

# Invesco Global Infrastructure Fund

## Q4 2023

## Key takeaways

- 1 The fund outperformed its benchmark.**  
Outperformance largely resulted from stock selection in the water and airports sectors as we sought to position the fund for slowing economic growth.
- 2 Inflation concerns have abated.**  
As inflation further subsides and investor focus turns to growth, markets seemingly expect central bank interest rate cuts in Western developed economies to begin late in the first half of 2024.
- 3 Positioned for lower interest rates, falling inflation and slowing growth.**  
We expect market turbulence as slowing growth affects risk appetites. However, relative to general equities, global infrastructure appears attractive as it has historically delivered strong returns after US Federal Reserve (Fed) rate hikes end.

### Investment objective

The fund seeks total return through growth of capital and current income

### Fund facts

Fund AUM (\$M)	101.91
----------------	--------

### Portfolio managers

Darin Turner, Grant Jackson, James Cowen, Ping-Ying Wang

## Manager perspective and outlook

- During the quarter, global markets shifted from apparent concern about elevated inflation toward the likelihood of policy rate cuts to support growth across major economies. This shift caused equity prices to rise as price-to-earnings multiples rose in response to lower bond yields.
- While global stocks posted strong gains, US stocks were the standout performer of 2023, primarily led by a small cohort of large-cap technology stocks. However, in the fourth quarter, the market broadened and small-cap stocks and European stocks posted large gains.
- As growth slows and inflation moves toward acceptable levels, we anticipate some market turbulence. We also expect central banks to be responsive, labor markets to exhibit continued strength, consumption to remain healthy and lower interest rates to support housing activity.
- With the global infrastructure universe trading below historical average valuations, our 2024 outlook for infrastructure is positive as interest rate cuts broadly support the universe due to bond-like cash flow characteristics.
- Rate cuts and lower bond yields will likely particularly support prices of infrastructure stocks in the utilities and towers sectors where lower interest expenses may mitigate capital spending forecasts driven up by increased power demand from artificial intelligence and the transition of power plants from fossil fuels to renewables.



## Top issuers

(% of total net assets)

	Fund	Index
National Grid PLC	7.71	4.44
Sempra	7.20	3.39
Vinci SA	6.93	5.75
ONEOK Inc	5.62	2.95
American Tower Corp	5.57	7.25
Grupo Aeroportuario del Sureste SAB de CV	4.93	0.48
Pennon Group PLC	4.40	0.22
Targa Resources Corp	4.26	1.40
TC Energy Corp	4.00	3.63
Cellnex Telecom SA	3.99	2.06

As of 12/31/23. Holdings are subject to change and are not buy/sell recommendations.

## Portfolio positioning

As of quarter end, the fund's largest overweights relative to its benchmark were freight rail and utilities. The largest underweights were midstream services and toll roads.

We anticipate the Fed will ease monetary policy this year due to moderating inflation and economic growth. We added to the Mexican airport sector because we believe these stocks are among the relatively attractive cyclical stocks in the fund's universe. Valuations have been below historic mid-cycle levels despite having led the post-COVID recovery in airport traffic. We maintain a material underweight in North American energy, including midstream services and gas distribution, because we expect minimal volume growth as upstream companies focus on profit margins and commodity prices suffer from slowing growth in western economies and China's turbulent reopening.

### We increased the following positions:

**Grupo Aeroportuario Sureste (ASUR)** – We increased the position in this Mexican airport because shares have been trading at a material discount to the historical average. After an unexpectedly positive regulatory review, we believe ASUR can meaningfully raise fees in 2024, potentially propelling the company to double-digit growth. Meanwhile, engine recalls are pressuring its peers and presenting headwinds for global airports in general. Better results from ASUR while peers are challenged should we believe help close its valuation gap. We see the stock as one of the most compelling cyclical opportunities and have made it the fund's only airport position.

**Sempra** – We increased the Sempra position because we expect growth from its Texas assets to accelerate and, unlike utility peers, Sempra has no near-term equity funding needs. Also, it has exposure to the growing liquified natural gas (LNG) market that remains, in our opinion, an attractive place to deploy capital.

