

# Invesco Real Estate Fund

## Q1 2025

## Key takeaways

- 1 The fund had positive absolute return but underperformed its benchmark**  
 REITs outperformed the broader equity market during the quarter. The fund's underperformance resulted from negative sector allocation.
- 2 The fund currently prefers stability of income**  
 Recent trades have reduced exposure to economically sensitive and consumer-dependent sectors. Given heightened political policy uncertainty, we expected volatility to remain elevated.
- 3 Economic and policy uncertainty may pressure REIT earnings, but REITs should in our view be more stable than general equities**  
 Limited new construction could support operating fundamentals and falling interest rates could help offset pressure on equity prices as investors appear to favor defensive sectors such as REITs.

### Investment objective

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

### Fund facts

Fund AUM (\$M)	803.14
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### Portfolio managers

Craig Leopold, Grant Jackson, James Cowen, PingYing Wang

## Manager perspective and outlook

- The outlook for 2025 has evolved as the Trump administration began to rollout new policies. Expectations for positive consumption trends and stable economic growth have been revised downward. Given the changing economic backdrop and uncertainty about tariffs and the potential effect on inflation, visibility for future Federal Reserve policy has diminished. Expectations and policies are likely to bounce around and affect the relative performance of REITs. Ongoing uncertainty and the unpredictability of President Trump's policy announcements will likely prolong volatility in global markets.
- While effects of Trump policies will vary across industries, many REIT sub-sectors are likely to experience pressure on earnings growth. Still, REITs should in our view offer some stability compared to general equities and lower interest rates could mitigate operating headwinds.
- From a valuation perspective, there are wide divergences across the REIT universe. While the overall weighted average for the REIT sector has been trading at a slight premium to net asset value (NAV), among individual sectors, only senior housing, health care, triple net and casinos has been trading at a premium to NAV.
- While certain sectors, such as offices, saw a resurgence in transaction activity in the fourth quarter, overall capital markets activity appears expected to decrease due to heightened economic uncertainty.



## Top issuers

(% of total net assets)

	Fund	Index
American Tower Corp	9.28	7.47
Welltower Inc	8.94	6.94
Equinix Inc	7.28	5.78
Prologis Inc	4.92	7.59
Equity Residential	4.54	1.99
Digital Realty Trust Inc	4.28	3.49
Realty Income Corp	3.71	3.72
Equity LifeStyle Properties Inc	3.55	0.93
Simon Property Group Inc	3.45	3.95
Healthpeak Properties Inc	3.02	1.04

As of 03/31/25. Holdings are subject to change and are not buy/sell recommendations.

## Portfolio positioning

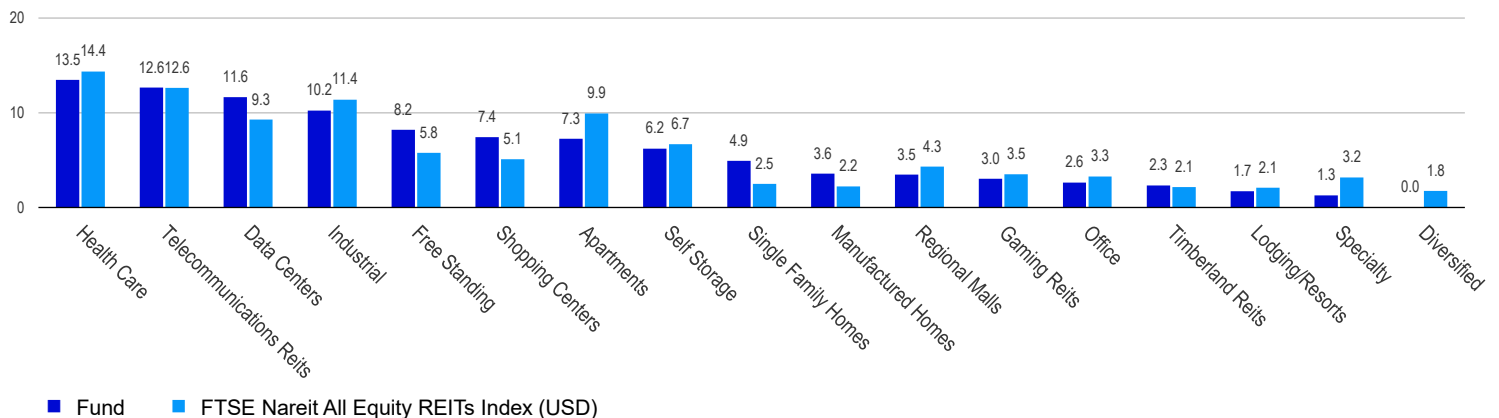
For most of the quarter, while the economic outlook was more positive, we sought to balance the fund between structural growth opportunities and economically sensitive prospects at reasonable valuations. After President Trump took office and began to implement his agenda, economic uncertainty increased, and we shifted the fund's characteristics toward stability of income and away from economically sensitive sectors and consumer-dependent growth. From a quality perspective, the fund remains skewed toward companies with higher quality asset bases, healthier balance sheets and stronger management teams.

