

Fund Manager



Joe Rodriguez
Fund Manager, Global REITs

Fund ratings

hedged fund



unhedged fund



Performance analysis - hedged Fund (periods to 31 July 2010)

Net performance

Periods	Fund %	Benchmark %	Value added %
1 month	7.59	7.39	0.20
3 months	-2.26	-2.28	0.02
6 months	10.60	11.30	-0.70
1 year	20.68	24.38	-3.70
2 years p.a.	-12.45	-11.51	-0.94
3 years p.a.	-12.22	-11.79	-0.43
5 years p.a.	-2.13	-2.96	0.83
Calendar year to date	4.54	5.49	-0.95
Financial year to date	7.59	7.39	0.20
Since inception p.a.	1.25	0.60	0.65

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	0.35	-2.61	-2.26
6 months	0.40	10.20	10.60
1 year	0.44	20.24	20.68
2 years p.a.	0.16	-12.61	-12.45
3 years p.a.	4.38	-16.60	-12.22
5 years p.a.	6.62	-8.75	-2.13

Net risk profile

Periods	Tracking error %	Information Ratio
1 year	1.53	-2.43
2 years p.a.	4.71	-0.20
3 years p.a.	3.98	-0.11
5 years p.a.	3.34	0.25
Since inception p.a.	3.31	0.20

Performance analysis - unhedged Fund (periods to 31 July 2010)

Net performance

Periods	Fund %	Benchmark %	Value added %
1 month	2.21	2.24	-0.03
3 months	0.74	1.06	-0.32
6 months	7.98	8.92	-0.94
Calendar year to date	2.62	3.87	-1.25
Financial year to date	2.21	2.24	-0.03
Since inception p.a.	8.23	10.03	-1.80

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	2.41	-1.67	0.74
6 months	2.58	5.40	7.98

Fund facts at a glance

Asset class Global listed property securities

Management style Fundamental, active, core

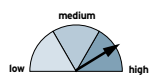
Objective Hedged Fund – To provide medium to long-term capital growth and distributions by investing in property securities listed on global sharemarkets, while managing exposure to global currencies

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

Benchmark Hedged Fund – 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 Fund – FTSE EPRA/NAREIT Developed Index Net TRI - unhedged in A\$

Risk profile



Time horizon 7 years

Distribution frequency Half-yearly

Inception date Hedged fund: 31/3/05
Unhedged fund: 01/11/09

Minimum investment \$20,000

MER/ICU 0.95% (both Funds)

APIR code Hedged fund: GTU0041AU
Unhedged fund: GTU0061AU

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

Net risk profile

Periods	Tracking error %	Information Ratio
Since inception p.a.	0.90	-2.01

Fund analysis (as at 31 July 2010)

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	9.16	8.80	0.37
Austria	0.32	0.31	0.02
Belgium / Luxembourg	0.00	0.56	-0.56
Brazil	0.72	0.00	0.72
Canada	3.54	4.24	-0.70
Cayman Islands	0.19	0.00	0.19
China	1.95	2.01	-0.06
Finland	0.49	0.24	0.25
France	5.18	4.65	0.54
Germany	0.16	0.58	-0.42
Greece	0.00	0.05	-0.05
Hong Kong	13.92	13.76	0.16
Israel	0.00	0.12	-0.12
Italy	0.00	0.14	-0.14
Japan	9.02	9.34	-0.31
Netherlands	1.91	1.67	0.25
New Zealand	0.00	0.08	-0.08
Norway	0.00	0.11	-0.11
Singapore	4.78	5.15	-0.36
Spain	0.00	0.06	-0.06
Sweden	0.55	0.96	-0.41
Switzerland	0.95	0.96	-0.01
United Kingdom	5.44	5.44	0.00
United States	39.91	40.80	-0.89
[Cash]	1.80	0.00	1.80