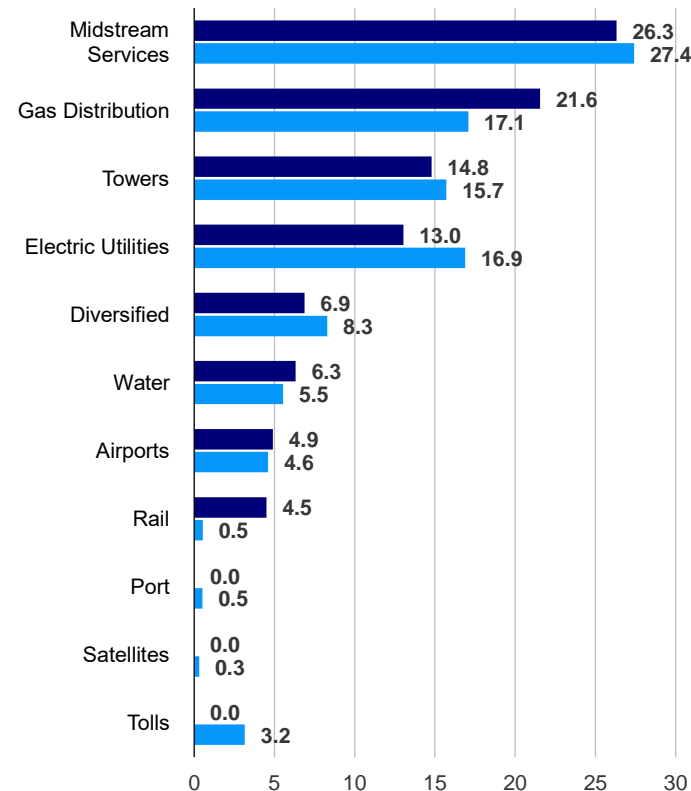
### We reduced the following positions:

**Enbridge** offers, in our view, a relatively unattractive total return opportunity with minimal ability to improve growth due to a constrained balance sheet after a recent utility acquisition.

**SBA Communications** – We expect slowing growth across all US cell tower companies as carriers reduce 5G capital expenditures. While this likely affects all US tower companies, we believe SBA has the most activity risk by design, which puts it most at risk when activity slows. Though it has committed to pay down high interest revolver debt, SBA has the highest leverage among US tower stocks, limiting the ability to buy back shares, which could have helped its stock price.

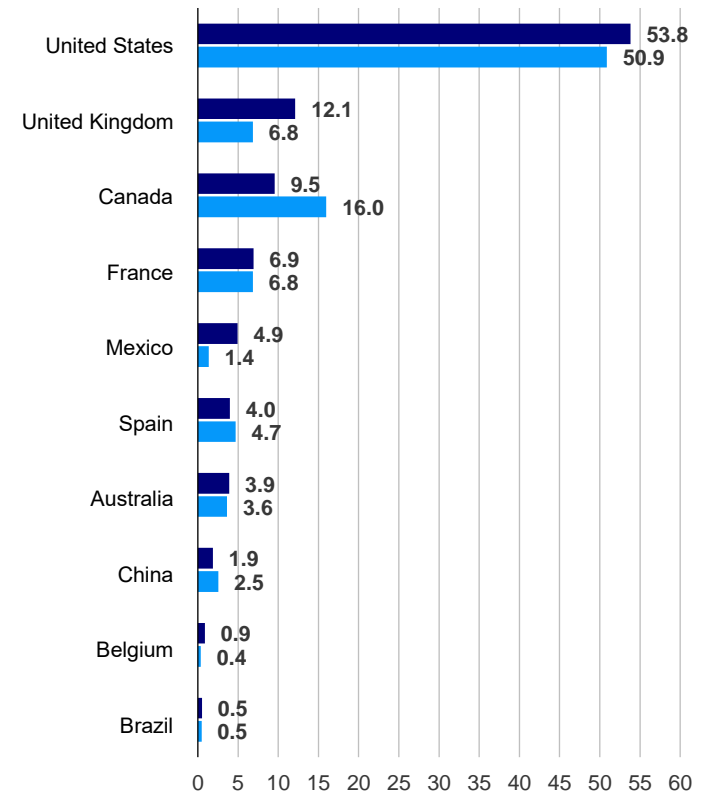
## Sector breakdown (% of total net assets)

■ Fund ■ Dow Jones Brookfield Global Infrastructure Index (USD)



## Top countries (% of total net assets)

■ Fund ■ Dow Jones Brookfield Global Infrastructure Index (USD)



## Top contributors (%)

Issuer	Return	Contrib. to return
American Tower Corporation	33.51	1.61
Pennon Group Plc	31.71	1.46
Grupo Aeroportuario del Pacifico SAB de CV Sponsored ADR Class B	41.40	1.40
SBA Communications Corp. Class A	27.10	1.13
VINCI SA	13.90	0.96

## Top detractors (%)

Issuer	Return	Contrib. to return
SES SA FDR (Class A)	-12.12	-0.29
EDP-Energias de Portugal SA	-4.78	-0.18
Eversource Energy	8.21	-0.12
Royal Vopak NV	-2.42	-0.12
ENN Energy Holdings Limited	-10.44	-0.12

## Performance highlights

Keen stock selection in the airport and water sectors led to relative outperformance. Overweights in the satellite and port sectors detracted from relative return.

