

Invesco Real Estate Fund

Quarterly Performance Commentary

Mutual Fund Retirement Share Classes
Data as of March 31, 2023



Investment objective

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

Portfolio management

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Fund facts

Nasdaq	A: IARAX R: IARRX	Y: IARYX R6: IARFX R5: IARIX
Total Net Assets	\$1,431,581,965	
Total Number of Holdings	34	
Annual Turnover (as of 02/28/23)	42%	
Distribution Accrual	Quarterly	
Distribution Frequency	Quarterly	

Top holdings	% of total net assets
American Tower	9.08
Prologis	8.85
UDR	5.22
AvalonBay Communities	4.80
Realty Income	4.77
Sun Communities	4.49
Rexford Industrial Realty	4.01
VICI Properties	3.99
Welltower	3.89
Equinix	3.82

Top contributors	% of total net assets
1. Prologis	8.85
2. Life Storage	2.54
3. Equinix	3.82
4. Rexford Industrial	4.01
5. CubeSmart	2.94

Top detractors	% of total net assets
1. Healthpeak Properties	3.57
2. Kilroy Realty	1.48
3. American Tower	9.08
4. Kimco Realty	2.68
5. SBA Communication	1.17

Not a deposit; Not FDIC insured; Not guaranteed by the bank; May lose value; Not insured by any federal agency

Market overview

- + The first quarter of 2023 was marked by competing forces in the US economy, with economic strength opposed by the headwind of tighter financial conditions. Slowing in the US economy is beginning to negatively affect aggregate demand.
- + Inflationary headwinds appear to be moderating, but their high levels suggest that a sustained restrictive monetary policy will be needed to achieve the Fed's target inflation levels. Chances of a near-term US recession are rising, with the odds increased by tighter access to capital following recent bank failures. Areas of strength do remain, including the US labor market and consumer spending on services; both have shown resiliency relative to forecasts. Considering the labor market's strength, as evidenced by low unemployment, still elevated job openings and low worker availability, we expect wage growth and consumer spending to keep overall inflation above the Fed target.
- + From an equity standpoint, decelerating economic activity could put negative pressure on valuations and earnings. REIT sectors expected to be less sensitive to weaker economic conditions and deliver more durable growth include manufactured housing, industrial, medical office, triple net retail and casinos. Conversely, sectors with shorter term leases, higher economic sensitivity, higher capital expenditure burdens or higher financing risk may experience weaker performance. These include lodging, malls, timber and office REITs.
- + During the quarter, US REITs delivered positive absolute performance. Self-storage and industrial REITs outperformed, while malls, infrastructure and shopping center REITs underperformed. US REITs ended the quarter trading at a roughly 12% discount to their underlying net asset value.

Positioning and outlook

- + Recent trades within the portfolio have sought to balance exposure to economic deceleration and exposure to potential changing financial conditions. We added to senior housing, multifamily, cold storage and triple net REITs, while reducing the weights in infrastructure, data center and life science REITs.
- + Our goal is to maintain a portfolio with a bias toward companies with higher quality assets, operating in supply-constrained real estate markets, with generally less leveraged balance sheets and better governance characteristics. Based on our relative valuation analysis, we may initiate portfolio positions where we believe sharp declines in REIT share prices offer attractive upside opportunities. In our view, the unpredictable macroeconomic and geopolitical environments suggest caution in taking significant active factor, country and currency exposures. As such, we are still more likely to allocate portfolio risk to stock specific opportunities where we believe there is attractive relative value. Compared to the broader investment universe, real estate assets appear attractive to diversified investors based on cash flow security, discounted valuations relative to underlying assets, growth opportunity, potential to act as an inflation hedge and their tangible nature. On this basis, we view listed real estate as offering fair to attractive relative return opportunities at present, as part of a wider investment portfolio allocation.

Performance highlights

- + Invesco Real Estate Fund Class A shares at net asset value (NAV) delivered positive absolute performance and outperformed the FTSE NAREIT All Equity REITs Index. (Please see the investment results table on page 2 for fund and index performance.)