We added a new holding, **American Healthcare REIT**, a small-cap health care REIT focused on senior housing. The fundamentals within the senior housing sector have in or view remained very strong as occupancy and profit margins have continued to improve following COVID, driving robust internal growth. The company in our view has several avenues for external growth as well, including acquisitions, new development and adding units to existing campuses. We believe **American Healthcare REIT** is poised to deliver double-digit earnings growth while trading at a discount to senior housing peers.

We reduced the fund's weight in malls and shopping centers. Given rising uncertainty about US consumer spending, we reduced the weighting in **Simon Property Group**, which is historically sensitive to discretionary spending via percentage rent and ownership stakes in several retailers. Within shopping centers, we sold the fund's position in **Kite Realty**, which has been more affected by recent bankruptcies and offers lower growth than peers. We reduced the overall weight in shopping centers due to rising concern about consumer spending. However, necessity-based spending at grocery-anchored shopping centers should in our view be more insulated, which supports the fund's continued overweight. During the quarter, we also reduced the weighting in sunbelt apartments, which are expected to face ongoing supply headwinds.

The fund is underweight in sectors with unfavorable supply/demand conditions, such as multi-family, industrial and life science, as well as sectors that are historically more economically sensitive like hotels and malls. The office sector is another underweight as it has been facing demand challenges in the post-COVID period, coupled with ample supply and high capital expenditure needs.

## Sector breakdown (% of total net assets)



## Top contributors (%)

Issuer	Return	Contrib. to return
Welltower Inc.	22.07	1.73
American Tower Corporation	18.60	1.43
Realty Income Corporation	10.19	0.34
Prologis, Inc.	6.71	0.33
Invitation Homes, Inc.	10.88	0.26

## Top detractors (%)

Issuer	Return	Contrib. to return
Equinix, Inc.	-13.10	-1.11
Digital Realty Trust, Inc.	-18.64	-0.90
Kimco Realty Corporation	-8.27	-0.25
Vornado Realty Trust	-12.21	-0.22
OUTFRONT Media Inc.	-9.74	-0.13

## Performance highlights

The fund underperformed its benchmark for the quarter, primarily due to sector allocations, while stock selection was positive. Overweights in data centers and shopping centers and underweights in gaming and apartment sectors detracted from relative return.

### Contributors to performance

The fund benefited from underweight positions in the specialty, lodging and office sectors. An overweight in the freestanding retail sector also added to relative return.

An underweight in **Iron Mountain** within the specialty REIT sector partially offset negative relative results. The company has exposure to data centers and underperformed during the quarter.

Underweights in lodging and office REITs added to relative performance as economic uncertainty appeared to weigh on both sectors during the quarter.

Overweights in **Agree Realty** and **Essential Properties Realty Trust** in the freestanding retail sector added to relative return.

### Detractors from performance

An overweight in data centers was the largest detractor from relative performance as the announcement of DeepSeek's lower cost artificial intelligence (AI) model and Microsoft's lease cancellations seemingly led investors to question the sustainability of data center demand.

An overweight in shopping centers detracted from relative performance amid elevated bankruptcies in the sector. The sector is expected to benefit from solid demand as retailers refocus on physical locations after COVID, although there will likely be downtime for re-tenanting.

The fund's underweight in apartments detracted from relative return; the sector performed well as investors appeared to focus on declining supply forecasts.

## Standardized performance (%) as of March 31, 2025

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
Class C shares inception: 05/01/95	NAV	1.92	1.92	5.07	-3.98	6.37	3.18	8.78
Class A shares inception: 12/31/97	NAV	2.11	2.11	5.91	-3.27	7.17	3.81	7.96
	<b>Max. Load 5.5%</b>	-3.51	-3.51	0.09	-5.07	5.96	3.22	7.75
Class R6 shares inception: 09/24/12	NAV	2.23	2.23	6.32	-2.85	7.65	4.27	6.08
Class Y shares inception: 10/03/08	NAV	2.18	2.18	6.18	-3.01	7.43	4.07	6.80
FTSE Nareit All Equity REITs Index (USD)		2.75	2.75	9.23	-1.66	9.55	5.70	-
Total return ranking vs. Morningstar Real Estate category (Class C shares at NAV)		-	-	83% (193 of 221)	91% (199 of 213)	96% (190 of 196)	87% (135 of 148)	-

Expense ratios per the current prospectus: Class C: Net: 2.00%, Total: 2.00%; Class A: Net: 1.25%, Total: 1.25%; Class R6: Net: 0.80%, Total: 0.80%; Class Y: Net: 1.00%, Total: 1.00%.