Sector allocation

Sector	Fund %	Benchmark %	Active weight %
Diversified	34.38	36.22	-1.84
Healthcare	6.00	5.96	0.04
Industrial	4.45	3.67	0.78
Industrial/Office Mixed	1.41	1.16	0.24
Lodging/Resorts	3.15	3.04	0.10
Office	12.72	13.94	-1.22
Residential	9.82	10.46	-0.64
Retail	21.34	21.42	-0.09
Self Storage	2.31	2.43	-0.11
Specialty	2.63	1.70	0.93
[Cash]	1.80	0.00	1.80

Five largest overweight positions

Security	Fund %	Benchmark %	Active weight %
Digital Realty Trust Inc.	2.10	0.80	1.30
Sun Hung Kai Properties Ltd.	5.33	4.15	1.18
Camden Property Trust	1.59	0.44	1.15
Regency Centers Corp.	1.46	0.45	1.01
Essex Property Trust Inc.	1.44	0.46	0.98

Five largest underweight positions

Security	Fund %	Benchmark %	Active weight %
Kimco Realty Corp.	0.00	0.89	-0.89
HCP Inc.	0.73	1.53	-0.80
GPT Group	0.00	0.71	-0.71
RioCan Real Estate Investment	0.00	0.70	-0.70
City Developments Ltd.	0.20	0.89	-0.69

10 largest holdings

Security	Fund %	Benchmark %	Active weight %
Sun Hung Kai Properties Ltd.	5.33	4.15	1.18
Simon Property Group Inc.	4.36	3.80	0.56
Westfield Group Australia	4.05	3.75	0.30
Mitsubishi Estate Co. Ltd.	2.68	2.15	0.52
Unibail-Rodamco S.A.	2.65	2.65	0.00
Mitsui Fudosan Co. Ltd.	2.35	1.91	0.44
Equity Residential	2.21	1.90	0.31
Vornado Realty Trust	2.14	2.21	-0.07
Digital Realty Trust Inc.	2.10	0.80	1.30
Stockland Australia	1.79	1.20	0.59

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

July showed a modest degree of needed stability after recent months of macro concerns, ranging from fears of sovereign debt defaults to moderating growth in China and many of the developed economies. Indications of economic growth varied by region but generally depicted a global economy that continues to experience an uneven growth pattern around a generally modest level of absolute output. In Europe, fears about the impact of potential budget austerity measures remain a risk, but economic data showed this region has better than expected growth trends. In North America, economic data provided mixed signals on the pace of the economic recovery, while Asian economic trends continued to point to some of the strongest growth rates across the globe, as evidenced by strong GDP growth trends in Singapore and China. Nevertheless, the impact from China's policy tightening appears to be meeting with some success as recent data reports have not exceeded expectations.

Given signs of stabilising economic growth prospects, the listed property sector performed well in July as fundamentals appear to have reached a trough across most major markets around the globe. In addition, most markets continue to record significant investor demand for assets, which is being reflected in increasing net asset values among the listed companies. With the potential for greater stability across the capital markets, the pace of global economic growth in 2H 2010 and into 2011 will likely drive the performance on the listed market as new construction remains relatively low by historical standards.

US

The US economy continued to provide indications of weak economic growth as the housing market failed to contribute to the economy given the oversupply of homes across the country. Furthermore, employers have been reluctant to add new employees as consumption and investment spending has remained weak by historical standards. While the government contemplates additional stimulatory measures, many of the global macroeconomic/sovereign debt risks appeared to retreat somewhat, providing a lift to equity markets. Nevertheless, the current pace of economic recovery has been lacklustre by historical standards. As such, many economists have reduced their expectations for economic growth in 2H 2010 and into 2011 as the effect of several of the government's stimulative policies begins to fade. Similar to most equity markets, the US REIT market moved higher during July, owing to generally better economic data from Europe that spurred additional risk seeking from investors. The apartment/residential sector produced relatively strong performance as fundamentals continued to strengthen even without a significant amount of economic growth.

Canada

The Canadian economy continued to show mixed signals of stabilisation albeit with a weaker US economic recovery. As Canadian employment has effectively recovered to pre-recession levels, even though inflation remains stagnant, the Bank of Canada increased the overnight rate 25 basis points to 0.75%, reiterating that the timing of further policy stimulus will be contingent on developments both within and outside Canada. During July, the Canadian REIT market outperformed the Canadian broad market as investors continued to demand REITs as a safe haven relative to oil and resource stocks. REITs that outperformed during the month were Chartwell Senior Housing and Brookfield Properties.