Contributors to performance

- + Positive relative performance was driven by stock selection.
- + The fund benefited from underweight exposure to office and mall REITs and overweight exposure to industrial REITs.
- + Stock selection within self-storage and multifamily REITs also added to relative performance.

Detractors from performance

- + An overweight allocation to infrastructure REITs detracted from relative return.
- + Stock selection within health care and shopping centers also detracted from relative performance.

REIT sector breakdown	% of total net assets
Apartments	10.13
Data Centers	6.13
Free Standing	8.25
Health Care	11.38
Industrial	16.81
Infrastructure Reits	12.85
Lodging/Resorts	3.80
Manufactured Homes	6.43
Office	2.97
Self Storage	5.56
Shopping Centers	5.32
Single Family Homes	3.52
Specialty	6.83

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

Valuation statistics	fund	index
12-Month Forward P/E	39.26	35.20
12-Month Trailing P/E	36.65	31.02
Price/Book (Wtd. Har. Avg.)	2.12	2.32
1-Year ROE (Wtd. Avg.)	8.97	9.93
12-Month Fwd. Growth Rate (Wtd. Avg.) (%)	11.59	-2.25
3-Year EPS Growth Rate (Wtd. Avg.) (%)	7.54	12.27
5-Year Dividend Growth Rate (Wtd. Avg.) (%)	5.85	5.09
Weighted Average Market Cap (\$MM)	36,202	38,933
Weighted Median Market Cap (\$MM)	17,469	23,514

Source: FactSet Research Systems Inc.

Investment results

Average annual total returns (%) as of March 31, 2023

	Class A Shares	Class Y Shares	Class R Shares	Class R6 Shares	Class R5 Shares	Style-Specific Index
	Inception: 12/31/96	Inception: 10/03/08	Inception: 04/30/04	Inception: 09/24/12	Inception: 04/30/04	FTSE NAREIT All Equity REITs Index
Period	NAV	NAV	NAV	NAV	NAV	Index
Inception	8.18	6.99	7.56	6.17	8.27	-
10 Years	5.22	5.48	4.96	5.70	5.61	6.45
5 Years	4.32	4.58	4.06	4.80	4.71	6.25
3 Years	8.52	8.78	8.25	9.02	8.92	10.17
1 Year	-18.19	-17.95	-18.37	-17.82	-17.92	-19.40
Quarter	2.12	2.20	2.11	2.25	2.23	1.74

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. Visit [invesco.com/performance](https://www.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. Class A shares at NAV are available only to certain investors and have no sales charge; therefore, performance is at NAV. Class Y shares have no sales charge; therefore, performance is at NAV. Class R6 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.

Expense ratios	% net	% total	Asset mix (%)
Class A Shares	1.23	1.23	Dom Common Stock 98.93
Class Y Shares	0.98	0.98	Cash 1.07
Class R Shares	1.48	1.48	
Class R6 Shares	0.78	0.78	
Class R5 Shares	0.86	0.86	

Per the current prospectus

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

Class A shares at NAV and Class Y shares are available only to certain investors. Class R shares are generally available only to employee benefit plans. Class R6 shares and Class R5 shares are primarily intended for retirement plans that meet certain standards and for institutional 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.

12-month forward and trailing P/E are calculated using weighted harmonic averaging, which helps avoid extreme results that may occur due to small relative numbers in the denominator. It doesn't exclude extreme values; instead, it reduces the effect of outliers on the aggregate calculation. The **price/book ratio** is the market price of a stock divided by the book value per share. **Return on equity (ROE)** is net income divided by net worth. The **median 12-Month Fwd. Growth Rate** is the percent change between the next twelve months' mean EPS estimate and the previous twelve months' actuals. The **three-year EPS growth rate** is a weighted average of each stock's growth rate in earnings per share (EPS). EPS is total earnings divided by the number of shares outstanding. The **five-year dividend growth rate** is the weighted average of each stock's annualized percentage rate of growth in dividend yield over five years. The three-year EPS and five-year dividend growth rates are not forecasts of fund performance.

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.

An issuer may be unable to meet interest and/or principal payments, thereby causing its instruments to decrease in value and lowering the issuer's credit rating.

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.

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.

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.

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 financial professionals 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. Financial professionals, 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.