

Invesco Real Estate Fund

Q1 2024

Key takeaways

- 1 The fund had a negative absolute return for the quarter.**
REITs underperformed broader equity markets, with more economically sensitive real estate sectors outperforming those with defensive characteristics.
- 2 The fund reflects a balance between growth and historically more economically sensitive REITs.**
Given the improvement in economic data, the fund has recently added exposure to cyclical REITs that would potentially benefit from economic growth.
- 3 The prospect of easing financial conditions has remained favorable for real estate asset values.**
Listed real estate has historically delivered strong returns following the final interest rate cut in a US Federal Reserve (Fed) hiking cycle when investors historically appear attracted to interest rate sensitive sectors.

Investment objective

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

Fund facts

Fund AUM (\$M)	1,057.02
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Portfolio managers

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

Manager perspective and outlook

- The broad US equity market delivered strong performance for the first quarter while REITs lagged and had a negative absolute return.
- Property types with more economic sensitivity and shorter-term leases, such as billboards, malls and apartments, may experience a lift in fundamental tenant demand as economic conditions improve. Conversely, property sectors with longer term leases and defensive characteristics, such as infrastructure, net lease retail and health care, would be expected to perform better under more difficult economic circumstances.
- We believe falling interest rates and modest economic growth conditions should provide good investment opportunities in real estate. Listed real estate companies with favorable cost of capital relative to their private real estate peers and strong operating platforms are most likely we feel to find attractive investment opportunities.
- Ultimately, future real estate valuations will in our view largely be determined by capital market conditions, debt financing costs and cash flow growth prospects – all of which have a wide range of possible outcomes over the next 12-24 months.



Top issuers

(% of total net assets)

	Fund	Index
American Tower Corp	9.09	7.28
Welltower Inc	7.31	4.09
Digital Realty Trust Inc	6.06	3.44
Extra Space Storage Inc	4.99	2.43
Host Hotels & Resorts Inc	4.83	1.14
UDR Inc	4.80	0.97
Equinix Inc	4.49	6.09
Rexford Industrial Realty Inc	4.39	0.84
Alexandria Real Estate Equities Inc	4.07	1.77
Weyerhaeuser Co	3.97	2.08

As of 03/31/24. Holdings are subject to change and are not buy/sell recommendations.

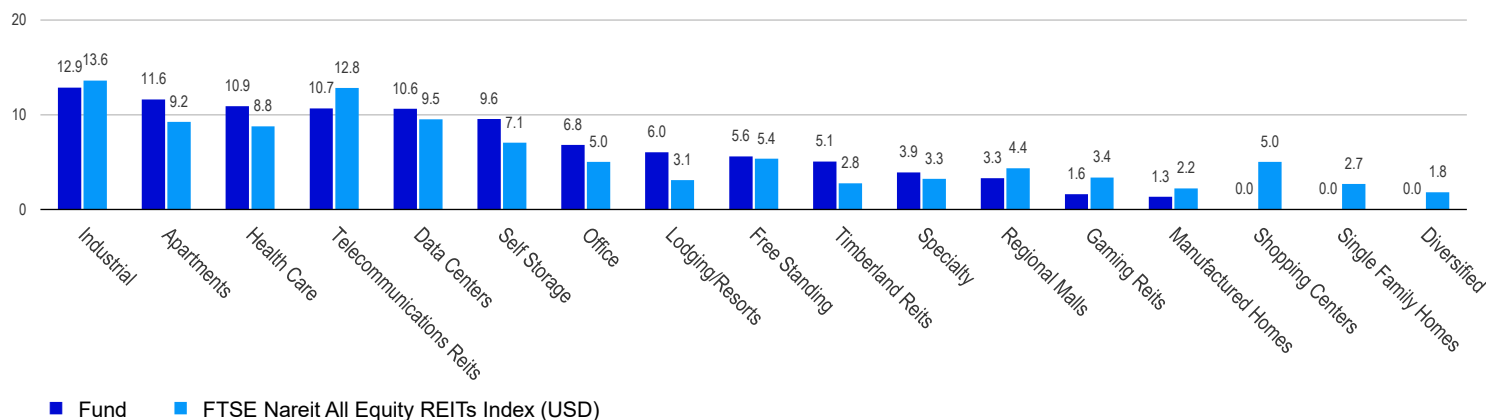
Portfolio positioning

Given improved economic data, the fund recently added exposure to cyclical REITs that we believe are positioned to benefit from economic growth. The fund's current positioning reflects a balance between select structural growth opportunities and more economically sensitive REITs that trade at what we consider reasonable valuations.

We have worked to position the fund for a positive, but below trend, economic growth environment that favors positioning in REITs that demonstrate more visible growth. However, in our view recent positive economic data and expectations for possible changes to Fed monetary policy support our recent decision to add more cyclical exposure to the fund. Additions have included stocks and sectors that remain discounted relative to private market values and are expected to experience improving growth prospects tied to the overall economy. These include lodging and malls. We also added to data centers during the quarter as demand tailwinds from artificial intelligence (AI) and supply constraints have continued to create a positive fundamental backdrop. We reduced the fund's exposure in infrastructure, casinos and triple net REITs, all of which offer more durable, stable income that is less likely in our view to be rewarded in an improving economic growth environment. More recently, we reduced exposure to billboard REITs following a period of outperformance.

