

Fund Manager



Joe Rodriguez
Fund Manager, Global REITs

Fund ratings

hedged - class A



unhedged



Performance analysis - hedged - Class A (periods to 31 December 2011)

Net performance

Periods	Fund %	Benchmark %	Value added %
1 month	1.34	1.56	-0.22
3 months	7.25	7.01	0.24
6 months	-10.29	-9.71	-0.58
1 year	-4.99	-4.20	-0.79
2 years p.a.	5.37	6.69	-1.32
3 years p.a.	9.80	12.77	-2.97
5 years p.a.	-8.35	-8.08	-0.27
Calendar year to date	-4.99	-4.20	-0.79
Financial year to date	-10.29	-9.71	-0.58
Since inception p.a.	1.89	1.61	0.28

The Fund returns are shown after ongoing fees and assumes reinvestment of income. Past returns are not a reliable indicator of future returns. Future returns may be affected by a range of factors including economic and market influences.

Net distribution growth splits

Periods	Distribution %	Growth %	Total %
3 months	0.00	7.25	7.25
6 months	7.69	-17.98	-10.29
1 year	8.14	-13.13	-4.99
2 years p.a.	4.81	0.56	5.37
3 years p.a.	3.37	6.43	9.80
5 years p.a.	5.79	-14.14	-8.35

Net risk profile

Periods	Tracking error %	Information Ratio
1 year	1.49	-0.53
2 years p.a.	1.18	-1.13
3 years p.a.	2.67	-1.12
5 years p.a.	3.30	-0.08
Since inception p.a.	3.00	0.09

Fund facts at a glance

Asset class Global listed property securities

Management style Fundamental, active, core

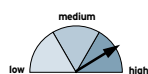
Objective Hedged – class A
To provide medium to long-term capital growth and distributions by investing in property securities listed on global sharemarkets, while managing exposure to global currencies

Unhedged –
To provide medium to long-term capital growth and distributions by investing in property securities listed on global sharemarkets

Benchmark Hedged – class A – from inception to 31/03/09 = UBS Investors Global Real Estate Index ex Australia (Net dividends reinvested) hedged in A\$, from 31/03/09 = FTSE EPRA/NAREIT Developed Index Net TRI - hedged in A\$

Unhedged –
FTSE EPRA/NAREIT Developed Index Net TRI - unhedged in A\$

Risk profile



Time horizon 7 years

Distribution frequency Half-yearly

Inception date Hedged – class A:
31/3/05
Unhedged:
01/11/09

Minimum investment \$20,000

MER/ICU 0.95% (both Funds)

APIR code Hedged – class A:
GTU0041AU
Unhedged:
GTU0061AU

**Invesco does not guarantee that the Fund will achieve its objective.*

Performance analysis - unhedged Fund (periods to 31 December 2011)

Net performance

Periods	Fund %	Benchmark %	Value added %
1 month	1.02	1.07	-0.05
3 months	1.90	1.61	0.29
6 months	-7.79	-7.57	-0.22
1 year	-7.10	-6.47	-0.63
2 years p.a.	-2.24	-0.92	-1.32
Calendar year to date	-7.10	-6.47	-0.63
Financial year to date	-7.79	-7.57	-0.22
Since inception p.a.	0.37	1.83	-1.46

The Fund returns are shown after ongoing fees and assumes reinvestment of income. Past returns are not a reliable indicator of future returns. Future returns may be affected by a range of factors including economic and market influences.

Net distribution growth splits

Periods	Distribution %	Growth %	Total %
3 months	0.00	1.90	1.90
6 months	4.53	-12.32	-7.79
1 year	4.57	-11.67	-7.10
2 years p.a.	3.58	-5.82	-2.24

Net risk profile

Periods	Tracking error %	Information Ratio
1 year	1.11	-0.57
2 years p.a.	1.00	-1.31
Since inception p.a.	0.99	-1.47

Fund analysis (as at 31 December 2011)

The data in the tables below is based on the underlying portfolio, i.e. the unhedged Fund, into which the hedged Fund directly invests.

Country allocation

Country	Fund %	Benchmark %	Active weight %
Australia	8.34	8.34	0.00
Austria	0.35	0.24	0.11
Belgium / Luxembourg	0.00	0.49	-0.49
Canada	5.17	5.50	-0.32
China	1.70	1.44	0.26
Finland	0.46	0.27	0.19
France	3.74	3.56	0.18
Germany	0.78	0.90	-0.12
Greece	0.00	0.01	-0.01
Hong Kong	10.20	10.37	-0.18
Israel	0.00	0.11	-0.11
Italy	0.09	0.07	0.02
Japan	8.47	8.57	-0.09
Netherlands	0.71	1.09	-0.38
New Zealand	0.00	0.10	-0.10
Norway	0.14	0.08	0.06
Singapore	3.64	3.76	-0.12
Spain	0.00	0.01	-0.01
Sweden	0.92	1.11	-0.18
Switzerland	1.34	1.23	0.11
United Kingdom	4.94	5.09	-0.15
United States	46.99	47.68	-0.69
[Cash]	2.01	0.00	2.01