### Contributors to performance

The largest contributors to relative performance for the quarter include Grupo Aeroportuario del Pacifico and Pennon.

**Grupo Aeroportuario del Pacifico (GAP)** shares traded below their average historical valuation due to a surprise disclosure of unspecified regulatory changes for the Mexican airport sector. After speaking with various sell-side analysts and the company, we gained conviction that the market had overpriced this risk. The fund was positioned to benefit when shares rebounded nearly 50% back to fair value levels. This position has since been sold.

**Pennon** – The stock price of this British water utility rose due to falling UK interest rates and the company's unveiling of its 2025-2030 business plan, which indicated better-than-expected growth. Unlike UK water peers, Pennon does not need to issue additional shares – which would water down shareholder value – to fund its growth plan.

Finally, Pennon has continued to benefit from profit margin upside as UK power costs moderate after a spike in 2022.

### Detractors from performance

The largest detractors from absolute return for the quarter include Vopak and SES: **Vopak** – This port company, which provides storage and infrastructure for vital liquids and gases, disappointed the market on its investor day. Shareholders expected management to announce a return of capital via special dividend or share buyback since the company's leverage levels were below their intended target. However, neither materialized. While the stock's price did not fall meaningfully, it failed to participate in the quarter's market rally.

**SES** – Management of this satellite company known for its focus on cable broadcast, mobility and defense communications announced a further delay in its mPower satellite constellation after reaffirming the timeline just two months earlier. Although shares have been trading at depressed valuation levels, our faith in management's ability to execute its strategic plan has diminished causing us to sell the fund's position.

## Standardized performance (%) as of December 31, 2023

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 05/02/14	NAV	13.36	1.86	1.86	3.46	6.26	-	3.92
	Max. Load 5.5%	7.09	-3.77	-3.77	1.54	5.06	-	3.31
Class R6 shares inception: 05/02/14	NAV	13.41	2.12	2.12	3.76	6.53	-	4.18
Class Y shares inception: 05/02/14	NAV	13.43	2.12	2.12	3.75	6.51	-	4.18
Dow Jones Brookfield Global Infrastructure Index (USD)		12.13	4.51	4.51	5.37	6.97	5.29	-
Total return ranking vs. Morningstar Infrastructure category (Class A shares at NAV)		-	-	80% (85 of 109)	56% (52 of 98)	84% (69 of 82)		-

Expense ratios per the current prospectus: Class A\*\*: Net: 1.25%, Total: 1.47%; Class R6\*\*: Net: 1.00%, Total: 1.06%; Class Y\*\*: Net: 1.00%, Total: 1.22%.

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. Visit [invesco.com](https://www.invesco.com) for the most recent month-end performance. Performance figures reflect reinvested distributions and changes in net asset value (NAV). Investment return and principal value will vary so that you may have a gain or a loss when you sell shares. Returns less than one year are cumulative; all others are annualized. Index source: RIMES Technologies Corp. Had fees not been waived and/or expenses reimbursed in the past, returns would have been lower. Performance shown at NAV does not include the applicable front-end sales charge, which would have reduced the performance.

Class Y and R6 shares have no sales charge; therefore performance is at NAV. Class Y shares are available only to certain investors. Class R6 shares are closed to most investors. Please see the prospectus for more details.

