors, on February 3, 1999. The Board recommends that Asian Growth Fund shareholders vote FOR the approval of the Conversion Plan. Such a vote encompasses approval of both (i) the conversion of Asian Growth Fund to a separate series of the International Funds and (ii) a temporary waiver of certain investment limitations of Asian Growth Fund to permit the Conversion (see "Temporary Waiver of Investment Restrictions," below). If shareholders of Asian Growth Fund do not approve the Reorganization Plan set forth in Proposal 1, which provides for combining Asian Growth Fund with Pacific Basin Fund, and do not approve the alternative Conversion Plan set forth herein, Asian Growth Fund will continue to operate as a series of Specialty Funds.

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SUMMARY OF THE CONVERSION PLAN

The following discussion summarizes the important terms of the Conversion

Plan. This summary is qualified in its entirety by reference to the Conversion Plan itself, which is attached as Appendix C to this Proxy Statement.

If this Proposal is approved by shareholders, then on the Closing Date, Asian Growth Fund will transfer all of its assets to the New Series in exchange solely for shares of the New Series ("New Series Shares") equal to the number of Asian Growth Fund shares outstanding on the Closing Date ("Fund Shares") and the assumption by the New Series of all of the liabilities of Asian Growth Fund. Immediately thereafter, Asian Growth Fund will constructively distribute to each Fund Share shareholder one New Series Share for each Asian Growth Fund share held by the shareholder on the Closing Date, in liquidation of such Fund Shares. As soon as is practicable after this distribution of New Series Shares, Asian Growth Fund will be terminated as a series of Specialty Funds and will be liquidated. UPON COMPLETION OF THE CONVERSION, EACH ASIAN GROWTH FUND SHAREHOLDER WILL OWN FULL AND FRACTIONAL NEW SERIES SHARES EQUAL IN NUMBER AND AGGREGATE NAV TO HIS OR HER FUND SHARES.

The Conversion Plan obligates International Funds, on behalf of the New Series, to enter into (i) a Management Contract with INVESCO with respect to the New Series (the "New Management Contract"), (ii) a Sub-Advisory Agreement between INVESCO and IAL with respect to the New Series (the "New Sub-Advisory Agreement") and (iii) a Distribution and Service Plan under Rule 12b-1 (the "New 12b-1 Plan") with respect to the New Series (collectively, the "New Agreements"). Approval of the Conversion Plan will authorize Specialty Funds (which will be issued a single share of the New Series on a temporary basis) to approve the New Agreements as the sole initial shareholder of the New Series. Each New Agreement will be identical to the corresponding contract, agreement, or plan in effect with respect to Asian Growth Fund immediately prior to the Closing Date.

The New Agreements will take effect on the Closing Date, and each will continue in effect until June 18, 2000. Thereafter, the New Management Contract and New Sub-Advisory Agreement will continue in effect only if their respective continuances are approved at least annually (i) by the vote of a majority of International Funds' Independent Directors cast in person at a meeting called for the purpose of voting on such approval and (ii) by the vote of a majority of International Funds' directors or a majority of the outstanding voting shares of the New Series. The New 12b-1 Plan will continue in effect only if approved annually by a vote of International Funds' Independent Directors, cast in person at a meeting called for that purpose. The New Management Contract and the New Sub-Advisory Agreement will be terminable without penalty on sixty days' written notice either by International Funds, INVESCO, or IAL, as the case may be, and each will terminate automatically in the event of its assignment. The New 12b-1 Plan will be terminable at any time without penalty by a vote of a majority of International Funds' Independent Directors or a majority of the outstanding voting shares of the New Series.

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International Funds' Board will hold office without limit in time except that (i) any Director may resign and (ii) a Director may be removed at any special meeting of International Funds' shareholders at which a quorum is present by the affirmative vote of a majority of the outstanding voting shares of International Funds. In case a vacancy shall for any reason exist, a majority of the remaining Directors, though less than a quorum, will vote to fill such vacancy by appointing another Director, so long as, immediately after such appointment, at least two-thirds of the Directors have been elected by shareholders. If, at any time, less than a majority of the Directors holding office have been elected by shareholders, the Directors then in office will promptly call a shareholders' meeting for the purpose of electing Directors. Otherwise, there need normally be no meetings of shareholders for the purpose of electing Directors.

Assuming the Conversion Plan is approved and the Reorganization Plan set forth in Proposal 1 is not approved, it is currently contemplated that the Conversion will become effective on the Closing Date. However, the Conversion may become effective at such other date as Specialty Funds and International Funds may agree in writing.

The obligations of Specialty Funds and International Funds under the Conversion Plan are subject to various conditions as stated therein. Notwithstanding the approval of the Conversion Plan by Asian Growth Fund shareholders, it may be terminated or amended at any time prior to the Conversion by action of either Board to provide against unforeseen events, if (i) there is a material breach by the other party of any representation, warranty, or agreement contained in the Conversion Plan to be performed at or prior to the Closing Date or (ii) it reasonably appears that a party will not or cannot meet a condition of the Conversion Plan. Either Specialty Funds or International Funds may at any time waive compliance with any of the covenants and conditions contained in, or may amend, the Conversion Plan, provided that the waiver or amendment does not materially adversely affect the interests of Asian Growth Fund shareholders.

CONTINUATION OF FUND SHAREHOLDER ACCOUNTS

International Funds' transfer agent will establish accounts for the New Series shareholders containing the appropriate number of New Series Shares to be received by each holder of Fund Shares under the Conversion Plan. Such accounts will be identical in all material respects to the accounts currently maintained by Specialty Fund's transfer agent for Asian Growth Fund's shareholders.

#### EXPENSES

Half of the cost of the Conversion will be borne by INVESCO, Asian Growth Fund's investment adviser, and the remaining half by Asian Growth Fund and the New Series.

#### TEMPORARY WAIVER OF INVESTMENT RESTRICTIONS

Certain fundamental investment restrictions of Asian Growth Fund, which prohibit it from acquiring more than a stated percentage of ownership of another

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company, might be construed as restricting its ability to carry out the Conversion. By approving the Conversion Plan, Asian Growth Fund shareholders will be agreeing to waive, only for the purpose of the Conversion, those fundamental investment restrictions that could prohibit or otherwise impede the transaction.

#### TAX CONSEQUENCES OF THE CONVERSION

Both Specialty Funds and International Funds will receive an opinion from their counsel, Kirkpatrick & Lockhart LLP, that the Conversion will constitute a tax-free reorganization within the meaning of section 368(a)(1)(F) of the Code. Accordingly, Asian Growth Fund, the New Series, and Asian Growth Fund's shareholders will recognize no gain or loss for federal income tax purposes upon (i) the transfer of Asian Growth Fund's assets in exchange solely for New Series Shares and the assumption by the New Series of Asian Growth Fund's liabilities or (ii) the distribution of the New Series Shares to Asian Growth Fund's shareholders in liquidation of their Fund Shares. The opinion will further provide, among other things, that (a) an Asian Growth Fund shareholder's aggregate basis for federal income tax purposes of the New Series Shares to be received by the shareholder in the Conversion will be the same as the aggregate basis of his or her Fund Shares to be constructively surrendered in exchange for those New Series Shares and (b) an Asian Growth Fund shareholder's holding period for his or her New Series Shares will include the shareholder's holding period for his or her Fund Shares, provided that those Fund Shares were held as capital assets at the time of the Conversion.

#### CONCLUSION

Specialty Fund's Board has concluded that the proposed Conversion Plan is in the best interests of Asian Growth Fund's shareholders, provided the Reorganization Plan set forth in Proposal 1 is not approved. A vote in favor of the Conversion Plan encompasses (i) approval of the conversion of Asian Growth Fund to the New Series, (ii) approval of the temporary waiver of certain investment limitations of Asian Growth Fund to permit the Conversion (see "Temporary Waiver of Investment Restrictions," above) and (iii) authorization of Specialty Funds, as sole initial shareholder of the New Series, to approve (a) a Management Contract with respect to the New Series between International Funds and INVESCO, (b) a Sub-Advisory Agreement with respect to the New Series between INVESCO and IAML and (c) a Distribution and Service Plan under Rule 12b-1 with respect to the New Series. Each of these New Agreements will be identical to the corresponding contract, agreement or plan in effect with Asian Growth Fund immediately prior to the Closing Date. If approved, the Conversion Plan will take effect on the Closing Date. If neither the Conversion Plan nor the Reorganization of Asian Growth Fund under Proposal 1 is approved, Asian Growth Fund will continue to operate as a series of Specialty Funds; otherwise, Asian Growth Fund will be reorganized or converted consistent with shareholder approval.

REQUIRED VOTE. Approval of the Conversion Plan requires the affirmative vote of a majority of the outstanding voting securities of Asian Growth Fund.

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THE BOARD UNANIMOUSLY RECOMMENDS  
THAT SHAREHOLDERS VOTE "FOR" PROPOSAL 2

#### PART III. PROPOSED MODIFICATIONS TO FUNDAMENTAL INVESTMENT RESTRICTIONS AND ROUTINE CORPORATE GOVERNANCE MATTERS

THESE PROPOSALS MAKE CERTAIN ROUTINE CHANGES TO MODERNIZE SOME OF ASIAN GROWTH FUND'S FUNDAMENTAL INVESTMENT RESTRICTIONS AND SEEK SHAREHOLDER APPROVAL

OF CERTAIN ROUTINE CORPORATE GOVERNANCE MATTERS. IF THE REORGANIZATION DESCRIBED IN PROPOSAL 1 IS APPROVED BY SHAREHOLDERS AT THE MEETING, THE PROPOSED FUNDAMENTAL RESTRICTION CHANGES WILL NOT BE IMPLEMENTED, BECAUSE ASIAN GROWTH FUND SHAREHOLDERS WILL BECOME SHAREHOLDERS OF PACIFIC BASIN FUND. WHETHER OR NOT SHAREHOLDERS VOTE TO APPROVE THE REORGANIZATION DESCRIBED IN PROPOSAL 1, THE BOARD RECOMMENDS THAT SHAREHOLDERS APPROVE THE PROPOSALS SET FORTH BELOW.

PROPOSAL 3. TO APPROVE AMENDMENTS TO THE FUNDAMENTAL INVESTMENT RESTRICTIONS OF ASIAN GROWTH FUND

As required by the 1940 Act, Asian Growth Fund has adopted certain fundamental investment restrictions ("fundamental restrictions"), which are set forth in the Fund's Statement of Additional Information. These fundamental restrictions may be changed only with shareholder approval. Restrictions and policies that the Fund has not specifically designated as fundamental are considered to be "non-fundamental" and may be changed by the Board of Specialty Funds without shareholder approval.

Some of Asian Growth Fund's fundamental restrictions reflect past regulatory, business or industry conditions, practices or requirements that are no longer in effect. Also, as other INVESCO Funds have been created over the years, they have adopted fundamental restrictions that are substantially similar but that often have been phrased in slightly different ways, resulting in minor but unintended differences in effect or potentially giving rise to unintended differences in interpretation. Accordingly, the Board of Specialty Funds has approved revisions to Asian Growth Fund's fundamental restrictions in order to simplify and modernize the Fund's fundamental restrictions and make them more uniform with those of the other INVESCO Funds.

The Board believes that eliminating the disparities among the INVESCO Funds' fundamental restrictions will enhance management's ability to manage the Fund's assets efficiently and effectively in changing regulatory and investment environments and permit the Board to review and monitor investment policies more easily. In addition, standardizing the fundamental investment policies of the

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INVESCO Funds will assist the INVESCO Funds in making required regulatory filings in a more efficient and cost-effective way. Although the proposed changes in fundamental restrictions will allow Asian Growth Fund greater investment flexibility to respond to future investment opportunities, the Board does not anticipate that the changes, individually or in the aggregate, will result at this time in a material change in the level of investment risk associated with an investment in the Fund.

The text and a summary description of each proposed amended fundamental restriction of Asian Growth Fund are set forth below, together with the text of the corresponding current fundamental restriction. The text below also describes any non-fundamental restrictions that would be adopted by the Board in conjunction with the revision of certain fundamental restrictions. Any non-fundamental restriction may be modified or eliminated by the Board at any future date without further shareholder approval.

If approved by Asian Growth Fund shareholders at the Meeting, the proposed changes in Asian Growth Fund's fundamental restrictions will be adopted by the Fund only if the Reorganization is NOT approved by Asian Growth Fund shareholders. In that event, Asian Growth Fund's Statement of Additional Information will be revised to reflect those changes as soon as practicable following the Meeting. If the Reorganization is approved, the proposed changes in the Fund's fundamental restrictions will not be implemented. Instead, as described in Proposal 1, Asian Growth Fund shareholders will become shareholders of Pacific Basin Fund, whose shareholders are being asked to approve substantially similar changes in Pacific Basin Fund's fundamental restrictions, and Asian Growth Fund will be terminated.

A. MODIFICATION OF FUNDAMENTAL RESTRICTION ON ISSUER DIVERSIFICATION

Asian Growth Fund's current fundamental restriction on issuer diversification is as follows:

The Fund may not, with respect to seventy-five percent (75%) of its total assets, purchase the securities of any one issuer (except cash items and "government securities" as defined under the 1940 Act), if the purchase would cause the Fund to have more than 5% of the value of its total assets invested in the securities of such issuer or to own more than 10% of the outstanding voting securities of such issuer.

The Board recommends that this restriction be replaced with the following fundamental restriction:

The Fund may not, with respect to 75% of the Fund's total assets, purchase the securities of any issuer (other than securities issued or guaranteed by the U.S. Government or any of its agencies or instrumentalities, or

securities of other investment companies) if, as a result, (i) more than 5% of the Fund's total assets would be invested in the securities of that

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issuer, or (ii) the Fund would hold more than 10% of the outstanding voting securities of that issuer.

The primary purpose of the modification is to revise the Fund's fundamental restriction on issuer diversification to conform to a restriction that is expected to become standard for all INVESCO Funds. The proposed change would standardize the language of the Fund's fundamental restriction on issuer diversification. In addition, the proposal would also provide the Fund's managers with greater investment flexibility because it would allow Asian Growth Fund to invest in other investment companies, to the extent permitted by the 1940 Act. The ability of mutual funds to invest in other investment companies is currently generally restricted by rules under the 1940 Act, including a rule limiting all such investments to 10% of the mutual fund's total assets and investment in any one investment company to an aggregate of 5% of the value of the investing fund's total assets and 3% of the total outstanding voting stock of the acquired investment company.

B. MODIFICATION OF FUNDAMENTAL RESTRICTION ON BORROWING AND ADOPTION OF NON-FUNDAMENTAL RESTRICTION ON BORROWING

Asian Growth Fund's current fundamental restriction on borrowing is as follows:

The Fund may not borrow money or issue senior securities (as defined in the 1940 Act), except that the Fund may borrow money for temporary or emergency purposes (not for leveraging or investment) and may enter into reverse repurchase agreements in an aggregate amount not exceeding 33 1/3% of the value of its total assets (including the amount borrowed) less liabilities (other than borrowings). Any borrowings that come to exceed 33 1/3% of the value of the Fund's total assets by reason of a decline in total assets will be reduced within three business days to the extent necessary to comply with the 33 1/3% limitation. This restriction shall not prohibit deposits of assets to margin or guarantee positions in futures, options, swaps, or forward contracts, or the segregation of assets in connection with such contracts.

In applying this restriction, if the Fund has borrowed money in an amount exceeding 5% of the value of the Fund's net assets, the Fund will not purchase additional securities while any such borrowing exists.

The Board recommends that shareholders vote to replace this restriction with the following fundamental restriction:

The Fund may not borrow money, except that the Fund may borrow money in an amount not exceeding 33 1/3% of its total assets (including the amount borrowed) less liabilities (other than borrowings).

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The primary purpose of the proposal is to eliminate differences between the INVESCO Funds' current restrictions on borrowing and those imposed by the 1940 Act. Currently, the Fund's fundamental restriction is significantly more limiting than the restrictions imposed by the 1940 Act in that it limits the purposes for which Asian Growth Fund may borrow money. In addition, in applying the current restriction, the Fund will not purchase additional securities if the Fund has outstanding borrowings in excess of 5% of the value of its net assets. The proposed revision would eliminate the restrictions on the purposes for which the Fund may borrow money and the limitation on purchases of securities while borrowings in excess of 5% of the Fund's net assets are outstanding. In addition, the proposal would delete the explicit requirement, which tracks that already contained in the 1940 Act, that any borrowings that come to exceed 33 1/3% of the Fund's total assets by reason of a decline in total assets be reduced within three business days. The proposed revision would also separate the Fund's fundamental restriction on borrowing and issuing senior securities into two fundamental restrictions, a revision that is expected to be standard for all of the INVESCO Funds. (See "Modification of fundamental investment restriction on issuing senior securities," below).

If the proposal is approved, the Board will adopt a non-fundamental policy with respect to borrowing as follows:

The Fund may borrow only from a bank or from an open-end management investment company managed by INVESCO Funds Group, Inc. or an affiliate or a successor thereof for temporary or emergency purposes (not for leveraging or investing) or by engaging in reverse repurchase agreements with any party (reverse repurchase agreements will be treated as borrowings for purposes of fundamental limitation (\_)).

The non-fundamental limitation reflects the Fund's current policy that borrowing by the Fund may only be done for temporary or emergency purposes. In addition to borrowing from banks, as permitted in the Fund's current policy, the non-fundamental policy would permit the Fund to borrow from open-end funds managed by INVESCO or an affiliate or successor thereof. The Fund would not be able to do so, however, unless it obtains permission for such borrowings from the SEC. The non-fundamental policy also clarifies that reverse repurchase agreements will be treated as borrowings. The Board believes that this approach, making the Fund's fundamental restriction on borrowing no more limiting than is required under the 1940 Act, while incorporating more strict limits on borrowing in a non-fundamental restriction, will maximize the Fund's flexibility for future contingencies.

C. MODIFICATION ON FUNDAMENTAL RESTRICTION ON ISSUING SENIOR SECURITIES

The Fund's current restriction on issuing senior securities is as follows:

The Fund may not borrow money or issue senior securities (as defined in the 1940 Act), except that the Fund may borrow money for temporary or

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emergency purposes (not for leveraging or investment) and may enter into reverse repurchase agreements in an aggregate amount not exceeding 33 1/3% of the value of its total assets (including the amount borrowed) less liabilities (other than borrowings). Any borrowings that come to exceed 33 1/3% of the value of the Fund's total assets by reason of a decline in total assets will be reduced within three business days to the extent necessary to comply with the 33 1/3% limitation. This restriction shall not prohibit deposits of assets to margin or guarantee positions in futures, options, swaps, or forward contracts, or the segregation of assets in connection with such contracts.