Sector allocation

Sector	Fund %	Benchmark %	Active weight %
Diversified	28.81	31.83	-3.02
Healthcare	8.02	7.31	0.71
Industrial	4.25	4.25	-0.01
Industrial/Office Mixed	0.87	0.99	-0.12
Lodging/Resorts	3.36	3.27	0.09
Office	13.20	13.79	-0.59
Residential	13.15	11.95	1.20
Retail	23.41	23.65	-0.24
Self Storage	2.92	2.96	-0.04
Specialty	0.00	0.00	0.00
[Cash]	2.01	0.00	2.01

Five largest overweight positions

Security	Fund %	Benchmark %	Active weight %
Alexandria Real Estate Equities Inc.	1.27	0.55	0.72
Host Hotels and Resorts Inc.	2.01	1.36	0.65
Essex Property Trust Inc.	1.26	0.62	0.64
Swiss Prime Site AG	0.98	0.40	0.58
Primaris Retail Real Estate Investment Trust	0.75	0.21	0.54

Five largest underweight positions

Security	Fund %	Benchmark %	Active weight %
Realty Income Corp.	0.00	0.61	-0.61
Mirvac Group	0.00	0.54	-0.54
New World Development Co. Ltd.	0.00	0.47	-0.47
Liberty Property Trust	0.00	0.46	-0.46
Capital Shopping Centres Group PLC	0.00	0.41	-0.41

10 largest holdings

Security	Fund %	Benchmark %	Active weight %
Simon Property Group Inc.	4.90	4.92	-0.02
Sun Hung Kai Properties Ltd.	3.29	3.14	0.16
Ventas Inc.	2.56	2.06	0.49
Westfield Group Australia	2.48	2.41	0.08
Unibail-Rodamco S.A.	2.30	2.14	0.16
HCP Inc.	2.29	2.19	0.10
Mitsubishi Estate Co. Ltd.	2.21	2.03	0.18
Equity Residential	2.14	2.18	-0.05
Boston Properties Inc.	2.12	1.91	0.21
Prologis Inc.	2.07	1.71	0.36

Note: Security selection will change. You should not rely on this statement in making an investment decision about any security, but should make your own independent enquiries.

Monthly commentary

Market review

Familiar trends continued in December, with sovereign debt issues in Europe dominating global news flow. Successive government meetings in Europe have failed to deliver material progress towards necessary bank recapitalisation and economic reform. However, the market reacted positively to an injection of liquidity to the European banks from the ECB during the month. Moderately improved employment data from the US and policy stimulus from the Chinese government buoyed market sentiment and resulted in stronger returns for equity asset classes in December. Performance among listed real estate companies was, however, mixed. US REITs, Hong Kong/China and Scandinavian real estate led performance, while the UK, Japanese developers and Singapore names were among the weakest delivering negative performance.

US

US economic data indicated modestly improving expectations for growth as several indicators surpassed expectations. In particular, employment growth and jobless claims were better than consensus estimates during the month. Nevertheless, the pace of expansion remains very modest by historical standards and the outlook suggests that this weak pace of growth may persist. The equity market registered slight gains for the month, supported by improving economic data. Moreover, interest rates trended slightly lower, a positive for the REIT market. Real estate fundamentals continued to improve modestly due to low levels of new construction coupled with positive net absorption for most property sectors and markets. Within the REIT market, the Healthcare and Residential sectors posted the strongest relative performance for the month, consistent with the outperformance of these sectors for the past year.

Canada

The Canadian economy continues to recover, but some of the economic data released in December was below expectations, suggesting that challenges persist in the current slow growth environment. Canadian employment data has unexpectedly fallen, and the European crisis and modest demand from the US have dampened Canadian exports. Retail sales and leading indicators trended more positively, which lends support to a moderate growth outlook. The general equity markets declined slightly in December, while REITs were marginally positive. Within Canadian REITs, the office and healthcare sectors outperformed while the apartment and lodging sectors lagged.

Europe

European policymakers were once again unable to create a framework that would allay concerns about a worsening of the Eurozone sovereign debt crises and the lack of a sustainable plan for economic recovery in the region. Greater levels of fiscal integration between states were rejected in favour of imposing stricter fiscal discipline in the future. Moreover, the European Central Bank avoided openly engaging in quantitative easing, preferring to maintain its role of market stabiliser by providing liquidity to the banking system through purchases of sovereign bonds and bank refinancing operations. In response to the lack of resolution, the euro weakened considerably during the month. However, the ECB's injection of liquidity on very cheap terms to European banks provided a boost to the listed real estate sector. The strongest performance was observed among the Scandinavian real estate companies, where the banking sector is far better capitalized and relative growth prospects remain solid.