Current overweight exposures include lodging, life science and self storage REITs. The fund is underweight retail, single family rental, infrastructure and casino REITs. Growth and valuation characteristics in the retail and single family rental sectors are in our view less attractive relative to other property types. Underweights in the infrastructure and casino sectors are based on the expectation that more defensive property types will underperform. Looking ahead, changes in macroeconomic data, fundamental outlooks and expectations for interest rate and monetary policy may affect views of relative value and the resulting fund positions.

Sector breakdown (% of total net assets)



Top contributors (%)

Issuer	Return	Contrib. to return
Lamar Advertising Company Class A	13.67	0.36
Digital Realty Trust, Inc.	7.94	0.35
Welltower Inc.	4.30	0.35
OUTFRONT Media Inc.	23.06	0.32
Weyerhaeuser Company	4.93	0.30

Top detractors (%)

Issuer	Return	Contrib. to return
American Tower Corporation	-8.44	-0.80
SBA Communications Corp. Class A	-13.18	-0.64
Rexford Industrial Realty, Inc.	-9.59	-0.50
Extra Space Storage Inc.	-6.61	-0.40
Healthcare Realty Trust Incorporated Class A	-22.66	-0.30

Performance highlights

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

Contributors to performance

Within REITs, property types with more economic sensitivity and shorter term leases, such as billboards, malls and lodging, delivered the best returns during the quarter, while cold storage, infrastructure, casinos and triple net REITs underperformed.

During the quarter, the fund benefited from an overweight in billboard REITs, which outperformed due to improving expectations for economic growth. The fund's overweights in timber and lodging REITs also added to relative performance, though to a lesser extent.

Stock selection was the primary contributor to relative performance, with good stock selection in the office, life science, data center and diversified net lease sectors.

Detractors from performance

The key detractors from relative performance primarily stemmed from sector allocations. During the quarter, we increased exposure to more economically sensitive sectors that performed well; however, the fund did not enjoy the benefit of these changes for the full quarter.

Underweight exposure to mall REITs was the largest detractor from relative performance as investors appeared to reward more cyclically exposed stocks during the period. We subsequently increased the fund's allocation to malls given continued labor market strength and consumer resilience.

An overweight in infrastructure REITs also detracted from relative return as durable cash flows were not rewarded. We have since moved the fund to an underweight in infrastructure REITs given expectations for fewer and later interest rate cuts this year.

Standardized performance (%) as of March 31, 2024

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class C shares inception: 05/01/95	NAV	-1.99	-1.99	3.74	0.68	1.23	4.68	8.88
Class A shares inception: 12/31/97	NAV	-1.91	-1.91	4.45	1.42	1.98	5.32	8.04
	Max. Load 5.5%	-7.28	-7.28	-1.29	-0.47	0.83	4.72	7.81
Class R6 shares inception: 09/24/12	NAV	-1.74	-1.74	4.94	1.87	2.44	5.80	6.06
Class Y shares inception: 10/03/08	NAV	-1.86	-1.86	4.71	1.66	2.24	5.58	6.84
FTSE Nareit All Equity REITs Index (USD)		-1.30	-1.30	8.02	2.47	3.96	6.93	-
Total return ranking vs. Morningstar Real Estate category (Class C shares at NAV)		-	-	92% (238 of 250)	82% (204 of 236)	88% (198 of 217)	85% (140 of 160)	-

Expense ratios per the current prospectus: Class C: Net: 1.99%, Total: 1.99%; Class A: Net: 1.24%, Total: 1.24%; Class R6: Net: 0.81%, Total: 0.81%; Class Y: Net: 0.98%, Total: 0.98%.

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	31	137
Wtd. avg. mkt. cap (\$M)	36,899	41,772
Top 10 issuers (% of AUM)	54.00	47.62
Earnings multiple	17.82	17.20
Expected earnings growth (%)	4.18	2.84
Multiple to growth ratio	4.26	6.06
Leverage (%)	26.68	29.92

Risk statistics (5 year)*

	Fund	Index
Alpha (%)	-2.59	0.00
Beta	0.97	1.00
Sharpe ratio	-0.04	0.10
Information ratio	-1.12	0.00
Standard dev. (%)	19.77	20.19
Tracking error (%)	2.44	0.00
Up capture (%)	85.58	100.00
Down capture (%)	100.60	100.00
Max. drawdown (%)	32.85	31.37

Quarterly performance attribution

Sector performance analysis (%)

Sector	Allocation effect	Selection effect	Total effect
Apartments	0.04	-0.03	0.01
Data Centers	-0.23	0.11	-0.12
Diversified	0.18	0.00	0.18
Free Standing	-0.05	-0.07	-0.12
Gaming Reits	-0.06	0.01	-0.05
Health Care	-0.02	0.05	0.03
Industrial	0.01	-0.19	-0.18
Lodging/Resorts	-0.03	0.09	0.06
Manufactured Homes	0.05	0.04	0.09
Office	0.03	0.17	0.20
Regional Malls	-0.37	-0.01	-0.38
Self Storage	-0.09	-0.01	-0.10
Shopping Centers	0.05	-0.03	0.02
Single Family Homes	-0.14	0.00	-0.14
Specialty	0.15	0.18	0.33
Telecommunications Reits	0.01	-0.24	-0.24
Timberland Reits	0.12	0.01	0.13
Cash	0.01	0.00	0.01
Total	-0.34	0.07	-0.27

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 03/31/24. 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.