The Board recommends that shareholders vote to replace this restriction with the following fundamental restriction:

The Fund may not issue senior securities, except as permitted under the Investment Company Act of 1940.

The primary purpose of the proposal is to eliminate any unnecessary limitations in the policy and conform it to 1940 Act requirements. The Board believes that the adoption of the proposed fundamental restriction, which does not specify the manner in which senior securities may be issued, and is no more limiting than is required by the 1940 Act, will maximize the Fund's flexibility for future contingencies and will conform to the fundamental restrictions of the other INVESCO Funds on the issuance of senior securities.

D. MODIFICATION OF FUNDAMENTAL RESTRICTION ON REAL ESTATE INVESTMENTS

Asian Growth Fund's current fundamental restriction on real estate investments is as follows:

The Fund may not invest directly in real estate or interests in real estate; however, the Fund may own debt or equity securities issued by companies engaged in those businesses.

The Board recommends that shareholders vote to replace this restriction with the following fundamental restriction:

The Fund may not purchase or sell real estate unless acquired as a result of ownership of securities or other instruments (but this shall not prevent the Fund from investing in securities or other instruments backed by real estate or securities of companies engaged in the real estate business).

In addition to conforming Asian Growth Fund's fundamental restriction to that of the other INVESCO Funds, the proposed amendment of the Fund's fundamental restriction on investment in real estate more completely describes the types of real estate-related securities investments that are permissible for the Fund and would permit the Fund to purchase or sell real estate acquired as a

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result of ownership of securities or other instruments (e.g., through foreclosure on a mortgage in which the Fund directly or indirectly holds an interest). The Board believes that this clarification will make it easier for decisions to be made concerning the Fund's investments in real estate-related securities without materially altering the general restriction on direct investments in real estate or interests in real estate.

E. MODIFICATION OF FUNDAMENTAL RESTRICTION ON INVESTING IN COMMODITIES

Asian Growth Fund's current fundamental restriction on the purchase of

commodities is as follows:

The Fund may not purchase or sell physical commodities other than foreign currencies unless acquired as a result of ownership of securities (but this shall not prevent the Fund from purchasing or selling options, futures, swaps and forward contracts or from investing in securities or other instruments backed by physical commodities).

The Board recommends that shareholders vote to replace this restriction with the following fundamental restriction:

The Fund will not purchase or sell physical commodities; however, this policy shall not prevent the Fund from purchasing and selling foreign currency, futures contracts, options, forward contracts, swaps, caps, floors, collars and other financial instruments.

The proposed changes to this investment restriction are intended to conform the restriction to those of the other INVESCO Funds and to ensure that Asian Growth Fund will have the maximum flexibility to enter into hedging or other transactions utilizing financial contracts and derivative products when doing so is permitted by operating policies established for the Fund by the Board. Due to the rapid and continuing development of derivative products and the possibility of changes in the definition of "commodities," particularly in the context of the jurisdiction of the Commodities Futures Trading Commission, it is important for the Fund's policy to be flexible enough to allow it to enter into hedging and other transactions using these products when doing so is deemed appropriate by INVESCO and is within the investment parameters established by the Board. To maximize that flexibility, the Board recommends that the Fund's fundamental restriction on commodities investments be clear in permitting the use of derivative products, even if the current non-fundamental restrictions of the Fund would not permit investment in one or more of the permitted transactions.

#### F. MODIFICATION OF FUNDAMENTAL RESTRICTION ON LOANS

Asian Growth Fund's current fundamental restriction on loans is as follows:

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The Fund may not lend any security or make any other loan if, as a result, more than 33 1/3% of its total assets would be lent to other parties (but this limitation does not apply to purchases of commercial paper, debt securities or to repurchase agreements).

The Board recommends that shareholders vote to replace this restriction with the following fundamental restriction:

The Fund may not lend any security or make any loan if, as a result, more than 33 1/3% of its total assets would be lent to other parties, but this limitation does not apply to the purchase of debt securities or to repurchase agreements.

The primary purpose of the proposal is to eliminate minor differences in the wording of the INVESCO Funds' current restrictions on loans for greater uniformity. The proposed changes to this fundamental restriction are relatively minor and would have no substantive effect on Asian Growth Fund's lending activities or other investments.

#### G. MODIFICATION OF FUNDAMENTAL RESTRICTION ON UNDERWRITING SECURITIES

Asian Growth Fund's current fundamental restriction on underwriting securities is as follows:

The Fund may not act as an underwriter of securities issued by others, except to the extent that it may be deemed an underwriter in connection with the disposition of portfolio securities of the Fund.

The Board recommends that shareholders vote to replace this restriction with the following fundamental restriction:

The Fund may not underwrite securities of other issuers, except insofar as it may be deemed to be an underwriter under the Securities Act of 1933, as amended, in connection with the disposition of the Fund's portfolio securities.

The purpose of the proposal is to eliminate minor differences in the wording of the Fund's current restrictions on underwriting for greater uniformity with the fundamental restrictions of other INVESCO Funds.

#### H. MODIFICATION OF FUNDAMENTAL RESTRICTION ON INDUSTRY CONCENTRATION

Asian Growth Fund's current fundamental restriction on industry concentration is as follows:

The Asian Growth Fund may not invest more than 25% of the value of its total assets in any particular industry (other than government securities).

The Board recommends that shareholders vote to replace this restriction with the following fundamental restriction:

The Fund may not purchase the securities of any issuer (other than securities issued or guaranteed by the U.S. Government or any of its agencies or instrumentalities or municipal securities) if, as a result, more than 25% of the Fund's total assets would be invested in the securities of companies whose principal business activities are in the same industry.

If the proposed revision is approved, the Board will also adopt the following non-fundamental restriction:

With respect to fundamental limitation ( ), domestic and foreign banking will be considered to be different industries.

The primary purpose of the modification is to eliminate minor differences in the wording of the INVESCO Funds' current restrictions on concentration for greater uniformity and to avoid unintended limitations, without materially altering the restriction. The proposed changes to Asian Growth Fund's fundamental concentration policy clarify that the concentration limitation does not apply to securities issued or guaranteed by the U.S. government, its agencies or instrumentalities or to municipal securities. The exclusion from the current concentration limitation refers simply to "government securities." A failure to except all such securities from the concentration policy could hinder the Fund's ability to purchase such securities in conjunction with taking temporary defensive positions.

I. MODIFICATION OF FUNDAMENTAL POLICY ON INVESTING IN ANOTHER INVESTMENT COMPANY

Asian Growth Fund's current fundamental policy regarding investment in another investment company is as follows:

The Fund may, notwithstanding any other investment policy or limitation (whether or not fundamental), invest all of its assets in the securities of a single open-end management investment company with substantially the same fundamental investment objectives, policies and limitations as the Fund.

The Board recommends that shareholders vote to replace this policy with the following fundamental policy:

The Fund may, notwithstanding any other fundamental investment policy or limitation, invest all of its assets in the securities of a single open-end management investment company managed by INVESCO Funds Group,

Inc. or an affiliate or a successor thereof, with substantially the same fundamental investment objective, policies and limitations as the Fund.

The proposed revision to Asian Growth Fund's current fundamental policy would ensure that the INVESCO Funds have uniform policies permitting each Fund to adopt a "master/feeder" structure whereby one or more Funds invest all of their assets in another Fund. The master/feeder structure has the potential, under certain circumstances, to minimize administration costs and maximize the possibility of gaining a broader investor base. Currently, none of the INVESCO Funds intend to establish a master/feeder structure; however, the Board recommends that Asian Growth Fund shareholders adopt a policy that would permit this structure in the event that the Board determines to recommend the adoption of a master/feeder structure by the Fund. The proposed revision, unlike the current policy, would require that any fund in which the Fund may invest under a master/feeder structure be advised by INVESCO or an affiliate.

If the proposal is approved, the Board will adopt a non-fundamental restriction for each Fund as follows:

The Fund may invest in securities issued by other investment companies to the extent that such investments are consistent with the Fund's investment objectives and policies and permissible under the 1940 Act.

The primary purpose of this non-fundamental restriction is to conform to the other INVESCO Funds and to the 1940 Act requirements for investing in other investment companies. Adoption of this non-fundamental policy will enable each Fund to purchase the securities of other investment companies to the extent

permitted under the 1940 Act or pursuant to an exemption granted by the SEC. If a Fund did purchase the securities of another investment company, shareholders might incur additional expenses because the Fund would have to pay its ratable share of the expenses of the other investment company.

REQUIRED VOTE. Approval of Proposal 3 requires the affirmative vote of a "majority of the outstanding voting securities" of Asian Growth Fund, which for this purpose means the affirmative vote of the lesser of (1) 67% or more of the shares of the Fund present at the Meeting or represented by proxy if more than 50% of the outstanding shares of the Fund are so present or represented, or (2) more than 50% of the outstanding shares of the Fund. SHAREHOLDERS WHO VOTE "FOR" PROPOSAL 3 WILL VOTE "FOR" EACH PROPOSED CHANGE DESCRIBED ABOVE. THOSE SHAREHOLDERS WHO WISH TO VOTE AGAINST ANY OF THE SPECIFIC PROPOSED CHANGES DESCRIBED ABOVE MAY DO SO ON THE PROXY PROVIDED.

THE BOARD UNANIMOUSLY RECOMMENDS THAT  
SHAREHOLDERS VOTE "FOR" PROPOSAL 3

PROPOSAL 4. TO ELECT THE DIRECTORS OF SPECIALTY FUNDS, INC.

The Board of Specialty Funds has unanimously nominated the individuals identified below for election to the Board at the Meeting. Specialty Funds currently has ten directors. Vacancies on the Board are generally filled by appointment by the remaining directors. However, the 1940 Act provides that vacancies may not be filled by directors unless thereafter at least two-thirds of the directors shall have been elected by shareholders. To ensure continued compliance with this rule without incurring the expense of calling additional shareholder meetings, shareholders are being asked at this meeting to elect the current ten directors to hold office until the next meeting of shareholders. Consistent with the provisions of Specialty Funds' by-laws, and as permitted by Maryland law, Specialty Funds does not anticipate holding annual shareholder meetings. Thus, the directors will be elected for indefinite terms, subject to termination or resignation. Each nominee has indicated a willingness to serve if elected. If any of the nominees should not be available for election, the persons named as proxies (or their substitutes) may vote for other persons in their discretion. Management has no reason to believe that any nominee will be unavailable for election.

All of the directors now being proposed for election were appointed by the Independent Directors. Eight of the ten current directors are Independent Directors.

The persons named as attorneys-in-fact in the enclosed proxy have advised Specialty Funds that unless a proxy instructs them to withhold authority to vote for all listed nominees or for any individual nominee, they will vote all validly executed proxies for the election of the nominees named below.

The nominees for director, their ages, a description of their principal occupations, the number of Asian Growth Fund shares owned by each, and their respective memberships on Board committees are listed in the table below.

<S> Name, Position with Specialty Funds, and Age -----	<C> Principal Occupation and Business Experience (during the past five years) -----	<C> Director or Executive Officer of Specialty Funds Since -----	<C> Number of Asian Growth Fund Shares Beneficially Owned Directly or Indirectly on Dec. 31, 1998 (1) -----	<C> Member of Committee -----
CHARLES W. BRADY, Chairman of the Board, Age 63*	Chief Executive Officer and Director of AMVESCAP PLC, London, England, and of various subsidiaries thereof. Chairman of the Board of INVESCO Global Health Sciences Fund.	1993	0	(3), (5), (6)
FRED A. DEERING, Vice Chairman of the Board, Age 71	Trustee of INVESCO Global Health Sciences Fund. Formerly, Chairman of the Executive Committee and Chairman of the Board of Security Life of Denver Insurance Company, Denver, Colorado; Director of ING America Holdings Company, and First ING Life Insurance Company of New York.	1993	26.2970	(2), (3), (5)

Name, Position with Specialty Funds, and Age -----	Principal Occupation and Business Experience (during the past five years) -----	Director or Executive Officer of Specialty Funds Since -----	Number of Asian Growth Fund Shares Beneficially Owned Directly or Indirectly on Dec. 31, 1998 (1) -----	Member of Committee -----
MARK H. WILLIAMSON, President, Chief Executive Officer, and Director, Age 47*	President, Chief Executive Officer, and Director, INVESCO Distributors Inc.; President, Chief Executive Officer, and Director, INVESCO; President, Chief Operating Officer, and Trustee, INVESCO Global Health Sciences Fund. Formerly, Chairman of the Board and Chief Executive Officer, NationsBanc Advisers, Inc. (1995-1997); Chairman of the Board, NationsBanc Investments, Inc. (1997-1998).	1998	0	(3), (5)
DR. VICTOR L. ANDREWS, Director, Age 68	Professor Emeritus, Chairman Emeritus and Chairman of the CFO Roundtable of the Department of Finance of Georgia State University, Atlanta, Georgia and President, Andrews Financial Associates, Inc. (consulting firm); Formerly, member of the faculties of the Harvard Business School and the Sloan School of Management of MIT. Dr. Andrews is also a director of the Sheffield Funds, Inc.	1993	26.2970	(4), (6), (8)
BOB R. BAKER, Director, Age 62	President and Chief Executive Officer of AMC Cancer Research Center, Denver, Colorado, since January 1989; until December 1988, Vice Chairman of the Board, First Columbia Financial Corporation, Englewood, Colorado. Formerly, Chairman of the Board and Chief Executive Officer of First Columbia Financial Corporation.	1993	26.2970	(3), (4), (5)
LAWRENCE H. BUDNER, Director, Age 68	Trust Consultant. Prior to June 1987, Senior Vice President and Senior Trust Officer, InterFirst Bank, Dallas, Texas.	1993	26.2970	(2), (6), (7)
DR. WENDY LEE GRAMM, Director, Age 54	Self-employed (since 1993). Professor of Economics and Public Administration, University of Texas at Arlington. Formerly, Chairman, Commodities Futures Trading Commission (1988-1993); Administrator for Information and Regulatory Affairs, Office of Management and Budget (1985-1988); Executive Director, Presidential Task Force on Regulatory Relief; Director, Federal Trade Commission's Bureau of Economics. Director of the Chicago Mercantile Exchange; Enron Corporation; IBP, Inc.; State Farm Insurance Company; Independent Women's Forum; International Republic Institute; and the Republican Women's Federal Forum.	1997	26.2970	(4), (8)
KENNETH T. KING, Director, Age 73	Presently retired. Formerly, Chairman of the Board, The Capitol Life Insurance Company, Providence Washington Insurance Company, and Director of numerous U.S. subsidiaries thereof. Formerly, Chairman of the Board, The Providence Capitol Companies in the United Kingdom and Guernsey. Until 1987, Chairman of the Board,	1993	26.2970	(2), (3), (5), (6), (7)

Name, Position with Specialty Funds, and Age -----	Principal Occupation and Business Experience (during the past five years) -----	Director or Executive Officer of Specialty Funds Since -----	Number of Asian Growth Fund Shares Beneficially Owned Directly or Indirectly on Dec. 31, 1998 (1) -----	Member of Committee -----
JOHN W. MCINTYRE, Director, Age 68	Presently retired. Formerly, Vice Chairman of the Board, The Citizens and Southern Corporation; Chairman of the Board and Chief Executive Officer, The Citizens and Southern Georgia Corporation; Chairman of the Board and Chief Executive Officer, The Citizens and Southern National Bank. Trustee of INVESCO Global Health Sciences Fund and Gables Residential Trust, Employee's Retirement System of Georgia, Emory University, and J.M. Tull Charitable Foundation; Director of Kaiser Foundation Health Plans of Georgia, Inc.	1995	26.2970	(2), (3), (5), (7)
DR. LARRY SOLL, Director, Age 56	Presently retired. Formerly, Chairman of the Board (1987-1994), Chief Executive Officer (1982-1989 and 1993-1994) and President (1982-1989) of Synergen Inc. Director of Synergen Inc. since incorporation in 1982. Director of Isis Pharmaceuticals, Inc. Trustee of INVESCO Global Health Sciences Fund.	1997	26.2970	(4), (8)

\*Because of his or her affiliation with INVESCO, with Asian Growth Fund's investment adviser, or with companies affiliated with INVESCO, this individual is deemed to be an "interested person" of Specialty Funds as that term is defined in the 1940 Act.

(1) As interpreted by the SEC, a security is beneficially owned by a person if that person has or shares voting power or investment power with respect to that security. The persons listed have partial or complete voting and investment power with respect to their respective Fund shares.

(2) Member of the Audit Committee

(3) Member of the Executive Committee

(4) Member of the Management Liaison Committee

(5) Member of the Valuation Committee

(6) Member of the Compensation Committee

(7) Member of the Soft Dollar Brokerage Committee

(8) Member of the Derivatives Committee

</TABLE>

The Board has audit, management liaison, soft dollar brokerage, and derivatives committees consisting of Independent Directors and compensation, executive, and valuation committees consisting of both Independent Directors and non-independent directors. The Board does not have a nominating committee. The audit committee, consisting of four Independent Directors, meets quarterly with Specialty Funds' independent accountants and executive officers of Specialty Funds. This committee reviews the accounting principles being applied by Specialty Funds in financial reporting, the scope and adequacy of internal controls, the responsibilities and fees of the independent accountants, and other matters. All of the recommendations of the audit committee are reported to the full Board. During the intervals between the meetings of the Board, the executive committee may exercise all powers and authority of the Board in the management of Specialty Funds' business, except for certain powers which, under applicable law and/or Specialty Funds' by-laws, may only be exercised by the full Board. All decisions are subsequently submitted for ratification by the Board. The management liaison committee meets quarterly with various management personnel of INVESCO in order to facilitate better understanding of management and operations of Specialty Funds, and to review legal and operational matters that have been assigned to the committee by the Board, in furtherance of the Board's overall duty of supervision. The soft dollar brokerage committee meets periodically to review soft dollar transactions by Specialty Funds, and to review policies and procedures of Specialty Funds' adviser with respect to soft dollar brokerage transactions. The committee then reports on these matters to the Board. The derivatives committee meets periodically to review derivatives

investments made by Specialty Funds. The committee monitors derivatives usage by Specialty Funds and the procedures utilized by Specialty Funds' adviser to ensure that the use of such instruments follows the policies on such instruments adopted by the Board. The committee then reports on these matters to the Board.

