

Invesco Real Estate Fund

Quarterly Performance Commentary

Mutual Fund Retirement Share Classes
Data as of Sept. 30, 2020



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	\$1,824,127,924	
Total Number of Holdings	56	
Annual Turnover (as of 02/29/20)	59%	
Distribution Accrual	Quarterly	
Distribution Frequency	Quarterly	

Top holdings	% of total net assets
American Tower	13.49
Crown Castle	5.68
Duke Realty	4.92
Equinix	4.51
Healthpeak Properties	4.04
Prologis	3.47
Invitation Homes	3.34
Alexandria Real Estate Equities	3.10
Weyerhaeuser	2.92
VEREIT	2.75

Top contributors	% of total net assets
1. Weyerhaeuser	2.92
2. Equinix	4.51
3. VICI Properties	2.65
4. Extra Space Storage	2.59
5. Essential Properties Realty Trust	1.49

Top detractors	% of total net assets
1. American Tower	13.49
2. UDR	2.26
3. Equity Residential	1.48
4. Regency Centers	1.55
5. Kimco Realty	0.95

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

Market overview

- + US economic data have improved, aided by the tailwinds of monetary and fiscal stimulus. The US has seen robust rebounds in housing sales and manufacturing activity. Unemployment has continued to fall, with September's results moving toward normal after the April peak. However, the country has seen an uptick in the number of new COVID-19 cases, which has led to increased focus on containment measures and higher consumer anxiety.
- + US REITs, on average, had flat absolute performance for the quarter, having rallied from their March lows during the second quarter.
- + REIT subsector performance in the third quarter largely mirrored year-to-date performance, with sectors less affected by COVID-19 outperforming those more likely to experience longer term challenges.
- + The overall US REIT sector was trading approximately equal to net asset value at the end of the quarter. This is close to the long-term average valuation. Modest declines in underlying asset values for some property types may continue in the short to medium term.

Positioning and outlook

- + During the quarter, we reduced the fund's exposure to both infrastructure, due to less attractive valuations, and to apartments, due to weakening fundamentals. We increased the fund's weightings in lab science REITs given their more attractive characteristics within the office sector, in the industrial sector due to a strong demand outlook, and in self-storage, where fundamentals have improved. Current exposures remain balanced, with elements of both relative value and fundamental growth opportunities across the portfolio.
- + The fund maintains a bias toward companies with higher quality assets, operating in supply-constrained real estate markets, with generally less leveraged balance sheets and above-average earnings and asset value growth. The unpredictable macroeconomic and geopolitical environments suggest caution in taking active factor, country and currency exposures. As such, we are more likely to allocate risk to specific stock opportunities where we believe attractive relative value exists. Compared to the broader investment universe, the REIT sector's cash flow security, discounted valuations relative to underlying assets, and tangible asset nature appear relatively attractive to diversified investors. We view listed real estate as offering 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) underperformed the FTSE NAREIT All Equity REITs Index. (Please see the investment results table on page 2 for fund and index performance.)

Contributors to performance

- + The fund's relative performance benefited from overweight exposure to the timber and casino sectors as well as an underweight exposure to the traditional office sector.
- + Fundamentals for certain timber REITs were strong as a result of record high lumber prices, while casino REITs benefited from tenants' improved access to capital and a rebound in gaming revenues.
- + Stock selection among office and diversified REITs was also positive.

Detractors from performance

- + Stock selection within the infrastructure and apartment sectors, as well as underweight positions in the industrial and self-storage sectors, detracted from relative return.
- + Stock selection among apartment and lodging/resorts REITs also detracted from relative performance.

REIT sector breakdown	% of total net assets	
Infrastructure	20.27	
Industrial	12.76	
Data Centers	11.13	
Residential	11.03	
Health Care	9.97	
Retail	9.43	
Office	6.24	
Specialty	5.19	
Self Storage	4.24	
Diversified	3.42	
Lodging/Resorts	3.18	
Timber	3.14	

Valuation statistics	fund	index
12-Month Forward P/E	30.80	50.82
12-Month Trailing P/E	37.59	35.71
Price/Book (Wtd. Har. Avg.)	2.43	2.44
1-Year ROE (Wtd. Avg.)	11.24	6.76
12-Month Fwd. Growth Rate (Wtd. Avg.) (%)	71.23	23.03
3-Year EPS Growth Rate (Wtd. Avg.) (%)	4.23	12.82
5-Year Dividend Growth Rate (Wtd. Avg.) (%)	8.10	7.13
Weighted Average Market Cap (\$MM)	32,579	35,005
Weighted Median Market Cap (\$MM)	13,809	19,929

Source: FactSet Research Systems Inc.

Investment results

Average annual total returns (%) as of Sept. 30, 2020

Period	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	
	NAV	NAV	NAV	NAV	NAV	FTSE NAREIT All Equity REITs Index
Inception	8.51	7.34	7.99	-	8.71	-
10 Years	7.61	7.87	7.34	8.00	8.02	9.20
5 Years	4.65	4.91	4.39	5.13	5.04	6.61
3 Years	2.08	2.32	1.82	2.54	2.46	3.54
1 Year	-14.59	-14.41	-14.84	-14.25	-14.28	-12.15
Quarter	-0.04	-0.03	-0.16	0.06	0.04	1.19

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. Returns less than one year are cumulative; all others are annualized. Performance shown prior to the inception date of Class R6 shares is that of Class A shares and includes the 12b-1 fees applicable to Class A shares. Class R6 shares have no sales charge; therefore, performance is at NAV. 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 99.05
Class Y Shares	0.98	0.98	Cash 0.49
Class R Shares	1.48	1.48	Other 0.46
Class R6 Shares	0.79	0.79	
Class R5 Shares	0.87	0.87	

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.

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.

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. 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.