

Invesco Real Estate Fund

Q2 2024

Key takeaways

- 1 The fund declined for the quarter.**

REITs underperformed broader equity markets, with REIT sectors that are historically more vulnerable to high interest rates – timber, industrial and infrastructure – lagging.
- 2 The fund aims to strike a balance between select structural growth opportunities and historically economically sensitive REITs at reasonable valuations.**

The fund is positioned for a positive, but below-trend, economic growth environment, which would favor positioning in REITs with visible potential growth opportunities.
- 3 Prospects for falling interest rates and modest growth could mean good investment opportunities in real estate.**

We have observed that listed real estate has delivered strong returns relative to general equities following the final interest rate hike in a Federal Reserve tightening cycle.

Investment objective

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

Fund facts

Fund AUM (\$M)	985.08
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Portfolio managers

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

Manager perspective and outlook

- General equities delivered a positive return, while REITs had a negative return for the quarter. Property transaction activity has been limited in the past two years by tightened availability and elevated cost of capital, creating a wide gap between buyer and seller pricing expectations. Full normalization of the property transaction market may take time as interest rates and cost of capital have remained high for many property types.
- Issuance of unsecured REIT debt has increased in recent months as bond market conditions appear to have improved. REITs with access to unsecured credit have an advantage compared to private real estate markets that historically rely heavily on secured financing.
- Listed real estate companies that have favorable cost of capital relative to private real estate investors and also have strong operating platforms are most likely to find attractive investment opportunities.



Top issuers

(% of total net assets)

	Fund	Index
American Tower Corp	9.84	7.26
Welltower Inc	8.27	4.93
Equinix Inc	7.71	5.73
Extra Space Storage Inc	4.90	2.60
Equity Residential	4.83	2.09
Camden Property Trust	4.72	0.90
Healthpeak Properties Inc	4.11	1.11
Invitation Homes Inc	4.03	1.76
Alexandria Real Estate Equities Inc	4.00	1.62
Rexford Industrial Realty Inc	3.95	0.77

As of 06/30/24. Holdings are subject to change and are not buy/sell recommendations.

Portfolio positioning

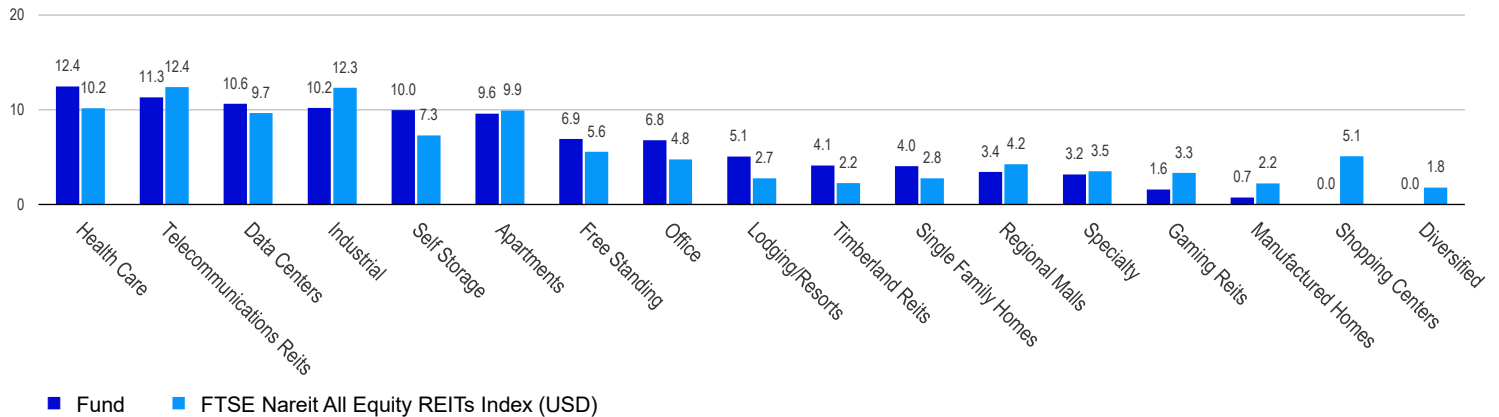
With further economic growth acceleration unlikely and interest rate cuts expected in 2024, the fund added to select discounted valuation opportunities. We also added to the fund's position in single family rentals, which should, in our view, continue to benefit from a structural undersupply of housing that has been exacerbated by continued high interest rates.

Recent additions to the fund include holdings in more historically interest rate sensitive sectors such as triple net, infrastructure and medical office health care REITs. During the quarter, we rotated exposure among data centers in an effort to take advantage of relative valuation opportunities.

The fund's current overweights include life science, health care and single family rental REITs. The fund is underweight retail, multifamily and industrial REITs. We believe the retail and multifamily sectors have unattractive growth and valuation characteristics compared to other property types, while the industrial sector is experiencing decelerating fundamentals at a still-elevated valuation.

Looking ahead, changes in macroeconomic data, fundamental outlooks, interest rates and monetary policy outlooks may affect our views of relative value and the resulting fund positioning.