Each Independent Director receives an annual retainer of \$56,000 for their service to the INVESCO Funds. Additionally, each Independent Director receives \$3,000 for in-person attendance at each Board meeting and \$1,000 for in-person attendance at each committee meeting. The chairmen of the audit and management liaison committee each receive an annual fee of \$4,000 for serving in such capacity.

During the past fiscal year, the Board met four times, the audit committee met three times, the compensation committee met once, the management liaison committee met three times, the soft dollar brokerage committee met once, and the derivatives committee met twice. The executive committee did not meet. During Specialty Funds' last fiscal year, each Director nominee attended 75% or more of the Board meetings and meeting of the committees of the Board on which he or she served.

The Board nominates individuals to serve as Independent Directors, without any specific nominating committee. The Board ordinarily will not consider unsolicited director nominations recommended by Specialty Funds' shareholders. The Board, including its Independent Directors, unanimously approved the nomination of the foregoing persons to serve as directors and directed that the election of these nominees be submitted to Specialty Fund's shareholders.

The following table sets forth information relating to the compensation paid to directors during the last fiscal year:

COMPENSATION TABLE  
AMOUNTS PAID DURING THE MOST RECENT  
FISCAL YEAR BY SPECIALTY FUNDS TO DIRECTORS

<TABLE>  
<CAPTION>

NAME OF PERSON, POSITION -----	AGGREGATE COMPENSATION FROM SPECIALTY FUNDS (1) -----	PENSION OR RETIREMENT BENEFITS ACCRUED AS PART OF SPECIALTY FUNDS EXPENSES (2) -----	ESTIMATED ANNUAL BENEFITS UPON RETIREMENT (3) -----	TOTAL COMPENSATION FROM SPECIALTY FUNDS AND THE OTHER 14 INVESCO FUNDS PAID TO DIRECTORS (1) -----
<S>	<C>	<C>	<C>	<C>
FRED A DEERING, VICE CHAIRMAN OF THE BOARD AND DIRECTOR	\$6,892	\$862	\$553	\$103,700
DR. VICTOR L. ANDREWS, DIRECTOR	\$6,845	\$815	\$640	\$80,350
BOB R. BAKER, DIRECTOR	\$6,920	\$727	\$858	\$84,000
LAWRENCE H. BUDNER, DIRECTOR	\$6,793	\$815	\$640	\$79,350
DANIEL D. CHABRIS, 4 DIRECTOR	\$6,852	\$880	\$478	\$70,000
DR. WENDY L. GRAMM, DIRECTOR	\$6,700	\$0	\$0	\$79,000
KENNETH T. KING, DIRECTOR	\$6,753	\$895	\$502	\$77,050
JOHN W. MCINTYRE, DIRECTOR	\$6,744	\$0	\$0	\$98,500
DR. LARRY SOLL, DIRECTOR	\$6,744	\$0	\$0	\$96,000
TOTAL	\$61,243 =====	\$4,994 =====	\$3,671 =====	\$767,950 =====
AS A PERCENTAGE OF NET ASSETS	.0131% (5)	.0011% (5)		0.0035% (6)

</TABLE>

(1) The Vice Chairman of the board, the chairmen of the audit, management liaison, derivatives, soft dollar brokerage and compensation committees, and the members of the executive and valuation committees of each Fund receive compensation for serving in such capacities in addition to the compensation paid to all Independent Directors.

(2) Represents benefits accrued with respect to the Defined Benefit Deferred Compensation Plan discussed below, and not compensation deferred at the election of the directors.

(3) These figures represent Specialty Funds' share of the estimated annual benefits payable by the INVESCO Complex (excluding INVESCO Global Health Sciences Fund which does not participate in this retirement plan) upon the directors' retirement, calculated using the current method of allocating director compensation among the INVESCO Funds. These estimated benefits assume retirement at age 72 and that the basic retainer payable to the directors will be adjusted periodically for inflation, for increases in the number of funds in the INVESCO Complex, and for other reasons during the period in which retirement benefits are accrued on behalf of the respective directors. This results in lower estimated benefits for directors who are closer to retirement and higher estimated benefits for directors who are farther from retirement. With the exception of Drs. Soll and Gramm, each of these directors has served as director of one or more of the INVESCO Funds for the minimum five-year period required to be eligible to participate in the Defined Benefit Deferred Compensation Plan. Although Mr. McIntyre became eligible to participate in the Defined Benefit Deferred Compensation Plan as of November 1, 1998, he will not be included in the calculation of retirement benefits until November 1, 1999.

(4) Mr. Chabris retired as a director effective September 30, 1998.

(5) Total as a percentage of Specialty Fund's net assets as of July 31, 1998.

(6) Total as a percentage of the net assets of the 15 INVESCO Funds in the INVESCO Complex as of December 31, 1998.

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Specialty Funds pays its Independent Directors, Board vice chairman, committee chairmen and committee members the fees described above. Specialty Funds also reimburses its Independent Directors for travel expenses incurred in attending meetings. Charles W. Brady, Chairman of the Board, and Mark H. Williamson, President, Chief Executive Officer, and Director, as "interested persons" of Specialty Funds and of other INVESCO Funds receive compensation and are reimbursed for travel expenses incurred in attending meetings as officers or employees of INVESCO or its affiliated companies, but do not receive any director's fees or other compensation from Specialty Funds or other INVESCO Funds for their services as directors.

The overall direction and supervision of Specialty Funds is the responsibility of the Board, which has the primary duty of ensuring that each of the Specialty Funds' general investment policies and programs are adhered to and that Specialty Funds is properly administered. The officers of Specialty Funds, all of whom are officers and employees of and paid by INVESCO, are responsible for the day-to-day administration of Specialty Funds. INVESCO, as investment adviser for Specialty Funds, is primarily responsible for providing the Funds with various administrative services and supervising the Fund's daily business affairs. IAL, as sub-adviser to the Asian Growth Fund, is primarily responsible for making investment decisions on behalf of Asian Growth Fund. These investment decisions are reviewed by the investment committee of INVESCO.

All of the officers and directors of Specialty Funds hold comparable positions with the following INVESCO Funds: INVESCO Bond Funds, Inc. (formerly, INVESCO Income Funds, Inc.), INVESCO Growth Funds, Inc. (formerly INVESCO Growth Fund, Inc.), INVESCO Combination Stock & Bond Funds, Inc. (formerly, INVESCO Flexible Funds, Inc. and INVESCO Multiple Asset Funds, Inc.), INVESCO Diversified Funds, Inc., INVESCO Emerging Opportunity Funds, Inc., INVESCO Industrial Income Fund, Inc., INVESCO International Funds, Inc., INVESCO Money Market Funds, Inc., INVESCO Sector Funds, Inc. (formerly, INVESCO Strategic Portfolios, Inc.), INVESCO Stock Funds, Inc. (formerly, INVESCO Equity Funds, Inc. and INVESCO Capital Appreciation Funds, Inc.), INVESCO Tax-Free Income Funds, Inc., and INVESCO Variable Investment Funds, Inc. All of the directors of Specialty Funds also serve as trustees of INVESCO Value Trust and INVESCO Treasurer's Series Trust.

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The Boards of the Funds managed by INVESCO have adopted a Defined Benefit Deferred Compensation Plan (the "Plan") for the non-interested directors and trustees of the Funds. Under the Plan, each director or trustee who is not an interested person of the Funds (as defined in Section 2(a)(19) of the 1940 Act) and who has served for at least five years (a "Qualified Director") is entitled to receive, upon termination of service as director (normally at retirement age 72 or the retirement age of 73 or 74, if the retirement date is extended by the Boards for one or two years, but less than three years) continuation of payment for one year (the "First Year Retirement Benefit") of the annual basic retainer and annualized board meeting fees payable by the Funds to the Qualified Director at the time of his or her retirement (the "Basic Benefit"). Commencing with any such director's second year of retirement, and commencing with the first year of retirement of any director whose retirement has been extended by the Board for three years, a Qualified Director shall receive quarterly payments at an annual rate equal to 50% of the Basic Benefit. These payments will continue for the

remainder of the Qualified Director's life or ten years, whichever is longer (the "Reduced Benefit Payments"). If a Qualified Director dies or becomes disabled after age 72 and before age 74 while still a director of the Funds, the First Year Retirement Benefit and Reduced Benefit Payments will be made to him or her or to his or her beneficiary or estate. If a Qualified Director becomes disabled or dies either prior to age 72 or during his or her 74th year while still a director of the Funds, the director will not be entitled to receive the First Year Retirement Benefit; however, the Reduced Benefit Payments will be made to his or her beneficiary or estate. The Plan is administered by a committee of three directors who are also participants in the Plan and one director who is not a Plan participant. The cost of the Plan will be allocated among the INVESCO Funds in a manner determined to be fair and equitable by the committee. The Fund began making payments to Mr. Chabris as of October 1, 1998 under the Plan. The Fund has no stock options or other pension or retirement plans for management or other personnel and pays no salary or compensation to any of its officers.

The Independent Directors have contributed to a deferred compensation plan, pursuant to which they have deferred receipt of a portion of the compensation which they would otherwise have been paid as directors of certain of the INVESCO Funds. The deferred amounts have been invested in shares of certain of the INVESCO Funds. Each Independent Director may, therefore, be deemed to have an indirect interest in shares of each such INVESCO Fund, in addition to any Fund shares they may own directly or beneficially.

REQUIRED VOTE. Election of each nominee as a director of Specialty Funds requires, in the aggregate, the vote of a plurality of all the outstanding shares of Asian Growth Fund present at the Meeting in person or by proxy, and of the outstanding shares of the other series of Specialty Funds present at concurrent meetings of the shareholders of those series.

THE BOARD, INCLUDING THE INDEPENDENT DIRECTORS,  
UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE "FOR"  
EACH OF THE NOMINEES IN PROPOSAL 4.

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PROPOSAL 5. RATIFICATION OR REJECTION OF SELECTION OF INDEPENDENT ACCOUNTANTS.

The Board of Specialty Funds, including all of its Independent Directors, has unanimously selected PricewaterhouseCoopers LLP to continue to serve as independent accountants of Asian Growth Fund, subject to ratification by Asian Growth Fund's shareholders. PricewaterhouseCoopers LLP has no direct financial interest or material indirect financial interest in Asian Growth Fund. Representatives of PricewaterhouseCoopers LLP are not expected to attend the meeting, but have been given the opportunity to make a statement if they so desire, and will be available should any matter arise requiring their presence.

The independent accountants examine annual financial statements for Asian Growth Fund and provide other audit and tax-related services. In recommending the selection of PricewaterhouseCoopers LLP, the directors reviewed the nature and scope of the services to be provided (including non-audit services) and whether the performance of such services would affect the accountants' independence.

REQUIRED VOTE. Approval of Proposal 5 requires the affirmative vote of a majority of the votes present at the Meeting, provided that a quorum is present.

THE BOARD UNANIMOUSLY RECOMMENDS THAT THE  
SHAREHOLDERS VOTE "FOR" PROPOSAL 5.

OTHER BUSINESS

The Board knows of no other business to be brought before the Meeting. If, however, any other matters properly come before the Meeting, it is the intention that proxies that do not contain specific instructions to the contrary will be voted on such matters in accordance with the judgment of the persons designated in the proxies.

INFORMATION CONCERNING ADVISER,  
SUB-ADVISER, DISTRIBUTOR AND  
AFFILIATED COMPANIES

INVESCO, a Delaware corporation, serves as Asian Growth Fund's investment adviser, and provides other services to Asian Growth Fund and Specialty Funds. IAL, a Hong Kong corporation, serves as Asian Growth Fund's sub-adviser. IDI, a Delaware corporation, serves as Asian Growth Fund's distributor. INVESCO is a wholly owned subsidiary of INVESCO North American Holdings, Inc. ("INAH"). INAH, IAL, IAML and IDI are indirect wholly owned subsidiaries of AMVESCAP PLC. (1)

INVESCO's, INAH's and IDI's offices are located at 7800 East Union Avenue, Denver, Colorado 80237. IAL's offices are located at 11-12th Floor, Three Exchange Place, 8 Connaught Place, Central, Hong Kong. The corporate headquarters of AMVESCAP PLC are located at 11 Devonshire Square, London, EC2M 4YR, England. INVESCO currently serves as investment adviser of 14 open-end investment companies having approximate aggregate net assets in excess of \$21.1 billion as of December 31, 1998.

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(1) The intermediary companies between INAH and AMVESCAP PLC are as follows: INVESCO, Inc., AMVESCAP Group Services, Inc., AVZ, Inc., and INVESCO North American Group, Ltd., each of which is wholly owned by its immediate parent.

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The principal executive officers and directors of INVESCO and their principal occupations are:

Mark H. Williamson, Chairman of the Board, President, Chief Executive Officer and Director, also President and Chief Executive Officer of IDI.; Charles Mayer, Director and Senior Vice President, also, Senior Vice President and Director of IDI; Ronald L. Grooms, Director, Senior Vice President and Treasurer, also Director, Senior Vice President and Treasurer of IDI; Richard W. Healey, Director and Senior Vice President, also Director and Senior Vice President of IDI; Timothy J. Miller, Director and Senior Vice President, also Director and Senior Vice President of IDI; and Glen A. Payne, Senior Vice President, Secretary and General Counsel, also Senior Vice President, Secretary and General Counsel of IDI. The address of each of the foregoing officers and directors is 7800 East Union Avenue, Denver, Colorado 80237.

INVESCO, as adviser, has contracted with IAML for providing portfolio investment advisory services to Pacific Basin Fund. IAML also acts as sub-adviser to INVESCO Emerging Markets Fund, INVESCO European Fund, INVESCO European Small Company Fund, INVESCO International Growth Fund, and INVESCO Latin American Growth Fund.

The principal executive officers and directors of IAML are as follows:

Tristan Hillgarth, Chief Executive Officer; Dennis Elliot, Director; Jeremy Lambourne, Director; Dallas McGillivray, Director; Anthony Myers, Director; Graeme Proudfoot, Director; Riccardo Ricciardi, Director; Martin Trowell, Director; Hugh Ward, Director; Roger Yeates, Director; Michael Perman, Secretary; and Robert Cachett, Secretary. The address of each of the foregoing officers and directors is 11 Devonshire Square, London, EC2M 4YR, England.

INVESCO, as investment adviser, has contracted with IAL to provide portfolio investment advisory services to Asian Growth Fund. IAL is a wholly owned subsidiary of INAH.

The principal executive officers and directors of IAL and their principal occupations are:

The Hon. Michael Benson, Chairman; John Greenwood, Vice Chairman; Anna Tong, Managing Director; Andrew Lo, Chief Executive Officer; William Barron, Director; Rod Ellis, Secretary and Director; Nigel Hale, Director; Alfred Ho, Director; Gracie Liu, Director; Sam Lau, Director; James Robertson, Director; Janice Wong Yi, Director; Billy Chan Lee Wang, Director; Lum Chin Pong, Director; Liang Hwa-Dong, Director; John Misselbrook, Director; Jeremy Simpson, Director; Edith Ngan, Director; and Dean Chrisholm, Director. The address of the foregoing officers and directors is 11-12th Floor, Three Exchange Place, 8 Connaught Place, Central, Hong Kong.

Pursuant to an Administrative Services Agreement between Specialty Funds and INVESCO, INVESCO provides administrative services to Specialty Funds, including sub-accounting and recordkeeping services and functions. For such services, the Fund pays INVESCO a fee consisting of a base fee of \$10,000 per year, plus an additional incremental fee computed at the annual rate of 0.015% per year of the average net assets of the Fund. INVESCO is also paid a fee by

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the Fund for providing transfer agent services, including acting as Specialty Funds' registrar, transfer agent and dividend disbursing agent. During the fiscal year ended July 31, 1998, Specialty Funds paid INVESCO total compensation of \$1,713,771 for such services.

#### MISCELLANEOUS

##### AVAILABLE INFORMATION

Each Fund is subject to the information requirements of the Securities Exchange Act of 1934 and the 1940 Act and in accordance with those requirements

files reports, proxy material and other information with the SEC. These reports, proxy material and other information can be inspected and copied at the Public Reference Room maintained by the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, the Midwest Regional office of the SEC, Northwest Atrium Center, 500 West Madison Street, Suite 400, Chicago, Illinois 60611, and the Northeast Regional Office of the SEC, Seven World Trade Center, Suite 1300, New York, New York 10048. Copies of such material can also be obtained from the Public Reference Branch, Office of Consumer Affairs and Information Services, Securities and Exchange Commission, Washington, D.C. 20459 at prescribed rates.

#### LEGAL MATTERS

Certain legal matters in connection with the issuance of Pacific Basin Fund shares as part of the Reorganization will be passed upon by Pacific Basin Fund's counsel, Kirkpatrick & Lockhart LLP.

#### EXPERTS

The audited financial statements of Pacific Basin Fund and Asian Growth Fund, incorporated herein by reference and incorporated by reference or included in their respective Statements of Additional Information, have been audited by PricewaterhouseCoopers LLP, independent accountants for the Funds, whose reports thereon are included in the Funds' Annual Reports to Shareholders for the fiscal year ended October 31, 1998 with respect to Pacific Basin Fund and July 31, 1998 with respect to Asian Growth Fund. The financial statements audited by PricewaterhouseCoopers LLP have been incorporated herein by reference in reliance on their reports given on their authority as experts in auditing and accounting matters.

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#### APPENDIX A

##### AGREEMENT AND PLAN OF REORGANIZATION AND TERMINATION

THIS AGREEMENT AND PLAN OF REORGANIZATION AND TERMINATION ("Agreement") is made as of March 21, 1999, between INVESCO Specialty Funds, Inc., a Maryland corporation ("Corporation T"), on behalf of INVESCO Asian Growth Fund, a segregated portfolio of assets ("series") thereof ("Target"), and INVESCO International Funds, Inc., a Maryland corporation ("Corporation A"), on behalf of its INVESCO Pacific Basin Fund series ("Acquiring Fund"). (Acquiring Fund and Target are sometimes referred to herein individually as a "Fund" and collectively as the "Funds," and Corporation A and Corporation T are sometimes referred to herein individually as an "Investment Company" and collectively as the "Investment Companies.") All agreements, representations, actions, and obligations described herein made or to be taken or undertaken by either Fund are made and shall be taken or undertaken by Corporation A on behalf of Acquiring Fund and by Corporation T on behalf of Target.