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.

No contingent deferred sales charge (CDSC) will be imposed on redemptions of Class C shares following one year from the date shares were purchased. Performance shown at NAV does not include sales charges, 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 (%)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Class C shares at NAV	0.97	5.03	7.61	-6.35	26.76	-11.43	39.90	-25.34	7.89	1.03
Class A shares at NAV	1.72	5.80	8.43	-5.66	27.78	-10.77	40.99	-24.80	8.75	1.74
Class R6 shares at NAV	2.16	6.28	8.96	-5.20	28.32	-10.32	41.60	-24.49	9.21	2.20
Class Y shares at NAV	1.98	6.06	8.66	-5.38	28.11	-10.58	41.38	-24.63	9.04	1.99
FTSE Nareit All Equity REITs Index (USD)	2.83	8.63	8.67	-4.04	28.66	-5.12	41.30	-24.95	11.36	4.92

### Portfolio characteristics\*

	Fund	Index
No. of holdings	34	139
Wtd. avg. mkt. cap (\$M)	46,832	44,669
Top 10 issuers (% of AUM)	52.97	48.27
Earnings multiple	19.10	18.30
Expected earnings growth (%)	3.43	2.32
Multiple to growth ratio	5.57	7.87
Leverage (%)	28.09	29.69

### Risk statistics (5 year)\*

	Fund	Index
Alpha (%)	-2.69	0.00
Beta	0.95	1.00
Sharpe ratio	0.20	0.36
Information ratio	-1.31	0.00
Standard dev. (%)	18.61	19.35
Tracking error (%)	2.42	0.00
Up capture (%)	83.77	100.00
Down capture (%)	100.29	100.00
Max. drawdown (%)	32.85	31.37

## Quarterly performance attribution

### Sector performance analysis (%)

Sector	Allocation effect	Selection effect	Total effect
Apartments	-0.07	-0.08	-0.15
Data Centers	-0.44	0.02	-0.42
Diversified	-0.11	0.00	-0.11
Free Standing	0.15	0.03	0.18
Gaming Reits	-0.11	-0.09	-0.20
Health Care	-0.17	0.23	0.06
Industrial	-0.06	-0.05	-0.10
Lodging/Resorts	0.12	0.13	0.25
Manufactured Homes	0.01	-0.09	-0.08
Office	0.13	0.05	0.18
Regional Malls	-0.03	0.05	0.01
Self Storage	0.01	-0.02	0.00
Shopping Centers	-0.21	0.04	-0.17
Single Family Homes	0.06	-0.02	0.04
Specialty	0.30	0.03	0.33
Telecommunications Reits	-0.12	0.05	-0.07
Timberland Reits	0.00	-0.06	-0.05
Cash	-0.04	0.00	-0.04
<b>Total</b>	<b>-0.58</b>	<b>0.25</b>	<b>-0.33</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.**

Unless otherwise specified, all information is as of 03/31/25. Unless stated otherwise, Index refers to FTSE Nareit All Equity REITs Index (USD).

The FTSE NAREIT All Equity REITs Index is an unmanaged index considered representative of U.S. REITs. An investment cannot be made directly in an index.

## About Risk

Convertible securities may be affected by market interest rates, the risk of issuer default, the value of the underlying stock, or the issuer's right to buy back the convertible securities.

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.

Environmental, Social and Governance (ESG) considerations may vary across investments and issuers, and not every ESG factor may be identified or evaluated for investment. The Fund will not be solely based on ESG considerations; therefore, issuers may not be considered ESG-focused companies. ESG factors may affect the Fund's exposure to certain companies or industries and may not work as intended. The Fund may underperform other funds that do not assess ESG factors or that use a different methodology to identify and/or incorporate ESG factors. ESG is not a uniformly defined characteristic and as a result, information used by the Fund to evaluate such factors may not be readily available, complete or accurate, and may vary across providers and issuers. There is no guarantee that ESG considerations will enhance Fund performance.

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

Interest rate risk refers to the risk that bond prices generally fall as interest rates rise and vice versa.

Mortgage- and asset-backed securities are subject to prepayment or call risk, which is the risk that the borrower's payments may be received earlier or later than expected due to changes in prepayment rates on underlying loans. Securities may be prepaid at a price less than the original purchase value.

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

Real estate companies, including REITs or similar structures, tend to be small- and mid-cap companies, and their shares may be more volatile and less liquid.

Investments in real estate related instruments may be affected by economic, legal, or environmental factors that affect property values, rents or occupancies of real estate. Real estate companies, including REITs or similar structures, tend to be small and mid-cap companies and their shares may be more volatile and less liquid.

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. **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. **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. **Contribution to Return** measures the performance impact from portfolio holdings over a defined time period. It takes into account both weight and performance of the portfolio holdings. Contribution to Return is calculated at security level.

## Morningstar

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