Sector breakdown (% of total net assets)



Top contributors (%)

Issuer	Return	Contrib. to return
Welltower Inc.	12.26	1.00
Camden Property Trust	11.77	0.58
Equity Residential	9.72	0.47
Extra Space Storage Inc.	6.80	0.32
Agree Realty Corporation	9.72	0.25

Top detractors (%)

Issuer	Return	Contrib. to return
Weyerhaeuser Company	-20.42	-0.87
Host Hotels & Resorts, Inc.	-12.11	-0.64
Prologis, Inc.	-13.01	-0.54
Rexford Industrial Realty, Inc.	-10.52	-0.50
Terreno Realty Corporation	-10.23	-0.45

Performance highlights

Invesco Real Estate Fund had a negative return and underperformed its benchmark.

Contributors to performance

During the quarter, the fund benefited from an overweight in the health care sector, which outperformed due to positive results from senior housing and select value opportunities. The positive effect of the fund's health care overweight offset negative stock selection in the sector. Stock selection within the infrastructure and free-standing sectors also added to relative performance.

The fund was overweight in the multifamily sector for most of the quarter, which added to

relative return as the sector outperformed, helped by a privatization and a still resilient labor market amid low expectations.

Detractors from performance

Both stock selection and sector allocations detracted from relative performance during the quarter. Overweight exposure to timber REITs was the largest detractor from relative return. Timber stocks underperformed as continued high interest rates have weighed on housing activity. An underweight in **Iron Mountain** (IRM US) also detracted from relative performance.

Standardized performance (%) as of June 30, 2024

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class C shares inception: 05/01/95	NAV	-1.73	-3.69	2.28	-3.57	0.51	3.79	8.74
Class A shares inception: 12/31/96	NAV	-1.48	-3.36	3.06	-2.83	1.27	4.43	7.90
	Max. Load 5.5%	-6.90	-8.66	-2.58	-4.64	0.13	3.84	7.68
Class R6 shares inception: 09/24/12	NAV	-1.43	-3.14	3.49	-2.43	1.73	4.90	5.80
Class Y shares inception: 10/03/08	NAV	-1.48	-3.31	3.25	-2.62	1.51	4.68	6.62
FTSE Nareit All Equity REITs Index (USD)		-0.90	-2.19	5.78	-1.63	3.40	6.11	-
Total return ranking vs. Morningstar Real Estate category (Class C shares at NAV)		-	-	88% (218 of 235)	88% (200 of 223)	90% (188 of 204)	86% (131 of 149)	-

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 (%)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Class C shares at NAV	27.14	0.97	5.03	7.61	-6.35	26.76	-11.43	39.90	-25.34	7.89
Class A shares at NAV	28.12	1.72	5.80	8.43	-5.66	27.78	-10.77	40.99	-24.80	8.75
Class R6 shares at NAV	28.69	2.16	6.28	8.96	-5.20	28.32	-10.32	41.60	-24.49	9.21
Class Y shares at NAV	28.40	1.98	6.06	8.66	-5.38	28.11	-10.58	41.38	-24.63	9.04
FTSE Nareit All Equity REITs Index (USD)	28.03	2.83	8.63	8.67	-4.04	28.66	-5.12	41.30	-24.95	11.36

Portfolio characteristics*

	Fund	Index
No. of holdings	30	137
Wtd. avg. mkt. cap (\$M)	38,734	39,422
Top 10 issuers (% of AUM)	56.37	47.33
Earnings multiple	17.83	16.98
Expected earnings growth (%)	3.84	2.28
Multiple to growth ratio	4.64	7.43
Leverage (%)	26.61	30.51

Risk statistics (5 year)*

	Fund	Index
Alpha (%)	-2.79	0.00
Beta	0.97	1.00
Sharpe ratio	-0.08	0.06
Information ratio	-1.19	0.00
Standard dev. (%)	20.23	20.67
Tracking error (%)	2.44	0.00
Up capture (%)	84.94	100.00
Down capture (%)	100.59	100.00
Max. drawdown (%)	32.85	31.37

Quarterly performance attribution

Sector performance analysis (%)

Sector	Allocation effect	Selection effect	Total effect
Apartments	0.18	-0.12	0.06
Data Centers	0.08	-0.11	-0.03
Diversified	0.01	0.00	0.01
Free Standing	-0.05	0.23	0.18
Gaming Reits	0.02	0.03	0.04
Health Care	0.21	-0.19	0.02
Industrial	0.08	0.01	0.08
Lodging/Resorts	-0.27	0.11	-0.16
Manufactured Homes	0.01	-0.04	-0.03
Office	-0.06	-0.09	-0.15
Regional Malls	0.02	0.02	0.03
Self Storage	0.08	0.07	0.15
Shopping Centers	-0.08	0.00	-0.08
Single Family Homes	-0.10	-0.01	-0.11
Specialty	-0.02	-0.32	-0.33
Telecommunications Reits	0.06	0.29	0.35
Timberland Reits	-0.39	-0.04	-0.43
Cash	0.07	0.00	0.07
Total	-0.16	-0.15	-0.31

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 06/30/24. 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.