This Agreement is intended to be, and is adopted as, a plan of a reorganization described in section 368(a)(1)(C) of the Internal Revenue Code of 1986, as amended ("Code"). The reorganization will involve the transfer to Acquiring Fund of Target's assets in exchange solely for voting shares of common stock in Acquiring Fund, par value \$0.01 per share ("Acquiring Fund Shares"), and the assumption by Acquiring Fund of Target's liabilities, followed by the constructive distribution of the Acquiring Fund Shares PRO rata to the holders of shares of common stock in Target ("Target Shares") in exchange therefor, all on the terms and conditions set forth herein. The foregoing transactions are referred to herein collectively as the "Reorganization."

Each Fund issues a single class of shares, which are substantially similar to each other. Each Fund's shares (1) are offered at net asset value ("NAV"), (2) are subject to a management fee of up to 0.75% of its net assets, and (3) are subject to a service fee at the annual rate of 0.25% of its net assets imposed pursuant to a plan of distribution adopted in accordance with Rule 12b-1 promulgated under the Investment Company Act of 1940, as amended ("1940 Act") (though Acquiring Fund Shares issued before December 1, 1997, are not subject to any such fee).

In consideration of the mutual promises contained herein, the parties agree as follows:

#### 1. PLAN OF REORGANIZATION AND TERMINATION

1.1. Target agrees to assign, sell, convey, transfer, and deliver all of its assets described in paragraph 1.2 ("Assets") to Acquiring Fund. Acquiring Fund agrees in exchange therefor:

- (a) to issue and deliver to Target the number of full and fractional (rounded to the third decimal place) Acquiring Fund Shares, determined by dividing the net value of Target (computed as set forth in paragraph 2.1) by the NAV of an Acquiring Fund Share

(computed as set forth in paragraph 2.2), and

- (b) to assume all of Target's liabilities described in paragraph 1.3 ("Liabilities").

Such transactions shall take place at the Closing (as defined in paragraph 3.1).

1.2. The Assets shall include, without limitation, all cash, cash equivalents, securities, receivables (including interest and dividends receivable), claims and rights of action, rights to register shares under applicable securities laws, books and records, deferred and prepaid expenses

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shown as assets on Target's books, and other property owned by Target at the Effective Time (as defined in paragraph 3.1).

1.3. The Liabilities shall include (except as otherwise provided herein) all of Target's liabilities, debts, obligations, and duties of whatever kind or nature, whether absolute, accrued, contingent, or otherwise, whether or not arising in the ordinary course of business, whether or not determinable at the Effective Time, and whether or not specifically referred to in this Agreement. Notwithstanding the foregoing, Target agrees to use its best efforts to discharge all its known Liabilities before the Effective Time.

1.4. At or immediately before the Effective Time, Target shall declare and pay to its shareholders a dividend and/or other distribution in an amount large enough so that it will have distributed substantially all (and in any event not less than 90%) of its investment company taxable income (computed without regard to any deduction for dividends paid) and substantially all of its realized net capital gain, if any, for the current taxable year through the Effective Time.

1.5. At the Effective Time (or as soon thereafter as is reasonably practicable), Target shall distribute the Acquiring Fund Shares received by it pursuant to paragraph 1.1 to Target's shareholders of record, determined as of the Effective Time (each a "Shareholder" and collectively "Shareholders"), in constructive exchange for their Target Shares. Such distribution shall be accomplished by Corporation A's transfer agent's opening accounts on Acquiring Fund's share transfer books in the Shareholders' names and transferring such Acquiring Fund Shares thereto. Each Shareholder's account shall be credited with the respective PRO RATA number of full and fractional (rounded to the third decimal place) Acquiring Fund Shares due that Shareholder. All outstanding Target Shares, including any represented by certificates, shall simultaneously be canceled on Target's share transfer books. Acquiring Fund shall not issue certificates representing the Acquiring Fund Shares issued in connection with the Reorganization.

1.6. As soon as reasonably practicable after distribution of the Acquiring Fund Shares pursuant to paragraph 1.5, but in all events within twelve months after the Effective Time, Target shall be terminated as a series of Corporation T and any further actions shall be taken in connection therewith as required by applicable law.

1.7. Any reporting responsibility of Target to a public authority is and shall remain its responsibility up to and including the date on which it is terminated.

1.8. Any transfer taxes payable upon issuance of Acquiring Fund Shares in a name other than that of the registered holder on Target's books of the Target Shares constructively exchanged therefor shall be paid by the person to whom such Acquiring Fund Shares are to be issued, as a condition of such transfer.

## 2. VALUATION

2.1. For purposes of paragraph 1.1(a), Target's net value shall be (a) the value of the Assets computed as of the close of regular trading on the New York Stock Exchange ("NYSE") on the date of the Closing ("Valuation Time"), using the valuation procedures set forth in Target's then-current prospectus and statement of additional information ("SAI") less (b) the amount of the Liabilities as of the Valuation Time.

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2.2. For purposes of paragraph 1.1(a), the NAV of an Acquiring Fund Share shall be computed as of the Valuation Time, using the valuation procedures set forth in Acquiring Fund's then-current prospectus and SAI.

2.3. All computations pursuant to paragraphs 2.1 and 2.2 shall be made by or under the direction of INVESCO Funds Group, Inc. ("INVESCO").

## 3. CLOSING AND EFFECTIVE TIME

3.1. The Reorganization, together with related acts necessary to consummate the same ("Closing"), shall occur at the Funds' principal office on June 18, 1999, or at such other place and/or on such other date as to which the parties may agree. All acts taking place at the Closing shall be deemed to take place simultaneously as of the close of business on the date thereof or at such other time as to which the parties may agree ("Effective Time"). If, immediately before the Valuation Time, (a) the NYSE is closed to trading or trading thereon is restricted or (b) trading or the reporting of trading on the NYSE or elsewhere is disrupted, so that accurate appraisal of the net value of Target and the NAV of an Acquiring Fund Share is impracticable, the Effective Time shall be postponed until the first business day after the day when such trading shall have been fully resumed and such reporting shall have been restored.

3.2. Corporation T's fund accounting and pricing agent shall deliver at the Closing a certificate of an authorized officer verifying that the information (including adjusted basis and holding period, by lot) concerning the Assets, including all portfolio securities, transferred by Target to Acquiring Fund, as reflected on Acquiring Fund's books immediately following the Closing, does or will conform to such information on Target's books immediately before the Closing. Corporation T's custodian shall deliver at the Closing a certificate of an authorized officer stating that (a) the Assets held by the custodian will be transferred to Acquiring Fund at the Effective Time and (b) all necessary taxes in conjunction with the delivery of the Assets, including all applicable federal and state stock transfer stamps, if any, have been paid or provision for payment has been made.

3.3. Corporation T shall deliver to Corporation A at the Closing a list of the names and addresses of the Shareholders and the number of outstanding Target Shares owned by each Shareholder, all as of the Effective Time, certified by the Secretary or Assistant Secretary of Corporation T. Corporation A's transfer agent shall deliver at the Closing a certificate as to the opening on Acquiring Fund's share transfer books of accounts in the Shareholders' names. Corporation A shall issue and deliver a confirmation to Corporation T evidencing the Acquiring Fund Shares to be credited to Target at the Effective Time or provide evidence satisfactory to Corporation T that such Acquiring Fund Shares have been credited to Target's account on Acquiring Fund's books. At the Closing, each party shall deliver to the other such bills of sale, checks, assignments, stock certificates, receipts, or other documents as the other party or its counsel may reasonably request.

3.4. Each Investment Company shall deliver to the other at the Closing a certificate executed in its name by its President or a Vice President in form and substance satisfactory to the recipient and dated the Effective Time, to the effect that the representations and warranties it made in this Agreement are true and correct at the Effective Time except as they may be affected by the transactions contemplated by this Agreement.

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#### 4. REPRESENTATIONS AND WARRANTIES

4.1. Target represents and warrants as follows:

4.1.1. Corporation T is a corporation duly organized, validly existing, and in good standing under the laws of the State of Maryland; and a copy of its Articles of Incorporation is on file with the Secretary of the State of Maryland;

4.1.2. Corporation T is duly registered as an open-end management investment company under the 1940 Act, and such registration will be in full force and effect at the Effective Time;

4.1.3. Target is a duly established and designated series of Corporation T;

4.1.4. At the Closing, Target will have good and marketable title to the Assets and full right, power, and authority to sell, assign, transfer, and deliver the Assets free of any liens or other encumbrances; and upon delivery and payment for the Assets, Acquiring Fund will acquire good and marketable title thereto;

4.1.5. Target's current prospectus and SAI conform in all material respects to the applicable requirements of the Securities Act of 1933, as amended ("1933 Act"), and the 1940 Act and the rules and regulations thereunder and do not include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

4.1.6. Target is not in violation of, and the execution and delivery of this Agreement and consummation of the transactions contemplated hereby will not conflict with or violate, Maryland law or any provision of

Corporation T's Articles of Incorporation or By-Laws or of any agreement, instrument, lease, or other undertaking to which Target is a party or by which it is bound or result in the acceleration of any obligation, or the imposition of any penalty, under any agreement, judgment, or decree to which Target is a party or by which it is bound, except as previously disclosed in writing to and accepted by Corporation A;

4.1.7. Except as otherwise disclosed in writing to and accepted by Corporation A, all material contracts and other commitments of or applicable to Target (other than this Agreement and investment contracts, including options, futures, and forward contracts) will be terminated, or provision for discharge of any liabilities of Target thereunder will be made, at or prior to the Effective Time, without either Fund's incurring any liability or penalty with respect thereto and without diminishing or releasing any rights Target may have had with respect to actions taken or omitted or to be taken by any other party thereto prior to the Closing;

4.1.8. Except as otherwise disclosed in writing to and accepted by Corporation A, no litigation, administrative proceeding, or investigation of or before any court or governmental body is presently pending or (to Target's knowledge) threatened against Corporation T with respect to Target or any of its properties or assets that, if adversely determined, would materially and adversely affect Target's financial condition or the conduct of its business; Target knows of no facts that might form the basis for the institution of any such litigation, proceeding, or investigation and is not a party to or subject to the provisions of any

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order, decree, or judgment of any court or governmental body that materially or adversely affects its business or its ability to consummate the transactions contemplated hereby;

4.1.9. The execution, delivery, and performance of this Agreement have been duly authorized as of the date hereof by all necessary action on the part of Corporation T's board of directors, which has made the determinations required by Rule 17a-8(a) under the 1940 Act; and, subject to approval by Target's shareholders, this Agreement constitutes a valid and legally binding obligation of Target, enforceable in accordance with its terms, except as the same may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium, and similar laws relating to or affecting creditors' rights and by general principles of equity;

4.1.10. At the Effective Time, the performance of this Agreement shall have been duly authorized by all necessary action by Target's shareholders;

4.1.11. No governmental consents, approvals, authorizations, or filings are required under the 1933 Act, the Securities Exchange Act of 1934, as amended ("1934 Act"), or the 1940 Act for the execution or performance of this Agreement by Corporation T, except for (a) the filing with the Securities and Exchange Commission ("SEC") of a registration statement by Corporation A on Form N-14 relating to the Acquiring Fund Shares issuable hereunder, and any supplement or amendment thereto ("Registration Statement"), including therein a prospectus/proxy statement ("Proxy Statement"), and (b) such consents, approvals, authorizations, and filings as have been made or received or as may be required subsequent to the Effective Time;

4.1.12. On the effective date of the Registration Statement, at the time of the shareholders' meeting referred to in paragraph 5.2, and at the Effective Time, the Proxy Statement will (a) comply in all material respects with the applicable provisions of the 1933 Act, the 1934 Act, and the 1940 Act and the regulations thereunder and (b) not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which such statements were made, not misleading; provided that the foregoing shall not apply to statements in or omissions from the Proxy Statement made in reliance on and in conformity with information furnished by Corporation A for use therein;

4.1.13. The Liabilities were incurred by Target in the ordinary course of its business; and there are no Liabilities other than liabilities disclosed or provided for in Corporation T's financial statements referred to in paragraph 4.1.19 and liabilities incurred by Target in the ordinary course of its business subsequent to July 31, 1998, or otherwise previously disclosed to Corporation A, none of which has been materially adverse to the business, assets, or results of Target operations;

4.1.14. Target is a "fund" as defined in section 851(g)(2) of the Code; it qualified for treatment as a regulated investment company under Subchapter M of the Code ("RIC") for each past taxable year since it

commenced operations and will continue to meet all the requirements for such qualification for its current taxable year; and it has no earnings and profits accumulated in any taxable year in which the provisions of Subchapter M did not apply to it. The Assets shall be invested at all times through the Effective Time in a manner that ensures compliance with the foregoing;

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4.1.15. Target is not under the jurisdiction of a court in a proceeding under Title 11 of the United States Code or similar case within the meaning of section 368(a)(3)(A) of the Code;

4.1.16. Not more than 25% of the value of Target's total assets (excluding cash, cash items, and U.S. government securities) is invested in the stock and securities of any one issuer, and not more than 50% of the value of such assets is invested in the stock and securities of five or fewer issuers;

4.1.17. Target will be terminated as soon as reasonably practicable after the Effective Time, but in all events within twelve months thereafter;

4.1.18. Target's federal income tax returns, and all applicable state and local tax returns, for all taxable years to and including the taxable year ended July 31, 1997, have been timely filed and all taxes payable pursuant to such returns have been timely paid; and

4.1.19. The financial statements of Corporation T for the year ended July 31, 1998, to be delivered to Corporation A, fairly represent the financial position of Target as of that date and the results of its operations and changes in its net assets for the year then ended.

4.2. Acquiring Fund represents and warrants as follows:

4.2.1. Corporation A is a corporation duly organized, validly existing, and in good standing under the laws of the State of Maryland; and a copy of its Articles of Incorporation is on file with the Secretary of the State of Maryland;

4.2.2. Corporation A is duly registered as an open-end management investment company under the 1940 Act, and such registration will be in full force and effect at the Effective Time;

4.2.3. Corporation A has 500,000,000 authorized shares of common stock, par value \$0.01 per share, 100,000,000 shares of which were allocated to the Acquiring Fund, of which 6,387,890 shares were outstanding as of October 31, 1998. Because Corporation A is an open-end investment company engaged in the continuous offering and redemption of its shares, the number of outstanding Acquiring Fund Shares may change prior to the Effective Time;

4.2.4. Acquiring Fund is a duly established and designated series of Corporation A;

4.2.5. No consideration other than Acquiring Fund Shares (and Acquiring Fund's assumption of the Liabilities) will be issued in exchange for the Assets in the Reorganization;

4.2.6. The Acquiring Fund Shares to be issued and delivered to Target hereunder will, at the Effective Time, have been duly authorized and, when issued and delivered as provided herein, will be duly and validly issued and outstanding shares of Acquiring Fund, fully paid and non-assessable;

4.2.7. Acquiring Fund's current prospectus and SAI conform in all material respects to the applicable requirements of the 1933 Act and the 1940 Act and the rules and regulations thereunder and do not include any

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untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

4.2.8. Acquiring Fund is not in violation of, and the execution and delivery of this Agreement and consummation of the transactions contemplated hereby will not conflict with or violate, Maryland law or any provision of Corporation A's Articles of Incorporation or By-Laws or of any provision of any agreement, instrument, lease, or other undertaking to which Acquiring Fund is a party or by which it is bound or result in the

acceleration of any obligation, or the imposition of any penalty, under any agreement, judgment, or decree to which Acquiring Fund is a party or by which it is bound, except as previously disclosed in writing to and accepted by Corporation T;

4.2.9. Except as otherwise disclosed in writing to and accepted by Corporation T, no litigation, administrative proceeding, or investigation of or before any court or governmental body is presently pending or (to Acquiring Fund's knowledge) threatened against Corporation A with respect to Acquiring Fund or any of its properties or assets that, if adversely determined, would materially and adversely affect Acquiring Fund's financial condition or the conduct of its business; Acquiring Fund knows of no facts that might form the basis for the institution of any such litigation, proceeding, or investigation and is not a party to or subject to the provisions of any order, decree, or judgment of any court or governmental body that materially or adversely affects its business or its ability to consummate the transactions contemplated hereby;

4.2.10. The execution, delivery, and performance of this Agreement have been duly authorized as of the date hereof by all necessary action on the part of Corporation A's board of directors (together with Corporation T's board of directors, the "Boards"), which has made the determinations required by Rule 17a-8(a) under the 1940 Act; and this Agreement constitutes a valid and legally binding obligation of Acquiring Fund, enforceable in accordance with its terms, except as the same may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium, and similar laws relating to or affecting creditors' rights and by general principles of equity;

4.2.11. No governmental consents, approvals, authorizations, or filings are required under the 1933 Act, the 1934 Act, or the 1940 Act for the execution or performance of this Agreement by Corporation A, except for (a) the filing with the SEC of the Registration Statement and a post-effective amendment to Corporation A's registration statement on Form N1-A and (b) such consents, approvals, authorizations, and filings as have been made or received or as may be required subsequent to the Effective Time;

4.2.12. On the effective date of the Registration Statement, at the time of the shareholders' meeting referred to in paragraph 5.2, and at the Effective Time, the Proxy Statement will (a) comply in all material respects with the applicable provisions of the 1933 Act, the 1934 Act, and the 1940 Act and the regulations thereunder and (b) not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which such statements were made, not misleading; provided that the foregoing shall not apply to statements in or omissions from the Proxy Statement made in reliance on and in conformity with information furnished by Corporation T for use therein;

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4.2.13. Acquiring Fund is a "fund" as defined in section 851(g)(2) of the Code; it qualified for treatment as a RIC for each past taxable year since it commenced operations and will continue to meet all the requirements for such qualification for its current taxable year; Acquiring Fund intends to continue to meet all such requirements for the next taxable year; and it has no earnings and profits accumulated in any taxable year in which the provisions of Subchapter M of the Code did not apply to it;

4.2.14. Acquiring Fund has no plan or intention to issue additional Acquiring Fund Shares following the Reorganization except for shares issued in the ordinary course of its business as a series of an open-end investment company; nor does Acquiring Fund have any plan or intention to redeem or otherwise reacquire any Acquiring Fund Shares issued to the Shareholders pursuant to the Reorganization, except to the extent it is required by the 1940 Act to redeem any of its shares presented for redemption at net asset value in the ordinary course of that business;

4.2.15. Following the Reorganization, Acquiring Fund (a) will continue Target's "historic business" (within the meaning of section 1.368-1(d)(2) of the Income Tax Regulations under the Code), (b) use a significant portion of Target's historic business assets (within the meaning of section 1.368-1(d)(3) of the Income Tax Regulations under the Code) in a business, (c) has no plan or intention to sell or otherwise dispose of any of the Assets, except for dispositions made in the ordinary course of that business and dispositions necessary to maintain its status as a RIC, and (d) expects to retain substantially all the Assets in the same form as it receives them in the Reorganization, unless and until subsequent investment circumstances suggest the desirability of change or it becomes necessary to make dispositions thereof to maintain such status;

4.2.16. There is no plan or intention for Acquiring Fund to be dissolved or merged into another corporation or a business trust or any "fund" thereof (within the meaning of section 851(g)(2) of the Code) following the Reorganization;

4.2.17. Immediately after the Reorganization, (a) not more than 25% of the value of Acquiring Fund's total assets (excluding cash, cash items, and U.S. government securities) will be invested in the stock and securities of any one issuer and (b) not more than 50% of the value of such assets will be invested in the stock and securities of five or fewer issuers;

4.2.18. Acquiring Fund does not own, directly or indirectly, nor at the Effective Time will it own, directly or indirectly, nor has it owned, directly or indirectly, at any time during the past five years, any shares of Target;

4.2.19. Acquiring Fund's federal income tax returns, and all applicable state and local tax returns, for all taxable years to and including the taxable year ended October 31, 1997, have been timely filed and all taxes payable pursuant to such returns have been timely paid;

4.2.20. The financial statements of Corporation A for the year ended October 31, 1998, to be delivered to Corporation T, fairly represent the financial position of Acquiring Fund as of that date and the results of its operations and changes in its net assets for the year then ended; and

4.2.21. If the Reorganization is consummated, Acquiring Fund will treat each Shareholder that receives Acquiring Fund Shares in connection with the Reorganization as having made a minimum initial purchase of

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Acquiring Fund Shares for the purpose of making additional investments in Acquiring Fund Shares, regardless of the value of the Acquiring Fund Shares so received.

