



Invesco Real Estate Fund

Quarterly Performance Commentary

Nasdaq: A: IARAX C: IARCX Investor: REINX Y: IARYX

Investment objective

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

Portfolio management

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Portfolio information

Total Net Assets	\$1,480,289,273
Total Number of Holdings	58
Annual Turnover (as of 02/28/18)	44%
Distribution Frequency	Quarterly
Distribution Accrual	Quarterly

Top holdings

% of total net assets

American Tower	6.39
Crown Castle International	5.56
Prologis	5.05
Equinix	3.80
AvalonBay Communities	3.54
Simon Property	3.45
SBA Communications	3.03
Realty Income	3.02
Boston Properties	2.96
Public Storage	2.59

Top contributors

% of total net assets

1. American Tower	6.39
2. Prologis	5.05
3. Equinix	3.80
4. Crown Castle International	5.56
5. SBA Communications	3.03

Bottom contributors

% of total net assets

1. American Assets Trust	0.23
2. Omega Healthcare Investors	0.45
3. Four Corners Property Trust	0.09
4. CyrusOne	1.52
5. Exeter Industrial Value Fund	0.02

Market overview

- A general deterioration in US and international economic sentiment spurred the US Federal Reserve to take a more accommodative monetary stance in the first quarter of 2019. This caused a sharp decline in Treasury yields and fueled the largest quarterly equity market rally since 2009.
- US economic data were mixed during the quarter. Despite a somewhat disappointing labor market report in March, US unemployment remains near historical lows and wage growth is favorable.
- The US REIT market posted strong positive absolute returns as investors gravitated toward more defensive, income-focused sectors. Fundamental trends across most US REIT sectors remain consistent with those experienced in 2018. Companies operating in sectors with a healthy supply-demand backdrop -including industrial, manufactured housing and infrastructure -generally anticipate a continuation of recent favorable trends. However, guidance from REITs in sectors experiencing elevated levels of new supply -including self-storage, select service lodging and seniors housing -suggests more modest levels of growth.
- The US REIT market ended the quarter trading at a mid-to-high single-digit premium to net asset value.

Performance highlights

- Invesco Real Estate Fund Class A shares at net asset value (NAV) performed in line with the FTSE NAREIT All Equity REITs Index, with both the fund and index delivering double-digit returns. (Please see the investment results table on page 2 for fund and index performance.)

Contributors to performance

- The fund's performance was driven largely by contributions from the office, infrastructure and freestanding sectors.
- Infrastructure-related REITs were among the top individual contributors during the quarter, including **American Tower** and **Crown Castle International**. Both companies reported double-digit growth in revenue and funds from operations for fiscal 2018, with **Crown Castle** also raising its guidance for 2019.

Detractors from performance

- A minor cash position was a significant drag on relative performance as the US REIT market rose sharply during the quarter.
- Stock selection within the shopping center sector also detracted from relative performance due to strong returns from landlords of lower-quality centers that were not held in the fund.

Positioning and outlook

- During the quarter, we increased exposure to more defensive property types, such as health care and freestanding REITs. In our view, companies within these sectors offer greater visibility of cash flow growth and may also drive greater external growth given significant improvement in their cost of capital. Conversely, we further reduced exposure to the regional mall sector, reflecting the challenging fundamental backdrop. We reduced exposure to companies with decelerating growth opportunities. The portfolio favors sectors with more robust growth prospects, above-average earnings growth and balance sheets with less leverage.
- As the economic cycle matures, capital markets are beginning to show higher levels of return volatility. However, the prospect of slower normalization of interest rate policy or further policy loosening offers potential for changes to recent capital market structure and correlation and volatility relationships that have resulted in less differentiation among lower versus higher quality companies. This possible inflection point will require vigilance and consideration of risk allocation. Total returns from real estate are likely to moderate and growth opportunities will likely become more focused on fundamental factors of capturing rent growth and value-creating asset management.

Investment results								
Average annual total returns (%) as of March 31, 2019								
Period	Class A Shares		Class C Shares		Investor Class Shares		Class Y Shares	Style-Specific Index
	Inception: 12/31/96	NAV	Inception: 05/01/95	NAV	Inception: 09/30/03	NAV	Inception: 10/03/08	
	Max Load		Max CDSC					FTSE NAREIT All Equity REITs Index
Inception	9.17	9.45	-	-	9.79		9.10	-
10 Years	15.96	16.61	15.74	15.74	16.61		16.90	18.80
5 Years	7.54	8.76	7.93	7.93	8.77		9.03	10.00
3 Years	4.57	6.56	5.76	5.76	6.59		6.81	7.84
1 Year	10.60	17.01	15.07	16.07	17.03		17.26	20.46
Quarter	10.50	16.92	15.63	16.63	16.91		16.94	17.17

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. Visit invesco.com/performance for the most recent month-end performance. Performance figures reflect reinvested distributions and changes in net asset value (NAV). Investment return and principal value will vary, and you may have a gain or a loss when you sell shares. No contingent deferred sales charge (CDSC) will be imposed on redemptions of Class C shares following one year from the date shares were purchased. Performance shown at NAV does not include applicable CDSC or front-end sales charges, which would have reduced the performance. The Investor Class shares have no sales charge; therefore, performance is at NAV. Class Y shares have no sales charge; therefore, performance is at NAV. Returns less than one year are cumulative; all others are annualized. Fund performance reflects any applicable fee waivers and/or expense reimbursements. Had the adviser not waived fees and/or reimbursed expenses currently or in the past, returns would have been lower. See current prospectus for more information. Index returns do not reflect any fees, expenses, or sales charges.

Index source: FactSet Research Systems Inc.

Asset mix (%)		Expense ratios		
			% net	% total
Dom Common Stock	97.83	Class A Shares	1.27	1.27
Cash	1.88	Class C Shares	2.02	2.02
Other	0.29	Investor Class Shares	1.23	1.23
		Class Y Shares	1.02	1.02

Per the current prospectus

REIT sector breakdown	% of total net assets
Retail	16.33
Residential	15.61
Infrastructure	14.96
Office	10.19
Health Care	9.77
Industrial	9.05
Data Centers	8.01
Self Storage	4.27
Lodging/Resorts	3.96
Timber	3.13

For more information you can visit us at www.invesco.com/us

Class Y shares and Investor Class shares are available only to certain investors. See the prospectus for more information.

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

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.

The risks of investing in securities of foreign issuers can include fluctuations in foreign currencies, political

and economic instability, and foreign taxation issues.

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.

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 mid-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.

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

Before investing, investors should carefully read the prospectus and/or summary prospectus and carefully consider the investment objectives, risks, charges and expenses. For this and more complete information about the fund(s), investors should ask their advisors for a prospectus/summary prospectus or visit [invesco.com/fundprospectus](https://www.invesco.com/fundprospectus).

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. Advisors, please contact your home office.

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

All data provided by Invesco unless otherwise noted.