Asia

Asian economic releases continued to indicate a growth slowdown accompanied by moderation in inflation pressure. Industrial production and labour market conditions weakened further, while retail sales appeared relatively resilient. Regional authorities increasingly shifted policy focus from taming inflation towards supporting growth in light of global economic uncertainties. Investors remained concerned about China's economic slowdown and the potency of potential policy reaction to a global slowdown. Singapore government announced additional stamp duty on certain categories of residential property purchases, which was a negative surprise to the market. Property stocks in the region in general lagged their general equity counterparts during December, with the exception of Hong Kong. Hong Kong and China developer stocks led the region in performance, while Japan and Singapore developer stocks lagged.

Australia

Australian economic releases during December continued to be mixed, in line with the past two months. The Reserve Bank of Australia (RBA) reduced the cash rate for the second month in a row by 25 basis points, which now stands at 4.25%. According to the minutes of the meeting, this reduction was again due to the risk to the global outlook from sovereign debt stress and a real possibility of a contraction in Europe. At the same time, domestic conditions were acknowledged to be mixed but slightly stronger than earlier in the year.

The A-REITs sector underperformed the broader Australian market by around 130 bps during December, giving back some of the previous month's outperformance. Centro Retail, Charter Hall Office, and Charter Hall Group all benefited from various corporate activities during the month. Key underperformers included residential names like Mirvac Group and Australand Property Group GR, and retail names like CFS Retail and Westfield Group, which were adversely affected by poor retail sales updates from various Australian retailers.

Contributors to performance

(Please note that the attribution performance and details below apply to the securities portfolio only)

Performance of global real estate securities was positive for the month; however, the portfolio underperformed against its benchmark. Stock selection contributed positively, while market allocation detracted from relative performance during the period.

Added value:

The primary contributor to performance was stock selection in the US. Positive contributions were made through overweight holdings in several sectors. In the lodging sector, an overweight in Diamond Rock Hospitality aided relative performance. Overweights in Essex Property and Mid-America Apt in the Residential sector, as well as Alexandria Realty in the Office sector, also benefited performance. An overweight in Health Care REIT also contributed positively.

An underweight in underperforming Netherlands also added value.

Detracted value:

Key detractors from performance included poor stock selection in the U.K. and Japan. In the UK, an overweight towards West-End of London-based companies Shaftesbury and Great Portland Estates contributed negatively.

In Japan, exposure to developer stocks Sumitomo Realty, Mitsubishi Estate and Mitsui Fudosan detracted from performance.

Market allocation to France also contributed negatively towards relative performance.

Market outlook and portfolio strategy

We expect that GDP growth will generally continue to trend positively from quarter-to-quarter in most major global economies. However, there may be exceptions, particularly in Europe, as the path toward sustained and higher levels of growth is unlikely to be smooth and may include periods of negative GDP growth. The effects of austerity measures in many of the developed economies are being evidenced by below long-term average GDP growth prospects, while uncertainties about the long and short-term management of debt burdens and government spending deficits remain very evident. The political nature of the economic policy decision-making process adds an extra dimension of uncertainty to an already complex process and creates greater likelihood of volatility in the capital markets.

In the developing world, the challenges are less painful but are equally impactful on capital market sentiment. Recent policies to control growth and inflation have taken effect and are leading, along with more modest developed world consumption, to moderating growth expectations. However, with underlying urbanization trends likely to remain intact, many developing nations are expected to offer attractive conditions for above average investment returns within the universe of listed real estate investments. Most underlying real estate markets and sectors in developed economies are still seeing modest tenant demand. By contrast, underlying markets in most developing nations continue to experience much higher levels of demand and structural under-supply of institutional quality property.

In most markets across the globe, supply of new real estate remains limited and absolute levels of vacancy remain below historical high points. Development finance for real estate in much of the developed world is prohibitively expensive. The relative lack of new construction in recent years is creating more orderly real estate rental markets and has, or will, offer better rental growth prospects once combined with trade, employment or consumption growth.

Security of earnings from lease contracts and the effect of still low levels of interest rates are proving supportive for cash flow from the sector. Investment demand for real estate assets continues to be solid for above average quality assets, which is positive for listed company net asset values. Above average levels of inflation are tending to support real estate, particularly as a spread between initial yields and sovereign yields remains wide, and a number of global lease structures offer annual indexation of rent.

While there is continuing re-appraisal of risk and return requirements for all investment classes, real estate securities valuations currently appear fair by longer-term standards and relatively attractive from a yield perspective versus fixed income investments and other equity sectors. With generally healthy balance sheets and access to multiple sources of investment capital, most listed real estate companies are able to focus on earnings growth through acquisition and, where appropriate, modest new development. We maintain our bias to companies with higher quality assets, tenant rosters and flexible, generally lower leveraged balance sheets with longer-term debt maturities.

We expect to maintain well-diversified portfolios across all property types and global economic regions and believe the best prospects for relative outperformance are based on a combination of relative fundamentals and stock valuations.

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