4.3. Each Fund represents and warrants as follows:

4.3.1. The aggregate fair market value of the Acquiring Fund Shares, when received by the Shareholders, will be approximately equal to the aggregate fair market value of their Target Shares constructively surrendered in exchange therefor;

4.3.2. Its management (a) is unaware of any plan or intention of Shareholders to redeem, sell, or otherwise dispose of (i) any portion of their Target Shares before the Reorganization to any person related (within the meaning of section 1.368-1(e)(3) of the Income Tax Regulations under the Code) to either Fund or (ii) any portion of the Acquiring Fund Shares to be received by them in the Reorganization to any person related (as so defined) to Acquiring Fund, (b) does not anticipate dispositions of those Acquiring Fund Shares at the time of or soon after the Reorganization to exceed the usual rate and frequency of dispositions of shares of Target as a series of an open-end investment company, (c) expects that the percentage of Shareholder interests, if any, that will be disposed of as a result of or at the time of the Reorganization will be DE MINIMIS, and (d) does not anticipate that there will be extraordinary redemptions of Acquiring Fund Shares immediately following the Reorganization;

4.3.3. The Shareholders will pay their own expenses, if any, incurred in connection with the Reorganization;

4.3.4. Immediately following consummation of the Reorganization, Acquiring Fund will hold substantially the same assets and be subject to substantially the same liabilities that Target held or was subject to immediately prior thereto (in addition to the assets and liabilities Acquiring Fund then held or was subject to), plus any liabilities and expenses of the parties incurred in connection with the Reorganization;

4.3.5. The fair market value of the Assets on a going concern basis will equal or exceed the Liabilities to be assumed by Acquiring Fund and those to which the Assets are subject;

4.3.6. There is no intercompany indebtedness between the Funds that was issued or acquired, or will be settled, at a discount;

4.3.7. Pursuant to the Reorganization, Target will transfer to Acquiring Fund, and Acquiring Fund will acquire, at least 90% of the fair market value of the net assets, and at least 70% of the fair market value of the gross assets, held by Target immediately before the Reorganization. For the purposes of this representation, any amounts used by Target to pay its Reorganization expenses and to make redemptions and distributions

immediately before the Reorganization (except (a) redemptions not made as part of the Reorganization and (b) distributions made to conform to its policy of distributing all or substantially all of its income and gains to avoid the obligation to pay federal income tax and/or the excise tax under section 4982 of the Code) will be included as assets held thereby immediately before the Reorganization;

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4.3.8. None of the compensation received by any Shareholder who is an employee of or service provider to Target will be separate consideration for, or allocable to, any of the Target Shares held by such Shareholder; none of the Acquiring Fund Shares received by any such Shareholder will be separate consideration for, or allocable to, any employment agreement; investment advisory agreement, or other service agreement; and the consideration paid to any such Shareholder will be for services actually rendered and will be commensurate with amounts paid to third parties bargaining at arm's-length for similar services;

4.3.9. Immediately after the Reorganization, the Shareholders will not own shares constituting "control" of Acquiring Fund within the meaning of section 304(c) of the Code; and

4.3.10. Neither Fund will be reimbursed for any expenses incurred by it or on its behalf in connection with the Reorganization unless those expenses are solely and directly related to the Reorganization (determined in accordance with the guidelines set forth in Rev. Rul. 73-54, 1973-1 C.B. 187) ("Reorganization Expenses").

## 5. COVENANTS

5.1. Each Fund covenants to operate its respective business in the ordinary course between the date hereof and the Closing, it being understood that

- (a) such ordinary course will include declaring and paying customary dividends and other distributions and such changes in operations as are contemplated by each Fund's normal business activities and
- (b) each Fund will retain exclusive control of the composition of its portfolio until the Closing; provided that (1) Target shall not dispose of more than an insignificant portion of its historic business assets during such period without Acquiring Fund's prior consent and (2) if Target's shareholders' approve this Agreement (and the transactions contemplated hereby), then between the date of such approval and the Closing, the Investment Companies shall coordinate the Funds' respective portfolios so that the transfer of the Assets to Acquiring Fund will not cause it to fail to be in compliance with all of its investment policies and restrictions immediately after the Closing.

5.2. Target covenants to call a shareholders' meeting to consider and act on this Agreement and to take all other action necessary to obtain approval of the transactions contemplated hereby.

5.3. Target covenants that the Acquiring Fund Shares to be delivered hereunder are not being acquired for the purpose of making any distribution thereof, other than in accordance with the terms hereof.

5.4. Target covenants that it will assist Corporation A in obtaining such information as Corporation A reasonably requests concerning the beneficial ownership of Target Shares.

5.5. Target covenants that its books and records (including all books and records required to be maintained under the 1940 Act and the rules and regulations thereunder) will be turned over to Corporation A at the Closing.

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5.6. Each Fund covenants to cooperate in preparing the Proxy Statement in compliance with applicable federal securities laws.

5.7. Each Fund covenants that it will, from time to time, as and when requested by the other Fund, execute and deliver or cause to be executed and delivered all such assignments and other instruments, and will take or cause to be taken such further action, as the other Fund may deem necessary or desirable in order to vest in, and confirm to, (a) Acquiring Fund, title to and possession of all the Assets, and (b) Target, title to and possession of the Acquiring Fund Shares to be delivered hereunder, and otherwise to carry out the intent and purpose hereof.

5.8. Acquiring Fund covenants to use all reasonable efforts to obtain the approvals and authorizations required by the 1933 Act, the 1940 Act, and such state securities laws it may deem appropriate in order to continue its operations after the Effective Time.

5.9. Subject to this Agreement, each Fund covenants to take or cause to be taken all actions, and to do or cause to be done all things, reasonably necessary, proper, or advisable to consummate and effectuate the transactions contemplated hereby.

## 6. CONDITIONS PRECEDENT

Each Fund's obligations hereunder shall be subject to (a) performance by the other Fund of all its obligations to be performed hereunder at or before the Effective Time, (b) all representations and warranties of the other Fund contained herein being true and correct in all material respects as of the date hereof and, except as they may be affected by the transactions contemplated hereby, as of the Effective Time, with the same force and effect as if made at and as of the Effective Time, and (c) the following further conditions that, at or before the Effective Time:

6.1. This Agreement and the transactions contemplated hereby shall have been duly adopted and approved by the Boards and shall have been approved by Target's shareholders in accordance with applicable law.

6.2. All necessary filings shall have been made with the SEC and state securities authorities, and no order or directive shall have been received that any other or further action is required to permit the parties to carry out the transactions contemplated hereby. The Registration Statement shall have become effective under the 1933 Act, no stop orders suspending the effectiveness thereof shall have been issued, and the SEC shall not have issued an unfavorable report with respect to the Reorganization under section 25(b) of the 1940 Act nor instituted any proceedings seeking to enjoin consummation of the transactions contemplated hereby under section 25(c) of the 1940 Act. All consents, orders, and permits of federal, state, and local regulatory authorities (including the SEC and state securities authorities) deemed necessary by either Investment Company to permit consummation, in all material respects, of the transactions contemplated hereby shall have been obtained, except where failure to obtain same would not involve a risk of a material adverse effect on the assets or properties of either Fund, provided that either Investment Company may for itself waive any of such conditions.

6.3. At the Effective Time, no action, suit, or other proceeding shall be pending before any court or governmental agency in which it is sought to restrain or prohibit, or to obtain damages or other relief in connection with, the transactions contemplated hereby.

6.4. Corporation T shall have received an opinion of Kirkpatrick & Lockhart LLP substantially to the effect that:

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6.4.1. Acquiring Fund is a duly established series of Corporation A, a corporation duly organized, validly existing, and in good standing under the laws of the State of Maryland with power under its Articles of Incorporation to own all its properties and assets and, to the knowledge of such counsel, to carry on its business as presently conducted;

6.4.2. This Agreement (a) has been duly authorized, executed, and delivered by Corporation A on behalf of Acquiring Fund and (b) assuming due authorization, execution, and delivery of this Agreement by Corporation T on behalf of Target, is a valid and legally binding obligation of Corporation A with respect to Acquiring Fund, enforceable in accordance with its terms, except as the same may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium, and similar laws relating to or affecting creditors' rights and by general principles of equity;

6.4.3. The Acquiring Fund Shares to be issued and distributed to the Shareholders under this Agreement, assuming their due delivery as contemplated by this Agreement, will be duly authorized and validly issued and outstanding and fully paid and non-assessable;

6.4.4. The execution and delivery of this Agreement did not, and the consummation of the transactions contemplated hereby will not, materially violate Corporation A's Articles of Incorporation or By-Laws or any provision of any agreement (known to such counsel, without any independent inquiry or investigation) to which Corporation A (with respect to Acquiring Fund) is a party or by which it is bound or (to the knowledge of such counsel, without any independent inquiry or investigation) result in the acceleration of any obligation, or the imposition of any penalty, under any agreement, judgment, or decree to which Corporation A (with respect to Acquiring Fund) is a party or by which it is bound, except as

set forth in such opinion or as previously disclosed in writing to and accepted by Corporation T;

6.4.5. To the knowledge of such counsel (without any independent inquiry or investigation), no consent, approval, authorization, or order of any court or governmental authority is required for the consummation by Corporation A on behalf of Acquiring Fund of the transactions contemplated herein, except such as have been obtained under the 1933 Act, the 1934 Act, and the 1940 Act and such as may be required under state securities laws;

6.4.6. Corporation A is registered with the SEC as an investment company, and to the knowledge of such counsel no order has been issued or proceeding instituted to suspend such registration; and

6.4.7. To the knowledge of such counsel (without any independent inquiry or investigation), (a) no litigation, administrative proceeding, or investigation of or before any court or governmental body is pending or threatened as to Corporation A (with respect to Acquiring Fund) or any of its properties or assets attributable or allocable to Acquiring Fund and (b) Corporation A (with respect to Acquiring Fund) is not a party to or subject to the provisions of any order, decree, or judgment of any court or governmental body that materially and adversely affects Acquiring Fund's business, except as set forth in such opinion or as otherwise disclosed in writing to and accepted by Corporation T.

In rendering such opinion, such counsel may (1) rely, as to matters governed by the laws of the State of Maryland, on an opinion of competent Maryland counsel, (2) make assumptions regarding the authenticity, genuineness, and/or conformity of documents and copies thereof without independent verification thereof, (3)

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limit such opinion to applicable federal and state law, and (4) define the word "knowledge" and related terms to mean the knowledge of attorneys then with such firm who have devoted substantive attention to matters directly related to this Agreement and the Reorganization.

6.5. Corporation A shall have received an opinion of Kirkpatrick & Lockhart LLP substantially to the effect that:

6.5.1. Target is a duly established series of Corporation T, a corporation duly organized, validly existing, and in good standing under the laws of the State of Maryland with power under its Articles of Incorporation to own all its properties and assets and, to the knowledge of such counsel, to carry on its business as presently conducted;

6.5.2. This Agreement (a) has been duly authorized, executed, and delivered by Corporation T on behalf of Target and (b) assuming due authorization, execution, and delivery of this Agreement by Corporation A on behalf of Acquiring Fund, is a valid and legally binding obligation of Corporation T with respect to Target, enforceable in accordance with its terms, except as the same may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium, and similar laws relating to or affecting creditors' rights and by general principles of equity;

6.5.3. The execution and delivery of this Agreement did not, and the consummation of the transactions contemplated hereby will not, materially violate Corporation T's Articles of Incorporation or By-Laws or any provision of any agreement (known to such counsel, without any independent inquiry or investigation) to which Corporation T (with respect to Target) is a party or by which it is bound or (to the knowledge of such counsel, without any independent inquiry or investigation) result in the acceleration of any obligation, or the imposition of any penalty, under any agreement, judgment, or decree to which Corporation T (with respect to Target) is a party or by which it is bound, except as set forth in such opinion or as previously disclosed in writing to and accepted by Corporation A;

6.5.4. To the knowledge of such counsel (without any independent inquiry or investigation), no consent, approval, authorization, or order of any court or governmental authority is required for the consummation by Corporation T on behalf of Target of the transactions contemplated herein, except such as have been obtained under the 1933 Act, the 1934 Act, and the 1940 Act and such as may be required under state securities laws;

6.5.5. Corporation T is registered with the SEC as an investment company, and to the knowledge of such counsel no order has been issued or proceeding instituted to suspend such registration; and

6.5.6. To the knowledge of such counsel (without any independent inquiry or investigation), (a) no litigation, administrative proceeding, or investigation of or before any court or governmental body is pending or

threatened as to Corporation T (with respect to Target) or any of its properties or assets attributable or allocable to Target and (b) Corporation T (with respect to Target) is not a party to or subject to the provisions of any order, decree, or judgment of any court or governmental body that materially and adversely affects Target's business, except as set forth in such opinion or as otherwise disclosed in writing to and accepted by Corporation A.

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In rendering such opinion, such counsel may (1) rely, as to matters governed by the laws of the State of Maryland, on an opinion of competent Maryland counsel, (2) make assumptions regarding the authenticity, genuineness, and/or conformity of documents and copies thereof without independent verification thereof, (3) limit such opinion to applicable federal and state law, and (4) define the word "knowledge" and related terms to mean the knowledge of attorneys then with such firm who have devoted substantive attention to matters directly related to this Agreement and the Reorganization.

6.6. Each Investment Company shall have received an opinion of Kirkpatrick & Lockhart LLP, addressed to and in form and substance satisfactory to it, as to the federal income tax consequences mentioned below ("Tax Opinion"). In rendering the Tax Opinion, such counsel may rely as to factual matters, exclusively and without independent verification, on the representations made in this Agreement (or in separate letters addressed to such counsel) and the certificates delivered pursuant to paragraph 3.4. The Tax Opinion shall be substantially to the effect that, based on the facts and assumptions stated therein and conditioned on consummation of the Reorganization in accordance with this Agreement, for federal income tax purposes:

6.6.1. Acquiring Fund's acquisition of the Assets in exchange solely for Acquiring Fund Shares and Acquiring Fund's assumption of the Liabilities, followed by Target's distribution of those shares PRO RATA to the Shareholders constructively in exchange for the Shareholders' Target Shares, will constitute a reorganization within the meaning of section 368(a)(1)(C) of the Code, and each Fund will be "a party to a reorganization" within the meaning of section 368(b) of the Code;

6.6.2. Target will recognize no gain or loss on the transfer to Acquiring Fund of the Assets in exchange solely for Acquiring Fund Shares and Acquiring Fund's assumption of the Liabilities or on the subsequent distribution of those shares to the Shareholders in constructive exchange for their Target Shares;

6.6.3. Acquiring Fund will recognize no gain or loss on its receipt of the Assets in exchange solely for Acquiring Fund Shares and its assumption of the Liabilities;

6.6.4. Acquiring Fund's basis for the Assets will be the same as the basis thereof in Target's hands immediately before the Reorganization, and Acquiring Fund's holding period for the Assets will include Target's holding period therefor;

6.6.5. A Shareholder will recognize no gain or loss on the constructive exchange of all its Target Shares solely for Acquiring Fund Shares pursuant to the Reorganization; and

6.6.6. A Shareholder's aggregate basis for the Acquiring Fund Shares to be received by it in the Reorganization will be the same as the aggregate basis for its Target Shares to be constructively surrendered in exchange for those Acquiring Fund Shares, and its holding period for those Acquiring Fund Shares will include its holding period for those Target Shares, provided they are held as capital assets by the Shareholder at the Effective Time.

Notwithstanding subparagraphs 6.6.2 and 6.6.4, the Tax Opinion may state that no opinion is expressed as to the effect of the Reorganization on the Funds or any Shareholder with respect to any asset as to which any unrealized gain or loss is required to be recognized for federal income tax purposes at the end of a taxable year (or on the termination or transfer thereof) under a mark-to-market system of accounting.

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At any time before the Closing, either Investment Company may waive any of the foregoing conditions (except that set forth in paragraph 6.1) if, in the judgment of its Board, such waiver will not have a material adverse effect on its Fund's shareholders' interests.