## Performance highlights (cont'd)

### Calendar year total returns (%)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Class A shares at NAV	-	-15.56	9.99	18.02	-7.74	28.55	-4.86	18.93	-8.58	1.86
Class R6 shares at NAV	-	-15.43	10.26	18.32	-7.50	28.96	-4.73	19.33	-8.33	2.12
Class Y shares at NAV	-	-15.43	10.26	18.32	-7.41	28.84	-4.76	19.33	-8.34	2.12
Dow Jones Brookfield Global Infrastructure Index (USD)	16.34	-14.40	12.52	15.79	-7.87	28.69	-6.97	19.87	-6.62	4.51

### Portfolio characteristics\*

	Fund	Index
No. of holdings	34	96
Wtd. avg. mkt. cap (\$M)	40,795	38,853
EV/EBITDA (%)	11.92	12.29
Earning multiple (Price/Cash flow)	10.90	10.84
Avg. Cash flow growth (2 year)	3.70	7.10
Multiple to growth ratio	2.95	1.45
Net debt to EBITDA	5.62	5.72

### Risk statistics (5 year)\*

	Fund	Index
Alpha (%)	-0.49	0.00
Beta	0.95	1.00
Sharpe ratio	0.26	0.29
Information ratio	-0.34	0.00
Standard dev. (%)	16.78	17.52
Tracking error (%)	2.10	0.00
Up capture (%)	94.62	100.00
Down capture (%)	99.58	100.00
Max. drawdown (%)	19.79	22.08

## Quarterly performance attribution

### Sector performance analysis (%)

Sector	Allocation effect	Selection effect	Total effect
Airports	0.43	0.52	0.95
Diversified	-0.03	-0.04	-0.07
Electric Utilities	0.40	-0.47	-0.07
Gas Distribution	0.05	0.31	0.36
Midstream Services	-0.19	0.25	0.06
Port	-0.22	-0.07	-0.29
Rail	-0.14	0.28	0.14
Satellites	-0.36	0.08	-0.28
Tolls	-0.16	-0.02	-0.18
Towers	0.04	0.04	0.08
Water	0.03	0.69	0.73
Cash	0.00	0.00	0.00
<b>Total</b>	<b>-0.15</b>	<b>1.57</b>	<b>1.42</b>

Holdings are subject to change and are not buy/sell recommendations. Attribution methodology notes: The attribution provides analysis of the effects of several portfolio management decisions, including allocation and security selection. Securities classified as "Other" may include non-equity securities, derivatives, and securities for which a sector classification may not be appropriate. The portfolio is actively managed and portfolio holdings are subject to change. The percentage weights represented for the portfolio are dollar weighted based on market value. **Market allocation effect** shows the excess contribution due to sector/market allocation. A positive allocation effect implies that the choice of sector weights in the portfolio added value to the portfolio contribution with respect to the benchmark and vice versa. **Selection effect** shows the excess contribution due to security selection. A positive selection effect implies that the choice of stocks in the portfolio added value to the portfolio contribution with respect to the benchmark and vice versa. **Total effect** is the difference in contribution between the benchmark and portfolio. **Past performance does not guarantee future results.**

## Performance attribution (cont'd)

### Performance analysis by country — top 5 (%)

	Total effect	Avg. weight	Total return
Mexico	0.95	3.74	18.16
United Kingdom	0.61	11.46	20.60
United States	0.60	51.82	13.12
Spain	0.17	3.79	14.58
Japan	0.12	0.07	-0.71

### Performance analysis by country — bottom 5 (%)

	Total effect	Avg. weight	Total return
Netherlands	-0.44	1.96	-2.42
Luxembourg	-0.30	0.69	-12.12
Canada	-0.19	12.30	11.47
Portugal	-0.12	0.17	-4.78
Australia	-0.07	3.64	10.22

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

Unless otherwise specified, all information is as of 12/31/23. Unless stated otherwise, Index refers to Dow Jones Brookfield Global Infrastructure Index (USD).

The Dow Jones Brookfield Global Infrastructure Index measures the stock performance of companies that exhibit strong infrastructure characteristics. The index intends to measure all sectors of the infrastructure market. An investment cannot be made directly in an index.

#### About risk

Derivatives may be more volatile and less liquid than traditional investments and are subject to market, interest rate, credit, leverage, counterparty, and management risks. An investment in a derivative could lose more than the cash amount invested.

The risks of investing in securities of foreign issuers, including emerging markets, can include fluctuations in foreign currencies, political and economic instability, and foreign taxation issues.

Investment in infrastructure-related companies may be subject to high interest costs in connection with capital construction programs, costs associated with environmental and other regulations, the effects of economic slowdown and surplus capacity, the effects of energy conservation policies, governmental regulation, and other factors.

