
Invesco Global Real Estate Fund

Quarterly review | As at December 31, 2021

Investment philosophy

Invesco Global Real Estate Fund seeks to generate a total return through capital growth and income by investing primarily in real estate securities from around the world. The portfolio management team (the “team”) uses a fundamentals-driven investment process, including market-cycle analysis and property evaluation, to identify companies with quality underlying properties, solid management and attractive valuations.

Performance summary

- Global-listed real estate reported a strong positive return during the quarter, outperforming the broader global equity universe
- Invesco Global Real Estate Fund, Series I returned 10.58% over the quarter, outperforming its benchmark, the FTSE EPRA Nareit Developed Index, which returned 9.84% (C\$) over the same period

Key contributors and detractors to performance

The Portfolio delivered a positive relative return in a period of strong absolute performance. On a geographic basis, Europe and Asia added to relative performance. In Asia, underweight exposure to cyclical sectors in Japan and Singapore and underweights to China retail and Singapore industrial sectors were the main contributors. General underweight exposure to retail across the region also benefited the Portfolio. In Europe, stock selection in the U.K. and Sweden and no exposure to Switzerland accounted for most of the region’s outperformance.

The Portfolio’s exposure to North America was the primary detractor to relative performance. Underweight positioning in self-storage detracted from performance as the sector continued to exhibit strong fundamentals. Stock selection within the data centres and healthcare REIT sectors also detracted from performance.

Portfolio activity

The Portfolio ended the period with overweight exposure to Europe, underweight exposure to Asia and a more index-neutral exposure to North America REITs. Overall, the Portfolio shows overweight exposure to companies in long-term structural growth sectors (industrial, single-family residential), with some selected overweight exposures to cyclical sectors with more favourable recovery and growth prospects (apartments, senior housing). Companies with defensive income profiles (triple-net lease, medical office) or secular headwinds remain underweight (office, retail).

Market commentary

The global economic recovery has been robust in 2021, led by the United States. However, the team believes growth should moderate back toward long-run average rates over the coming years. Inflationary pressures remain above average because of high demand associated with the significant increase in money supply of recent years and the release of pent-up demand. Market volatility generated by virus-related news, uncertainty over inflation prospects and speculation over central bank policy should, in the team's view, still be anticipated in coming months.

The overall desire is to maintain a Portfolio with a bias toward companies with higher-quality assets, supply-constrained real estate market exposure, lower-leveraged balance sheets and better governance characteristics. The unpredictable macro and geopolitical environments suggest caution in taking significant active factor, country and currency exposures. As such, the team believes portfolio risk is still most likely to be allocated to stock-specific opportunities where there is a belief that attractive relative value exists.

Important information

Source: Invesco Global Real Estate Fund. Data as at December 31, 2021, in Canadian dollars.

The above securities were selected for illustrative purposes only and are not intended to convey specific investment advice.

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Performance of Invesco Global Real Estate Fund, Series I as at December 31, 2021: 1-year, 27.49%; 3-year, 8.61%; 5-year, 6.59%; and 10-year, 11.10%.

Performance of the FTSE EPRA Nareit Developed Index (Net) as at December 31, 2021: 1-year, 25.02%; 3-year, 8.95%; 5-year, 6.52%; and 10-year, 11.00%.

The views expressed above are based on current market conditions and are subject to change without notice; they are not intended to convey specific investment advice. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Although we make such statements based on assumptions that we believe to be reasonable, there can be no assurance that actual results will not differ materially from our expectations.

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