## 7. BROKERAGE FEES AND EXPENSES



By: -----

-----  
Secretary

-----  
President

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APPENDIX B

PRINCIPAL SHAREHOLDERS

The following table sets forth the beneficial ownership of each Fund's outstanding equity as of March 12, 1999 by each beneficial owner of 5% or more of a Fund's outstanding equity securities.

Name and Address -----	Amount and Nature of Ownership -----	Percentage -----
Asian Growth Fund Charles Schwab & Co. Inc. Special Custody Acct. for the Exclusive Benefit of Customers Attn: Mutual Funds 101 Montgomery St. San Francisco, CA 94104-4122	1,221,060.3200 Record	29.28%
Pacific Basin Fund Charles Schwab & Co. Inc. Special Custody Acct. for the Exclusive Benefit of Customers Attn: Mutual Funds 101 Montgomery St. San Francisco, CA 94104-4122	2,170,779.5450 Record	30.55%

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APPENDIX C

AGREEMENT AND PLAN OF CONVERSION AND TERMINATION  
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This AGREEMENT AND PLAN OF CONVERSION AND TERMINATION ("Agreement") is made as of March 21, 1999, between INVESCO Specialty Funds, Inc., a Maryland corporation ("Specialty Funds"), on behalf of INVESCO Asian Growth Fund, a segregated portfolio of assets ("series") thereof ("Old Fund"), and INVESCO International Funds, Inc., a Maryland corporation ("International Funds"), on behalf of its INVESCO Asian Growth Fund series ("New Fund"). (Old Fund and New Fund are sometimes referred to herein individually as a "Fund" and collectively as the "Funds"; Specialty Funds and International Funds are sometimes referred to herein individually as an "Investment Company" and collectively as the "Investment Companies.") All agreements, representations, actions, and obligations described herein made or to be taken or undertaken by either Fund are made and shall be taken or undertaken by Specialty Funds on behalf of Old Fund and by International Funds on behalf of New Fund.

Old Fund intends to change its identity -- by converting from a series of Specialty Funds to a series of International Funds -- through a reorganization within the meaning of section 368(a)(1)(F) of the Internal Revenue Code of 1986, as amended ("Code"). Old Fund desires to accomplish such conversion by transferring all its assets to New Fund (which is being established solely for the purpose of acquiring such assets and continuing Old Fund's business) in exchange solely for voting shares of common stock in New Fund ("New Fund Shares") and New Fund's assumption of Old Fund's liabilities, followed by the

constructive distribution of the New Fund Shares PRO RATA to the holders of shares of common stock in Old Fund ("Old Fund Shares") in exchange therefor, all on the terms and conditions set forth in this Agreement (which is intended to be, and is adopted as, a "plan of reorganization" for federal income tax purposes). All such transactions are referred to herein as the "Reorganization."

In consideration of the mutual promises herein contained, the parties agree as follows:

1. PLAN OF CONVERSION AND TERMINATION  
-----

1.1. Old Fund agrees to assign, sell, convey, transfer, and deliver all of its assets described in paragraph 1.2 ("Assets") to New Fund. New Fund agrees in exchange therefor:

(a) to issue and deliver to Old Fund the number of full and fractional (rounded to the third decimal place) New Fund Shares equal to the number of full and fractional Old Fund Shares then outstanding, and

(b) to assume all of Old Fund's liabilities described in paragraph 1.3 ("Liabilities").

Such transactions shall take place at the Closing (as defined in paragraph 2.1).

1.2. The Assets shall include, without limitation, all cash, cash equivalents, securities, receivables (including interest and dividends receivable), claims and rights of action, rights to register shares under applicable securities laws, books and records, deferred and prepaid expenses shown as assets on Old Fund's books, and other property owned by Old Fund at the Effective Time (as defined in paragraph 2.1).

1.3. The Liabilities shall include all of Old Fund's liabilities, debts, obligations, and duties of whatever kind or nature, whether absolute, accrued,

contingent, or otherwise, whether or not arising in the ordinary course of business, whether or not determinable at the Effective Time, and whether or not specifically referred to in this Agreement.

1.4. At the Effective Time (or as soon thereafter as is reasonably practicable), (a) the New Fund Share issued pursuant to paragraph 4.4 shall be redeemed by New Fund for \$1.00 and (b) Old Fund shall distribute the New Fund Shares it received pursuant to paragraph 1.1 to its shareholders of record, determined as of the Effective Time (each a "Shareholder" and collectively "Shareholders"), in constructive exchange for their Old Fund Shares. Such distribution shall be accomplished by International Funds' transfer agent's opening accounts on New Fund's share transfer books in the Shareholders' names and transferring such New Fund Shares thereto. Each Shareholder's account shall be credited with the respective PRO RATA number of full and fractional (rounded to the third decimal place) New Fund Shares due that Shareholder. All outstanding Old Fund Shares, including those represented by certificates, shall simultaneously be canceled on Old Fund's share transfer books. New Fund shall not issue certificates representing the New Fund Shares in connection with the Reorganization.

1.5. As soon as reasonably practicable after distribution of the New Fund Shares pursuant to paragraph 1.4, but in all events within twelve months after the Effective Time, Old Fund shall be terminated as a series of Specialty Funds and any further actions shall be taken in connection therewith as required by applicable law.

1.6. Any reporting responsibility of Old Fund to a public authority is and shall remain its responsibility up to and including the date on which it is terminated.

1.7. Any transfer taxes payable on issuance of New Fund Shares in a name other than that of the registered holder on Old Fund's books of the Old Fund Shares constructively exchanged therefor shall be paid by the person to whom such New Fund Shares are to be issued, as a condition of such transfer.

2. CLOSING AND EFFECTIVE TIME  
-----

2.1. The Reorganization, together with related acts necessary to consummate the same ("Closing"), shall occur at the Funds' principal office on June 18, 1999, or at such other place and/or on such other date as to which the parties may agree. All acts taking place at the Closing shall be deemed to take place simultaneously as of the close of business on the date thereof or at such other time as to which the parties may agree ("Effective Time").

2.2. Specialty Funds' fund accounting and pricing agent shall deliver at the Closing a certificate of an authorized officer verifying that the information (including adjusted basis and holding period, by lot) concerning the

Assets, including all portfolio securities, transferred by Old Fund to New Fund, as reflected on New Fund's books immediately following the Closing, does or will conform to such information on Old Fund's books immediately before the Closing. Specialty Fund's custodian shall deliver at the Closing a certificate of an authorized officer stating that (a) the Assets held by the custodian will be transferred to New Fund at the Effective Time and (b) all necessary taxes in conjunction with the delivery of the Assets, including all applicable federal and state stock transfer stamps, if any, have been paid or provision for payment has been made.

2.3. International Funds' transfer agent shall deliver at the Closing a certificate as to the opening on New Fund's share transfer books of accounts in the Shareholders' names. International Funds shall issue and deliver a confirmation to Specialty Funds evidencing the New Fund Shares to be credited to

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Old Fund at the Effective Time or provide evidence satisfactory to Specialty Funds that such New Fund Shares have been credited to Old Fund's account on such books. At the Closing, each party shall deliver to the other such bills of sale, checks, assignments, stock certificates, receipts, or other documents as the other party or its counsel may reasonably request.

2.4. Each Investment Company shall deliver to the other at the Closing a certificate executed in its name by its President or a Vice President in form and substance satisfactory to the recipient and dated the Effective Time, to the effect that the representations and warranties it made in this Agreement are true and correct at the Effective Time except as they may be affected by the transactions contemplated by this Agreement.

3. REPRESENTATIONS AND WARRANTIES

3.1. Old Fund represents and warrants as follows:

3.1.1. Specialty Funds is a corporation duly organized, validly existing, and in good standing under the laws of the State of Maryland; and a copy of its Articles of Incorporation is on file with the Secretary of State of Maryland;

3.1.2. Specialty Funds is duly registered as an open-end management investment company under the Investment Company Act of 1940, as amended ("1940 Act"), and such registration will be in full force and effect at the Effective Time;

3.1.3. Old Fund is a duly established and designated series of Specialty Funds;

3.1.4. At the Closing, Old Fund will have good and marketable title to the Assets and full right, power, and authority to sell, assign, transfer, and deliver the Assets free of any liens or other encumbrances; and upon delivery and payment for the Assets, New Fund will acquire good and marketable title thereto;

3.1.5. New Fund Shares are not being acquired for the purpose of making any distribution thereof, other than in accordance with the terms hereof;

3.1.6. Old Fund is a "fund" as defined in section 851(g)(2) of the Code; it qualified for treatment as a regulated investment company under Subchapter M of the Code ("RIC") for each past taxable year since it commenced operations and will continue to meet all the requirements for such qualification for its current taxable year; and it has no earnings and profits accumulated in any taxable year in which the provisions of Subchapter M did not apply to it. The Assets shall be invested at all times through the Effective Time in a manner that ensures compliance with the foregoing;

3.1.7. The Liabilities were incurred by Old Fund in the ordinary course of its business and are associated with the Assets;

3.1.8. Old Fund is not under the jurisdiction of a court in a proceeding under Title 11 of the United States Code or similar case within the meaning of section 368(a)(3)(A) of the Code;

3.1.9. Not more than 25% of the value of Old Fund's total assets (excluding cash, cash items, and U.S. government securities) is invested in the stock and securities of any one issuer, and not more than 50% of the value of such assets is invested in the stock and securities of five or fewer issuers;

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3.1.10. As of the Effective Time, Old Fund will not have outstanding any warrants, options, convertible securities, or any other type of rights pursuant to which any person could acquire Old Fund Shares;

3.1.11. At the Effective Time, the performance of this Agreement shall have been duly authorized by all necessary action by Old Fund's shareholders; and

3.1.12. Old Fund will be terminated as soon as reasonably practicable after the Effective Time, but in all events within twelve months thereafter.

3.2. New Fund represents and warrants as follows:

3.2.1. International Funds is a corporation duly organized, validly existing, and in good standing under the laws of the State of Maryland; and a copy of its Articles of Incorporation is on file with the Secretary of State of Maryland;

3.2.2. International Funds is duly registered as an open-end management investment company under the 1940 Act, and such registration will be in full force and effect at the Effective Time;

3.2.3. Before the Effective Time, New Fund will be a duly established and designated series of International Funds;

3.2.4. New Fund has not commenced operations and will not do so until after the Closing;

3.2.5. Prior to the Effective Time, there will be no issued and outstanding shares in New Fund or any other securities issued by New Fund, except as provided in paragraph 4.4;

3.2.6. No consideration other than New Fund Shares (and New Fund's assumption of the Liabilities) will be issued in exchange for the Assets in the Reorganization;

3.2.7. The New Fund Shares to be issued and delivered to Old Fund hereunder will, at the Effective Time, have been duly authorized and, when issued and delivered as provided herein, will be duly and validly issued and outstanding shares of New Fund, fully paid and non-assessable;

3.2.8. New Fund will be a "fund" as defined in section 851(g)(2) of the Code and will meet all the requirements to qualify for treatment as a RIC for its taxable year in which the Reorganization occurs;

3.2.9. New Fund has no plan or intention to issue additional New Fund Shares following the Reorganization except for shares issued in the ordinary course of its business as a series of an open-end investment company; nor does New Fund have any plan or intention to redeem or otherwise reacquire any New Fund Shares issued to the Shareholders pursuant to the Reorganization, except to the extent it is required by the 1940 Act to redeem any of its shares presented for redemption at net asset value in the ordinary course of that business;

3.2.10. Following the Reorganization, New Fund (a) will continue Old Fund's "historic business" (within the meaning of section 1.368-1(d)(2) of the Income Tax Regulations under the Code), (b) use a significant portion of Old Fund's historic business assets (within the meaning of section 1.368-1(d)(3) of the Income Tax Regulations under the Code) in a business,

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(c) has no plan or intention to sell or otherwise dispose of any of the Assets, except for dispositions made in the ordinary course of that business and dispositions necessary to maintain its status as a RIC, and (d) expects to retain substantially all the Assets in the same form as it receives them in the Reorganization, unless and until subsequent investment circumstances suggest the desirability of change or it becomes necessary to make dispositions thereof to maintain such status;

3.2.11. There is no plan or intention for New Fund to be dissolved or merged into another corporation or a business trust or any "fund" thereof (within the meaning of section 851(g)(2) of the Code) following the Reorganization; and

3.2.12. Immediately after the Reorganization, (a) not more than 25% of the value of New Fund's total assets (excluding cash, cash items, and U.S. government securities) will be invested in the stock and securities of any one issuer and (b) not more than 50% of the value of such assets will be invested in the stock and securities of five or fewer issuers.

3.3. Each Fund represents and warrants as follows:

3.3.1. The aggregate fair market value of the New Fund Shares, when received by the Shareholders, will be approximately equal to the aggregate fair market value of their Old Fund Shares constructively surrendered in exchange therefor;

3.3.2. Its management (a) is unaware of any plan or intention of Shareholders to redeem, sell, or otherwise dispose of (i) any portion of their Old Fund Shares before the Reorganization to any person related (within the meaning of section 1.368-1(e)(3) of the Income Tax Regulations under the Code) to either Fund or (ii) any portion of the New Fund Shares to be received by them in the Reorganization to any person related (as so defined) to New Fund, (b) does not anticipate dispositions of those New Fund Shares at the time of or soon after the Reorganization to exceed the usual rate and frequency of dispositions of shares of Old Fund as a series of an open-end investment company, (c) expects that the percentage of Shareholder interests, if any, that will be disposed of as a result of or at the time of the Reorganization will be DE MINIMIS, and (d) does not anticipate that there will be extraordinary redemptions of New Fund Shares immediately following the Reorganization;

3.3.3. The Shareholders will pay their own expenses, if any, incurred in connection with the Reorganization;

3.3.4. Immediately following consummation of the Reorganization, the Shareholders will own all the New Fund Shares and will own such shares solely by reason of their ownership of Old Fund Shares immediately before the Reorganization;

3.3.5. Immediately following consummation of the Reorganization, New Fund will hold the same assets -- except for assets distributed to shareholders in the course of its business as a RIC and assets used to pay expenses incurred in connection with the Reorganization -- and be subject to the same liabilities that Old Fund held or was subject to immediately prior to the Reorganization, plus any liabilities for expenses of the parties incurred in connection with the Reorganization. Such excepted assets, together with the amount of all redemptions and distributions (other than regular, normal dividends) made by Old Fund immediately preceding the Reorganization, will, in the aggregate, constitute less than 1% of its net assets;

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3.3.6. There is no intercompany indebtedness between the Funds that was issued or acquired, or will be settled, at a discount; and

3.3.7. Neither Fund will be reimbursed for any expenses incurred by it or on its behalf in connection with the Reorganization unless those expenses are solely and directly related to the Reorganization (determined in accordance with the guidelines set forth in Rev. Rul. 73-54, 1973-1 C.B. 187) ("Reorganization Expenses").

4. CONDITIONS PRECEDENT

Each Fund's obligations hereunder shall be subject to (a) performance by the other Fund of all its obligations to be performed hereunder at or before the Effective Time, (b) all representations and warranties of the other Fund contained herein being true and correct in all material respects as of the date hereof and, except as they may be affected by the transactions contemplated hereby, as of the Effective Time, with the same force and effect as if made on and as of the Effective Time, and (c) the further conditions that, at or before the Effective Time:

4.1. This Agreement and the transactions contemplated hereby shall have been duly adopted and approved by the each Investment Company's board of directors and shall have been approved by Old Fund's shareholders in accordance with applicable law;

4.2. All necessary filings shall have been made with the Securities and Exchange Commission ("SEC") and state securities authorities, and no order or directive shall have been received that any other or further action is required to permit the parties to carry out the transactions contemplated hereby. All consents, orders, and permits of federal, state, and local regulatory authorities (including the SEC and state securities authorities) deemed necessary by either Investment Company to permit consummation, in all material respects, of the transactions contemplated hereby shall have been obtained, except where failure to obtain same would not involve a risk of a material adverse effect on the assets or properties of either Fund, provided that either Investment Company may for itself waive any of such conditions;

4.3. Each Investment Company shall have received an opinion of Kirkpatrick

& Lockhart LLP, addressed to and in form and substance satisfactory to it, as to the federal income tax consequences mentioned below ("Tax Opinion"). In rendering the Tax Opinion, such counsel may rely as to factual matters, exclusively and without independent verification, on the representations made in this Agreement (or in separate letters addressed to such counsel) and the certificates delivered pursuant to paragraph 2.4. The Tax Opinion shall be substantially to the effect that, based on the facts and assumptions stated therein and conditioned on consummation of the Reorganization in accordance with this Agreement, for federal income tax purposes:

4.3.1. New Fund's acquisition of the Assets in exchange solely for New Fund Shares and New Fund's assumption of the Liabilities, followed by Old Fund's distribution of those shares PRO RATA to the Shareholders constructively in exchange for the Shareholders' Old Fund Shares, will constitute a reorganization within the meaning of section 368(a)(1)(F) of the Code, and each Fund will be "a party to a reorganization" within the meaning of section 368(b) of the Code;

4.3.2. Old Fund will recognize no gain or loss on the transfer to New Fund of the Assets in exchange solely for New Fund Shares and New Fund's assumption of the Liabilities or on the subsequent distribution of those shares to the Shareholders in constructive exchange for their Old Fund Shares;

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4.3.3. New Fund will recognize no gain or loss on its receipt of the Assets in exchange solely for New Fund Shares and its assumption of the Liabilities;

4.3.4. New Fund's basis for the Assets will be the same as the basis thereof in Old Fund's hands immediately before the Reorganization, and New Fund's holding period for the Assets will include Old Fund's holding period therefor;

4.3.5. A Shareholder will recognize no gain or loss on the constructive exchange of all its Old Fund Shares solely for New Fund Shares pursuant to the Reorganization;

4.3.6. A Shareholder's aggregate basis for the New Fund Shares to be received by it in the Reorganization will be the same as the aggregate basis for its Old Fund Shares to be constructively surrendered in exchange for those New Fund Shares, and its holding period for those New Fund Shares will include its holding period for those Old Fund Shares, provided they are held as capital assets by the Shareholder at the Effective Time; and

4.3.7. For purposes of section 381 of the Code, New Fund will be treated as if there had been no Reorganization. Accordingly, the Reorganization will not result in the termination of Old Fund's taxable year, Old Fund's tax attributes enumerated in section 381(c) of the Code will be taken into account by New Fund as if there had been no Reorganization, and the part of Old Fund's taxable year before the Reorganization will be included in New Fund's taxable year after the Reorganization;

4.4. Prior to the Closing, International Funds' directors shall have authorized the issuance of, and New Fund shall have issued, one New Fund Share to Specialty Funds in consideration of the payment of \$1.00 to vote on the matters referred to in paragraph 4.5; and

4.5. International Funds (on behalf of and with respect to New Fund) shall have entered into a management contract, a sub-advisory agreement, a distribution and service plan pursuant to Rule 12b-1 under the 1940 Act, and such other agreements as are necessary for New Fund's operation as a series of an open-end investment company. Each such contract, agreement, and plan shall have been approved by International Funds' directors and, to the extent required by law, by such of those directors who are not "interested persons" thereof (as defined in the 1940 Act) and by Specialty Funds as the sole shareholder of New Fund.