Although the characteristics of MLPs closely resemble a traditional limited partnership, a major difference is that MLPs may trade on a public exchange or in the over-the-counter market. Although this provides a certain amount of liquidity, MLP interests may be less liquid and subject to more abrupt or erratic price movements than conventional publicly traded securities. The risks of investing in an MLP are similar to those of investing in a partnership and include more flexible governance structures, which could result in less protection for investors than investments in a corporation. MLPs are generally considered interest-rate sensitive investments. During periods of interest rate volatility, these investments may not provide attractive returns.

A change in current tax law, or a change in the underlying business mix of a given MLP, could result in an MLP being treated as a corporation for U.S. federal income tax purposes. This would result in such MLP being required to pay U.S. federal income tax on its taxable income and could result in a reduction of the value of the MLP.

The Fund is considered non-diversified and may experience greater volatility than a more diversified investment.

Stocks of small and medium-sized companies tend to be more vulnerable to adverse developments, may be more volatile, and may be illiquid or restricted as to resale.

The fund is subject to certain other risks. Please see the current prospectus for more information regarding the risks associated with an investment in the fund.

The opinions expressed are those of the fund's portfolio management, are based on current market conditions and are subject to change without notice. These opinions may differ from those of other Invesco investment professionals.

This does not constitute a recommendation of any investment strategy or product for a particular investor. Investors should consult a financial professional before making any investment decisions.

Note: Not all products available at all firms. Financial professionals, please contact your home office.

The fund holdings are organized according to the Global Industry Classification Standard, which was developed by and is the exclusive property and service mark of MSCI Inc. and Standard & Poor's.

\* **Alpha** (cash adjusted) is a measure of performance on a risk-adjusted basis. **Beta** (cash adjusted) is a measure of relative risk and the slope of regression. **Sharpe Ratio** is a risk-adjusted measure calculated using standard deviation and excess return to determine reward per unit of risk. A higher Sharpe ratio indicates better risk-adjusted performance. **Information Ratio** is a measurement of portfolio returns beyond the returns of a benchmark, usually an index, compared to the volatility of those returns. **Standard deviation** measures a fund's range of total returns and identifies the spread of a fund's short-term fluctuations. **Tracking Error** is defined as the expected standard deviation of a portfolio's excess return over the benchmark index return. The **up and down capture** measures how well a manager was able to replicate or improve on periods of positive benchmark returns and how severely the manager was affected by periods of negative benchmark returns. **Maximum Drawdown** is the maximum observed loss from a high to a low of a portfolio, before a new high is attained. Maximum drawdown is an indicator of downside risk over a specified time period. **Weighted Average Market Cap** is a measure of the average size of company held in a portfolio. The percentage of the portfolio invested each company, or its weight, is multiplied by its size (market capitalization). An average of the weighted size of all companies held is then calculated. **EV/EBITDA** is a financial valuation ratio that measures a company's total value (market capitalization plus debt) relative to its core corporate profitability, measured by earnings before interest, taxes, depreciation and amortization. **Earnings multiple** – Security price/expected earnings of the next 12 months. Earnings are defined as adjusted funds from operations (AFFO), funds from operations (FFO), or equivalent. **Cash Flow growth** is a measure of how a company's cash flow per share has grown over time. As a portfolio statistic, it measures the share-weighted collective cash flow growth for all stocks in the fund. **Multiple to growth ratio**—Earnings multiple/expected earnings growth over the next 12 months. Earnings are defined as adjusted funds from operations (AFFO), funds from operations (FFO), or equivalent. **Net Debt to EBITDA** is a ratio measuring the financial leverage of a company, calculated as its interest-bearing liabilities minus cash, divided by its earnings before interest, taxes, depreciation and amortization. As a portfolio statistic, a weighted calculation of all companies in the portfolio is used. **Contribution to Return** measures the performance impact from portfolio holdings over a defined time period. It takes into account both weight and performance of the portfolio holdings. Contribution to Return is calculated at security level.

#### Morningstar

Source: ©2023 Morningstar Inc. All rights reserved. The information contained herein is proprietary to Morningstar and/or its content providers. It may not be copied or distributed and is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results. Open-end mutual funds and exchange-traded funds are considered a single population for comparison purposes. Had fees not been waived and/or expenses reimbursed currently or in the past, the ranking would have been lower. Rankings for other share classes may differ due to different performance characteristics.

**Before investing, consider the Fund's investment objectives, risks, charges and expenses. Visit [invesco.com/fundprospectus](https://www.invesco.com/fundprospectus) for a prospectus/summary prospectus containing this information. Read it carefully before investing.**