At any time before the Closing, either Investment Company may waive any of the foregoing conditions (except that set forth in paragraph 4.1) if, in the judgment of its board of directors, such waiver will not have a material adverse effect on its Fund's shareholders' interests.

## 5. BROKERAGE FEES AND EXPENSES

5.1 Each Investment Company represents and warrants to the other that there are no brokers or finders entitled to receive any payments in connection with the transactions provided for herein.

5.2 Except as otherwise provided herein, 50% of the total Reorganization Expenses will be borne by INVESCO and the remaining 50% will be borne partly by each Fund.

6. ENTIRE AGREEMENT; NO SURVIVAL  
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Neither party has made any representation, warranty, or covenant not set forth herein, and this Agreement constitutes the entire agreement between the

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parties. The representations, warranties, and covenants contained herein or in any document delivered pursuant hereto or in connection herewith shall not survive the Closing.

7. TERMINATION  
-----

This Agreement may be terminated at any time at or prior to the Effective Time, whether before or after approval by Old Fund's shareholders:

7.1. By either Fund (a) in the event of the other Fund's material breach of any representation, warranty, or covenant contained herein to be performed at or prior to the Effective Time, (b) if a condition to its obligations has not been met and it reasonably appears that such condition will not or cannot be met, or (c) if the Closing has not occurred on or before August 31, 1999; or

7.2. By the parties' mutual agreement.

In the event of termination under paragraphs 7.1(c) or 7.2, there shall be no liability for damages on the part of either Fund, or the directors or officers of either Investment Company, to the other Fund.

8. AMENDMENT  
-----

This Agreement may be amended, modified, or supplemented at any time, notwithstanding approval thereof by Old Fund's shareholders, in such manner as may be mutually agreed upon in writing by the parties; provided that following such approval no such amendment shall have a material adverse effect on the Shareholders' interests.

9. MISCELLANEOUS  
-----

9.1. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Maryland; provided that, in the case of any conflict between such laws and the federal securities laws, the latter shall govern.

9.2. Nothing expressed or implied herein is intended or shall be construed to confer upon or give any person, firm, trust, or corporation other than the parties and their respective successors and assigns any rights or remedies under or by reason of this Agreement.

9.3. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been executed by each Investment Company and delivered to the other party hereto. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

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IN WITNESS WHEREOF, each party has caused this Agreement to be executed and delivered by its duly authorized officers as of the day and year first written above.

ATTEST: INVESCO SPECIALTY FUNDS, INC.,  
on behalf of its series,  
INVESCO Asian Growth Fund

By: \_\_\_\_\_  
Secretary President

ATTEST: INVESCO INTERNATIONAL FUNDS, INC.,  
on behalf of its series,  
INVESCO Asian Growth Fund

By: \_\_\_\_\_

Secretary

President

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INVESCO PACIFIC BASIN FUND (A SERIES OF INVESCO  
INTERNATIONAL FUNDS, INC.)

INVESCO ASIAN GROWTH FUND (A SERIES OF INVESCO  
SPECIALTY FUNDS, INC.)

7800 E. UNION AVENUE  
DENVER, COLORADO 80237

STATEMENT OF ADDITIONAL INFORMATION

This Statement of Additional Information relates specifically to the proposed Reorganization whereby INVESCO Pacific Basin Fund ("Pacific Basin Fund") would acquire the assets of INVESCO Asian Growth Fund ("Asian Growth Fund") in exchange solely for shares of Pacific Basin Fund and the assumption by Pacific Basin Fund of Asian Growth Fund's liabilities. This Statement of Additional Information consists of this cover page and the following described documents, each of which is incorporated by reference herein:

(1) The Statement of Additional Information of Pacific Basin Fund, dated March 1, 1998.

(2) The Statement of Additional Information of Asian Growth Fund, dated December 1, 1998.

(3) The Annual Report to Shareholders of Pacific Basin Fund for the fiscal year ended October 31, 1998.

(4) The Annual Report to Shareholders of Asian Growth Fund for the fiscal year ended July 31, 1998.

This Statement of Additional Information is not a prospectus and should be read only in conjunction with the Prospectus/Proxy Statement dated March 23, 1999 relating to the above-referenced matter. A copy of the Prospectus/Proxy Statement may be obtained by calling toll-free 1-800-646-8372. This Statement of Additional Information is dated March 23, 1999.

PRO FORMA STATEMENT OF OPERATIONS  
Twelve Months Ended October 31, 1998

	<C>	<C>	<C>	<C>
	Asian Growth Fund	Pacific Basin Fund	Pro Forma Adjustments	Pro Forma Combined
<b>INVESTMENT INCOME</b>				
<b>INCOME</b>				
Dividends	\$ 292,210	\$ 910,732		\$ 1,202,942
Interest	157,955	258,341		416,296
Foreign Taxes Withheld	(18,568)	(68,440)		(87,008)
<b>TOTAL INCOME</b>	<b>431,597</b>	<b>1,100,633</b>		<b>1,532,230</b>
<b>EXPENSES</b>				
Investment Advisory Fees (Note 3)	112,775	368,580	\$ (782) (a)	480,573
Distribution Expenses (Note 3)	37,592	100,442	22,157 (a)	160,191
Transfer Agent Fees	159,722	499,564	(39,931) (b)	619,355
Administrative Fees (Note 3)	12,282	17,399	(10,070) (a)	19,611
Custodian Fees and Expenses	24,999	74,353		99,352
Directors' Fees and Expenses	10,065	12,272	(8,000) (b)	14,337
Professional Fees and Expenses	24,403	26,856	(22,690) (b)	28,569
Registration Fees and Expenses	35,321	107,708	(28,321) (b)	114,708

Reports to Shareholders	15,309	39,446	(3,827) (b)	50,928
Other Expenses	5,740	6,796	(2,064) (b)	10,472
<hr/>				
TOTAL EXPENSES	438,208	1,253,416		1,598,096
Fees and Expenses Absorbed by Investment Adviser	(137,648)	(236,517)	111,263 (c)	(262,902)
Fees and Expenses Paid Indirectly	(16,306)	(37,359)		(53,665)
<hr/>				
NET EXPENSES	284,254	979,540	17,735	1,281,529
<hr/>				
NET INVESTMENT INCOME	147,343	121,093	(17,735)	250,701
<hr/>				
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENT SECURITIES				
Net Realized Loss on:				
Investment Securities	(5,996,630)	(12,976,634)		(18,973,264)
Foreign Currency Transactions	(2,677,855)	(6,941,635)		(9,619,490)
<hr/>				
Total Net Realized Loss	(8,674,485)	(19,918,269)		(28,592,754)
<hr/>				
Change in Net Appreciation of:				
Investment Securities	2,511,196	4,158,665		6,669,861
Foreign Currency Transactions	825,665	3,045,780		3,871,445
<hr/>				
Total Net Appreciation	3,336,861	7,204,445		10,541,306
<hr/>				
NET LOSS ON INVESTMENT SECURITIES AND FOREIGN CURRENCY TRANSACTIONS	(5,337,624)	(12,713,824)		(18,051,448)
<hr/>				
NET DECREASE IN NET ASSETS FROM OPERATIONS	\$ (5,190,281)	\$ (12,592,731)	\$ (17,735)	\$ (17,800,747)

(a) Reflects adjustments to Investment Advisory Fees, Distribution Expenses and Administrative Fees based on the surviving Fund's contractual fee obligation.

(b) Reflects elimination of duplicate services or fees.

(c) Reflects adjustment to the level of the surviving Fund's voluntary expense reimbursement.

See Notes to Financial Statements

</TABLE>

PRO FORMA STATEMENT OF ASSETS AND LIABILITIES

October 31, 1998

UNAUDITED

<TABLE>

<CAPTION>

<S>

	<C>	<C>	<C>	<C>
	ASIAN GROWTH FUND	PACIFIC BASIN FUND	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
<hr/>				
ASSETS				
Investment Securities:				
At Cost (a)	\$25,349,676	\$47,521,525		\$72,871,201
<hr/>				
At Value (a)	\$22,145,509	\$44,035,416		\$66,180,925
Cash	0	171,434		171,434
Foreign Currency (\$110,549, \$257 and \$110,806, respectively)	110,489	840		111,329
Receivables:				
Investment Securities Sold	20,299	4,790		25,089
Fund Shares Sold	172,684	3,154,509		3,327,193
Dividends and Interest	15,330	99,220		114,550
Prepaid Expenses and Other Assets	54,398	48,854		103,252
<hr/>				
TOTAL ASSETS	22,518,709	47,515,063		70,033,772
<hr/>				
LIABILITIES				
Payables:				
Custodian	12,664	0		12,664
Investment Securities Purchased	784,396	418,186		1,202,582
Fund Shares Repurchased	30,270	271,734		302,004
Depreciation on Forward Foreign Currency Contracts	24,525	1,718,619		1,743,144
Accrued Distribution Expenses	3,246	8,929		12,175
Accrued Expenses and Other Payables	23,240	29,155		52,395
<hr/>				
TOTAL LIABILITIES	878,341	2,446,623		3,324,964
<hr/>				
NET ASSETS AT VALUE	\$21,640,368	\$45,068,440		\$66,708,808
<hr/>				
NET ASSETS				
Paid-in Capital	\$36,105,714	\$70,490,092		\$106,595,806
Accumulated Undistributed Net Investment Income	120,048	233,342		353,390
Accumulated Undistributed Net Realized Loss on Investment				

Securities and Foreign Currency Transactions	(11,359,512)	(20,458,031)	(31,817,543)
Net Depreciation of Investment Securities and Foreign Currency Transactions	(3,225,882)	(5,196,963)	(8,422,845)
NET ASSETS AT VALUE	\$21,640,368	\$45,068,440	\$66,708,808
Shares Outstanding	5,815,222	6,733,646	(2,580,488) (b)
NET ASSET VALUE, Offering and Redemption Price per Share	\$ 3.72	\$ 6.69	\$ 6.69

(a) Investment securities at cost and value at October 31, 1998 include repurchase agreements of \$9,164,000 and \$2,834,000 for Asian Growth and Pacific Basin Funds, respectively.

(b) Adjustment to reflect the exchange of shares of common stock outstanding from Asian Growth Fund to Pacific Basin Fund.

See Notes to Financial Statements

</TABLE>

PRO FORMA SUMMARY OF INVESTMENTS BY INDUSTRY

<TABLE>

<CAPTION>

% OF INVESTMENT SECURITIES				VALUE			
ASIAN GROWTH FUND	PACIFIC BASIN FUND	PRO FORMA COMBINED	INDUSTRY	ASIAN GROWTH FUND	PACIFIC BASIN FUND	PRO FORMA COMBINED	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
0.64 %		0.21 %	Agricultural Products	AG	\$ 140,921		\$ 140,921
	3.98 %	2.65	Auto Parts	AP		\$ 1,752,338	1,752,338
	2.73	1.82	Automobiles	AM		1,201,407	1,201,407
8.37	13.80	11.98	Banks	BK	1,854,461	6,073,311	7,927,772
	1.83	1.22	Beverages	BV		807,061	807,061
0.74	0.64	0.67	Broadcasting	BR	164,168	281,902	446,070
	0.74	0.49	Building Materials	BD		325,602	325,602
0.28	2.28	1.61	Chemicals	CH	61,283	1,005,964	1,067,247
0.64		0.22	Communications--Equipment & Manufacturing	CM	142,477		142,477
	2.29	1.52	Computer Related	CO		1,008,753	1,008,753
6.82	2.58	4.00	Conglomerates	CG	1,509,816	1,137,688	2,647,504
	0.97	0.64	Consumer Finance	CF		425,641	425,641
0.99	1.21	1.14	Distribution	DB	219,404	534,769	754,173
5.34	1.40	2.72	Electric Utilities	EU	1,182,944	617,738	1,800,682
	1.48	0.99	Electrical Equipment	EE		652,193	652,193
	5.89	3.92	Electronics	EL		2,592,414	2,592,414
	3.46	2.30	Electronics-- Semiconductor	ES		1,524,243	1,524,243
2.49	1.33	1.72	Engineering & Construction	EC	550,845	587,419	1,138,264
0.82	3.51	2.61	Financial	FN	181,125	1,546,301	1,727,426
0.85	1.07	1.00	Foods	FD	188,454	472,840	661,294
1.09	2.31	1.91	Gaming	GM	241,825	1,019,142	1,260,967
1.89	1.98	1.95	Gold & Precious Metals Mining	GP	418,055	871,960	1,290,015
0.48	4.23	2.98	Health Care Drugs--Pharmaceuticals	HD	106,875	1,864,327	1,971,202
0.54	3.06	2.22	Insurance	IN	118,442	1,347,874	1,466,316
	0.26	0.17	Investment Bank/Broker Firm	IV		113,276	113,276
0.52		0.17	Iron & Steel	IS	114,725		114,725
1.04	0.75	0.85	Manufacturing	MG	231,087	330,385	561,472
1.18		0.40	Metals Mining	MM	261,513		261,513
1.60		0.53	Oil & Gas Related	OG	353,570		353,570
	3.12	2.08	Personal Care	PL		1,374,067	1,374,067
1.10	1.68	1.48	Publishing	PB	242,461	738,928	981,389
8.28	4.06	5.47	Real Estate Related	RL	1,834,266	1,787,844	3,622,110
41.38	6.44	18.13	Repurchase Agreements	RA	9,164,000	2,834,000	11,998,000
	2.83	1.88	Retail	RT		1,246,889	1,246,889
4.04	4.60	4.41	Services	SV	893,864	2,024,840	2,918,704
	2.22	1.47	Telecommunications--Cellular & Wireless	TC		975,457	975,457
6.94	3.76	4.82	Telecommunications--Long Distance	TL	1,537,893	1,653,852	3,191,745
1.49	4.31	3.37	Telephone	TN	330,804	1,896,770	2,227,574
	1.92	1.28	Toys	TY		846,134	846,134
0.45		0.15	Transportation	TR	100,231		100,231
	1.28	0.85	Truckers	TK		562,087	562,087
100.00 %	100.00 %	100.00 %			\$22,145,509	\$44,035,416	\$66,180,925

See Notes to Financial Statements

</TABLE>

FORWARD FOREIGN CURRENCY CONTRACTS

Open at October 31, 1998:

CURRENCY/VALUE DATE	CURRENCY UNITS SOLD	CURRENCY VALUE (US\$)	UNREALIZED LOSS
ASIAN GROWTH FUND			
Singapore Dollar 3/9/1999	515,000	\$ 269,929	\$ (24,525)
PACIFIC BASIN FUND			
Japanese Yen 12/18/1998	1,581,600,000	\$10,329,002	\$ (1,670,998)
Singapore Dollar 3/9/1999	1,000,000	524,134	(47,621)
		\$10,853,136	\$ (1,718,619)

See Notes to Financial Statements

PRO FORMA FINANCIAL STATEMENTS  
PRO FORMA STATEMENT OF INVESTMENT SECURITIES  
October 31, 1998  
UNAUDITED  
<TABLE>  
<CAPTION>

SHARES, UNITS OR PRINCIPAL AMOUNT			VALUE			
Asian Growth Fund	Pacific Basin Fund	Pro Forma Combined	INDUSTRY CODE	Asian Growth Fund	Pacific Basin Fund	Pro Forma Combined
<S>	<C>	<C>	<C>	<C>	<C>	<C>
			COMMON STOCKS & WARRANTS	80.84%		
			AUSTRALIA	18.58%		
10,000	85,000	95,000	AMP Ltd(a) (b)	IN	\$ 118,442	\$ 1,125,202
40,000	220,000	260,000	Australia & New Zealand Banking Group Ltd(e)	BK	227,762	1,480,452
	65,000	65,000	Brambles Industries Ltd	SV		1,419,373
	75,000	75,000	Commonwealth Bank of Australia	BK		928,316
	330,000	330,000	Foster's Brewing Group Ltd	BV		807,061
	38,000	38,000	Lend Lease Ltd	FN		834,682
	100,000	100,000	National Australia Bank Ltd	BK		1,319,276
	864	864	News Corp Ltd	PB		5,877
20,000	70,000	90,000	Rio Tinto Ltd	GP	249,132	871,960
20,000	130,000	150,000	TABCORP Holdings Ltd	GM	132,475	861,089
50,000	480,000	530,000	Telstra Corp Ltd Installment Receipts(a)	TN	197,580	1,896,770
50,000		50,000	WMC Holdings Ltd	GP	168,923	168,923
						12,298,168
			HONG KONG	13.61%		
130,000	110,000	240,000	CLP Holdings Ltd	EU	730,054	617,738
180,000	110,000	290,000	Cheung Kong Holdings Ltd	RL	1,231,603	752,646
120,000		120,000	Cheung Kong Infrastructure Holdings Ltd	EC	305,190	305,190
80,000		80,000	China Telecom Ltd(a)	TL	150,271	150,271
436,000	510,000	946,000	COSCO Pacific Ltd	SV	213,891	250,194
42,900	53,000	95,900	Hang Seng Bank Ltd	BK	371,069	458,430
240,000	270,000	510,000	Hong Kong Telecommunications Ltd	TL	480,248	540,279
200,000	110,000	310,000	Hutchison Whampoa Ltd	CG	1,432,998	788,149
100,000		100,000	Shanghai Industrial Holdings Ltd	MG	231,087	231,087
330,000	350,000	680,000	Tianjin Development Holdings Ltd	DB	219,404	232,701
						9,005,952
			INDIA	1.07%		
13,000		13,000	BSES Ltd Regulation S GDR Representing 3 OEU Shrs(a) (g)	EU	156,000	156,000
			Mahanagar Telephone Nigam Ltd Regulation S Sponsored GDR			
25,000		25,000	Representing 2 Ord Shrs(a) (g)	TL	265,000	265,000
7,500		7,500	Ranbaxy Laboratories Ltd GDR Representing HdD Shrs		106,875	106,875
			Videsh Sanchar Nigam Ltd Regulation S GDR			
17,000		17,000	Representing 1/2 Ord Shr(a) (g)	TL	177,650	177,650
						705,525
			INDONESIA	1.07%		
20,000		20,000	Gulf Indonesia Resources Ltd (a)	OG	197,500	197,500
1,500,000		1,500,000	PT Aneka Tambang TBK	MM	261,513	261,513
22,652		22,652	PT Bank Internasional Indonesia Warrants (Exp 2000) (a)	BK	146	146
1,035,000		1,035,000	PT Dynaplast (a)	CH	61,283	61,283
842,500		842,500	PT Indofood Sukses Makmur (a)	FD	188,454	188,454
						708,896

		JAPAN 34.12%				
50,000	50,000	Ajinomoto Co(c)	FD	472,840	472,840	
42,500	42,500	Bank of Tokyo-Mitsubishi Ltd (c)	BK	394,255	394,255	
50,000	50,000	Bridgestone Corp(c)	AP	1,100,575	1,100,575	
15,000	15,000	Credit Saison Ltd (c)	FN	353,342	353,342	
40,000	40,000	Dai Nippon Printing Ltd(c)	PB	616,150	616,150	
60,000	60,000	Fujitsu Ltd(c)	CO	638,462	638,462	
70,000	70,000	Hitachi Ltd(c)	EL	356,217	356,217	
20,000	20,000	Jafco Co Ltd(c)	CF	425,641	425,641	
15,000	15,000	JUSCO Co Ltd(c)	RT	241,998	241,998	
30,000	30,000	Kao Corp(c)	PL	607,569	607,569	
54,225	54,225	Kitagawa Industries Ltd(c)	MG	330,385	330,385	
12,000	12,000	Kyocera Corp(c)	EL	530,336	530,336	
10,000	10,000	Mabuchi Motor Ltd(c)	EE	652,193	652,193	
44,000	44,000	Matsushita Electric Industrial Ltd(c)	EL	646,048	646,048	
40,000	40,000	Mitsui Fudosan Ltd(c)	RL	265,683	265,683	
50,000	50,000	NEC Corp(c)	CO	370,291	370,291	
70,000	70,000	NKG Spark Plug Ltd(c)	AP	651,763	651,763	
27	27	NTT Mobile Communication Network	TC	975,457	975,457	

SHARES, UNITS OR PRINCIPAL AMOUNT

VALUE

Asian Growth Fund	Pacific Basin Fund	Pro Forma Combined	DESCRIPTION	INDUSTRY CODE	Asian Growth Fund	Pacific Basin Fund	Pro Forma Combined
	\$ 10,000	\$10,000	Nintendo Co Ltd(c)	TY		\$ 846,134	\$ 846,134
	15,000	15,000	Nippon COMSYS(c)	EC		194,371	194,371
	100,000	100,000	Nippon Express Ltd(c)	TK		562,087	562,087
	100	100	Nippon Telegraph & Telephone(c)	TL		782,631	782,631
	15,000	15,000	Nomura Securities Ltd(c)	IV		113,276	113,276
	5,000	5,000	Orix Corp(c)	FN		358,277	358,277
	16,000	16,000	Rock Field Ltd(c)	DB		302,068	302,068
	18,000	18,000	Sanix Inc(c)	SV		355,273	355,273
	50,000	50,000	Sanwa Bank Ltd(c)	BK		390,028	390,028
	10,000	10,000	Secom Co Ltd(c)	EL		742,298	742,298
	75,000	75,000	Sekisui Chemical Ltd(c)	CH		408,693	408,693
	10,000	10,000	Seven-Eleven Japan Ltd(c)	RT		760,319	760,319
	30,000	30,000	Shin-Etsu Chemical Ltd (c)	CH		597,271	597,271
	70,000	70,000	Shiseido Co Ltd(c)	PL		766,498	766,498
	5,000	5,000	Sony Corp(c)	EL		317,515	317,515
	30,000	30,000	Taisho Pharmaceutical Ltd(c)	HD		803,227	803,227
	15,000	15,000	Takeda Chemical Industries Ltd(c)	HD		487,857	487,857
	30,000	30,000	Tokio Marine & Fire Insurance Ltd(c)	IN		341,114	341,114
	30,000	30,000	Tokyo Broadcasting System(c)	BR		281,902	281,902
	18,000	18,000	Tokyo Electron Ltd(c)	ES		585,429	585,429
	200,000	200,000	Toshiba Corp(c)	ES		938,814	938,814
	50,000	50,000	Toyota Motor(c)	AM		1,201,407	1,201,407
	15,000	15,000	Uny Co Ltd(c)	RT		244,572	244,572
	20,000	20,000	Yamanouchi Pharmaceutical Ltd(c)	HD		573,243	573,243
							22,583,509
\$ 315		315	LUXEMBOURG 0.27%				
			Korea Asia Fund IDR Representing 500 Shrs(a)	FN	\$181,125		181,125
			MALAYSIA 1.56%				
74,000		74,000	Berjaya Sports Toto Berhad(d)	GM	44,692		44,692
120,000		120,000	Malakoff Berhad(d)	AG	140,921		140,921
	120,000	120,000	Malayan Banking Berhad(d)	BK		108,947	108,947
320,000		320,000	Metroplex Berhad(d)	RL	30,632		30,632
90,000	220,000	310,000	Tanjong PLC(d)	GM	64,658	158,053	222,711
100,000		100,000	Telekom Malaysia Berhad(d)	TN	133,224		133,224
	550,000	550,000	YTL Corp Berhad(d)	CG		349,539	349,539
							1,030,666
			NEW ZEALAND 0.60%				
	246,016	246,016	Fletcher Challenge Building	BD		325,602	325,602
	37,000	37,000	Telecom Corp of New Zealand Ltd Installment Receipts	TL		72,083	72,083
							397,685
			PHILIPPINES 0.78%				
512,880		512,880	Ayala Land	RL	155,707		155,707
1,522,800		1,522,800	Benpres Holdings(a)	BR	164,168		164,168
147,600		147,600	First Philippine Holdings B Shrs	CG	76,818		76,818
5,000		5,000	Philippine Long Distance Telephone	TL	119,579		119,579
							516,272
			SINGAPORE 6.07%				
65,000	150,000	215,000	City Developments Ltd(c)	RL	235,522	543,512	779,034
160,000	200,000	360,000	DBS Land Ltd	RL	180,802	226,003	406,805
49,000	117,000	166,000	Development Bank of Singapore Ltd Foreign Shrs(c)	BK	306,946	732,912	1,039,858

70,000		70,000	Overseas Union Bank Ltd Foreign Shrs	BK	190,014		190,014
28,000	13,500	41,500	Singapore Press Holdings Ltd	PB	242,461	116,901	359,362
250,000	400,000	650,000	Singapore Technologies Engineering Ltd	EC	245,655	393,048	638,703
200,000	150,000	350,000	Singapore Telecommunications Ltd	TL	345,145	258,859	604,004
							4,017,780
SOUTH KOREA 0.66%							
10,000		10,000	Korea Electric Power(a)	EU	178,098		178,098
6,000		6,000	LG Information & Communication	CM	137,779		137,779
2,610		2,610	Pohang Iron & Steel Ltd	IS	114,725		114,725
230		230	Sungmi Telecom Electronics	CM	4,698		4,698
							435,300
THAILAND 0.94%							
127,000		127,000	Bangkok Expressway PCL Foreign Shrs(a)	TR	100,231		100,231
500,000		500,000	Bank of Asia PLC Foreign Shrs	BK	244,931		244,931
45,000		45,000	Electricity Generating PLC Foreign Shrs(a)	EU	118,792		118,792
16,200		16,200	PTT Exploration & Production PCL Foreign Shrs(a)	OG	156,070		156,070
1,875		1,875	Thai Farmers Bank PLC Warrants (Exp 2002) (a)	BK	296		296
							620,320

SHARES, UNITS OR PRINCIPAL AMOUNT				VALUE			
Asian Growth Fund	Pacific Basin Fund	Pro Forma Combined	DESCRIPTION	INDUSTRY CODE	Asian Growth Fund	Pacific Basin Fund	Pro Forma Combined
							620,320
22,400	21,316	43,716	UNITED KINGDOM 1.51% HSBC Holdings PLC(e)	BK	\$513,297	\$ 488,457	\$1,001,754
TOTAL COMMON STOCKS & WARRANTS (Cost \$15,675,137, \$44,687,525 and \$60,362,662, respectively)							53,502,952
OTHER SECURITIES 1.03%							
SOUTH KOREA 1.03%							
2,026		2,026	Merrill Lynch International & Co DV KOSPI 200 Index Low Exercise Price Call Warrants (Expires 3/11/1999) (f) (Cost \$510,539, \$0 and \$510,539, respectively)	SV	679,973		679,973
SHORT-TERM INVESTMENTS -- REPURCHASE AGREEMENTS 18.13% UNITED STATES 18.13%							
9,164,000		9,164,000	Repurchase Agreement with State Street dated 10/30/1998 due 11/2/1998 at 5.350%, repurchased at \$9,168,086 (Collateralized by US Treasury Bonds, due 5/15/2017 at 8.750%, value \$9,330,352) (Cost \$9,164,000, \$0 and \$9,164,000, respectively)	RA	9,164,000		9,164,000
	2,834,000	2,834,000	Repurchase Agreement with State Street dated 10/30/1998 due 11/2/1998 at 5.350%, repurchased at \$2,835,263 (Collateralized by US Treasury Bonds, due 11/15/2015 at 9.875%, value \$2,890,600) (Cost \$0, \$2,834,000 and \$2,834,000, respectively)	RA		2,834,000	2,834,000
							11,998,000
TOTAL INVESTMENT SECURITIES AT VALUE 100.00% (Cost \$25,349,676, \$47,521,525 and \$72,871,201, respectively) (Cost for Income Tax Purposes \$25,546,229, \$48,374,109 and \$73,920,338, respectively)							
					\$22,145,509	\$44,035,416	\$66,180,925

- (a) Security is non-income producing.
- (b) Security acquired pursuant to Rule 144A. The Fund deems such securities to be "liquid" since an institutional market exists.
- (c) Security has been designated as collateral for forward foreign currency contracts.
- (d) Security has been deemed illiquid.
- (e) Security has been designated as collateral for installment receipts.
- (f) Security is linked to a barometer index of the Korean stock market. The KOSPI 200 is an unmanaged index indicative of the overall Korean stock market.

(g) Security is a restricted security at October 31, 1998.

See Notes to Financial Statements

</TABLE>

PRO FORMA NOTES TO FINANCIAL STATEMENTS  
UNAUDITED

NOTE 1 -- BASIS OF COMBINATION. Pacific Basin Fund (the "Fund") is a series of INVESCO International Funds, Inc. which is incorporated in Maryland. The Fund is registered under the Investment Company Act of 1940 as a diversified, open-end management investment company. The Pro Forma Statement of Assets and Liabilities, including the Statement of Investments at October 31, 1998, and the related Pro Forma Statements of Operations ("Pro Forma Statements") for the twelve months ended October 31, 1998, reflect the combined operations of Asian Growth Fund, a series of INVESCO Speciality Funds, Inc. and Pacific Basin Fund.

The Pro Forma Statements give effect to the proposed transfer of all assets and liabilities of Asian Growth Fund in exchange for shares in Pacific Fund. Under generally accepted accounting principles, the historical cost of investment securities will be carried forward to the surviving entity and the results of operations of the Asian Growth Fund for pre-combination periods will not be restated. The Pro Forma Statements do not reflect the expenses of either Fund in carrying out its obligations under the proposed Agreement and Plan of Reorganization and Termination. The Pro Forma Statements should be read in conjunction with the historical financial statements of each Fund included in their respective Statements of Additional Information.

NOTE 2 -- SHARES OUTSTANDING. Shareholders of Asian Growth Fund would become shareholders of Pacific Basin Fund upon receiving shares of Pacific Basin Fund equal to the value of their holdings in Asian Growth Fund as of the date of the reorganization.

NOTE 3 -- PRO FORMA OPERATIONS. The Pro Forma Statement of Operations assumes that the combined gross investment income is equal to the sum of each Fund's actual gross investment income for the twelve months ended October 31, 1998. Operating expenses combine the actual expenses of each Fund with certain expenses adjusted to reflect the changes in expenses resulting from the combination. The Investment Advisory, Distribution Expenses and Administrative Fees have been calculated for the combined Fund based on contractual rates expected to be in effect for the Pacific Basin Fund at the time of reorganization based upon the combined level of average net assets for the twelve months ended October 31, 1998.

[Logo omitted]  
INVESCO Funds Group, Inc.  
7800 E. Union Avenue  
Denver, CO 80237

INVESCO ASIAN GROWTH FUND  
INVESCO SPECIALTY FUNDS, INC.

PROXY FOR THE SPECIAL MEETING OF SHAREHOLDERS  
MAY 20, 1999

This proxy is being solicited on behalf of the Board of Directors of INVESCO Specialty Funds, Inc. ("Company") and relates to the proposals with respect to the Company and to INVESCO Asian Growth Fund, a series of the Company ("Fund"). The undersigned hereby appoints as proxies Fred A. Deering and Mark H. Williamson, and each of them (with power of substitution), to vote all shares of common stock of the undersigned in the Fund at the Special Meeting of Shareholders to be held at 10:00 a.m., Mountain Standard Time, on May 20, 1999, at the offices of the Company, 7800 East Union Avenue, Denver, Colorado 80237, and any adjournment thereof ("Meeting"), with all the power the undersigned would have if personally present.

The shares represented by this proxy will be voted as instructed. Unless indicated to the contrary, this proxy shall be deemed to grant authority to vote "FOR" all proposals relating to the Company and the Fund with discretionary power to vote upon such other business as may properly come before the Meeting.

Please sign exactly as name appears hereon. If stock is held in the name of joint owners, each should sign. Attorneys-in-fact, executors, administrators, etc. should so indicate. If shareholder is a corporation or partnership, please sign in full corporate or partnership name by authorized person.

YOUR VOTE IS IMPORTANT. IF YOU ARE NOT VOTING BY PHONE, FACSIMILE OR INTERNET, PLEASE SIGN AND DATE THIS PROXY BELOW AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE.

TO VOTE BY TOUCH-TONE PHONE OR THE INTERNET, PLEASE CALL 1-800-690-6903 TOLL FREE OR VISIT [HTTP://WWW.PROXYVOTE.COM](http://www.proxyvote.com). TO VOTE BY FACSIMILE TRANSMISSION, PLEASE FAX YOUR COMPLETED PROXY CARD TO 1-800-733-1885.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS

-----  
DETACH AND RETURN THIS PORTION ONLY  
THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

INVESCO ASIAN GROWTH FUND

VOTE ON DIRECTORS

FOR ALL      WITHHOLD ALL      FOR ALL EXCEPT

4. Election of the Company's Board of Directors: (1) Charles W. Brady; (2) Fred A. Deering; (3) Mark H. Williamson; (4) Dr. Victor L. Andrews; (5) Bob R. Baker; (6) Lawrence H. Budner; (7) Dr. Wendy Lee Gramm; (8) Kenneth T. King; (9) John W. McIntyre; and (10) Dr. Larry Soll

To withhold authority to vote mark "For All Except" and write the nominee's number on the line below.

-----

VOTE ON PROPOSALS

FOR      AGAINST      ABSTAIN

1. Approval of an Agreement and Plan of Reorganization and Termination under which INVESCO Pacific Basin Fund ("Pacific Basin Fund"), a series of INVESCO International Funds, Inc., ("International Funds") would acquire all of the assets of the Fund in exchange solely for shares of Pacific Basin Fund and the assumption by Pacific Basin Fund of all of the Fund's liabilities, followed by the distribution of those shares to the shareholders of the Fund, all as described in the accompanying Prospectus/ Proxy Statement;

/\_\_/      /\_\_/      /\_\_/

2. Approval of an Agreement and Plan of Conversion and Termination providing for the conversion of the Fund from a separate series of the Company to a separate series of International Funds:

FOR      AGAINST      ABSTAIN

/\_\_/      /\_\_/      /\_\_/

3. Approval of changes to the fundamental investment restrictions:

FOR ALL      AGAINST ALL      ABSTAIN ALL

/\_\_/      /\_\_/      /\_\_/

/\_\_/To vote against the proposed changes to one or more of the specific fundamental investment restrictions, but

to approve others, PLACE AN "X" IN THE BOX AT LEFT and indicate the letter(s) (as set forth in the proxy statement) of the investment restriction or restrictions you do not want to change on the line on the reverse side. IF YOU CHOOSE TO VOTE DIFFERENTLY ON INDIVIDUAL RESTRICTIONS, YOU MUST MAIL IN YOUR PROXY CARD. IF YOU CHOOSE TO VOTE THE SAME ON ALL RESTRICTIONS PERTAINING TO YOUR FUND, TELEPHONE AND INTERNET VOTING ARE AVAILABLE.

	FOR	AGAINST	ABSTAIN
	/___/	/___/	/___/
5. Ratification of the selection of PricewaterhouseCoopers LLP as the Fund's Independent Public Accountants;			

<TABLE>			
<CAPTION>			
<S>	<C>	<C>	<C>
-----			
Signature (Please Sign Within Box)	Date	Signature (Joint Owners)	Date
-----			
</TABLE>			

[Back]

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS

-----  
DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

-----  
To vote against the proposed changes to one or more of the specific fundamental investment restrictions, indicate the letter(s) (as set forth in the proxy statement) of the investment restriction or restrictions you do not want to change on the line at the right. IF YOU CHOOSE TO VOTE DIFFERENTLY ON INDIVIDUAL

3. -----

RESTRICTIONS, YOU MUST MAIL IN YOUR  
PROXY CARD. IF YOU CHOOSE TO VOTE THE  
SAME ON ALL RESTRICTIONS PERTAINING TO  
YOUR FUND, TELEPHONE AND INTERNET  
VOTING ARE AVAILABLE.

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