Europe

The economic backdrop in the core continental European economies continued to improve as fears of the health of the European banking system slightly receded and governments embarked on implementing austerity measures. Unemployment remained high and consumer spending growth under pressure, but the improvement in the global manufacturing cycle, combined with a less over-valued currency, have boosted growth in the export driven economies of France, Germany, Italy and Sweden. Recent economic data suggests expectations are rising for further improvement. However, growth amongst the debt burdened periphery countries remains weak and likely to diverge from prospects of the core countries. Amid the improving news flow, listed real estate generally outperformed the wider equity indices while the bounce-back in the euro relative to the dollar gave a further boost to dollar-based returns. Company results for the first half of the year show earnings have generally been stable from limited falls in occupancy and most companies still able to see some like-for-like growth in rental income from new lettings and renewals.

Asia

Economic data released during July once again showed solid growth in Asian economies. Singapore reported 2Q10 year over year GDP growth of 19.3%, and industrial production growth of 38.4%, both of which surpassed already lofty expectations. In China, data releases during the month also showed strong growth, with 2Q GDP of 10.3%, retail sales growth of 18.3% and industrial production of 13.7%. However, these Chinese data points released during the month fell slightly shy of expectations, helping fuel some concern that the global economic recovery may not be as robust as once believed. In the real estate market, data showed a healthy recovery in the Singapore office market as net office demand moved to its highest quarterly level since 3Q07. In China, no new policy tightening measures were announced, which helped developer shares, although banking regulators indicated they will be closely monitoring lending activity to curb speculation. While the pace of deterioration was modest, the Japanese office market continued to be weak, as Tokyo central 5-ward office vacancies exceeded 9% for the first time since property consultant Miki Shoji began tracking the data in 1995.

Asian listed property stocks moved mostly higher during July, helped in part by improved economic data in Europe and strong corporate earnings. Chinese developers were the strongest performers in the month, owing to speculation that tightening measure are on hold for awhile. Japanese developers lagged, due to continued office market deterioration, a stronger yen and in part to political uncertainty as the Democratic Party of Japan lost its coalition majority position in the Upper House of Parliament.

Australia

The Australian economy continued to show mixed results in July. Australian Q2 CPI was much lower than expected (expected +1%) at +0.6% quarter-on-quarter, with core inflation up 0.5% QoQ, which equates to a year-on-year core inflation rate of 2.7%, which is within the RBA's 2-3% target range. The RBA kept rates on hold for the second straight month at 4.5% in July and is expected to do so again in August. The unemployment rate remained at 5.1% in June as employment increased by another 45,900 jobs. Retail sales values rose just 0.2% month-on-month in May as higher interest rates and abnormally wet weather appeared to contribute to the softness.

The A-REIT sector underperformed the broader Australian equity market due in large part to a bounce-back in equities on renewed hope of an economic turnaround. A less onerous resource profits tax proposal from the Labor government, a rebound in the Australian dollar and strong earnings from the Australian banks meant the A-REITs' defensive characteristics were less appealing on a relative basis. The beta rally re-emerged in the month with the best performers being the small-cap, higher leveraged A-REITs while the large-cap, lower levered stocks tended to underperform.

Contributors to performance

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

The performance of real estate securities was positive in July, and the securities portfolio performed broadly in line with benchmark. The hedged Fund outperformed for the month. Overall, security selection was positive, while market allocation contributed negatively towards relative performance. A small cash holding detracted from performance.

Added value:

Positive contributions were achieved from stock selection in the UK and the US. In the UK, an overweight exposure to Hammerson and Land Securities among the larger caps, and Shaftesbury and Unite among the smaller cap value creator names, added value. In the US, an overweight exposure to the relatively stronger performances of the apartment and lodging sectors, including holdings in apartment companies including Camden Properties and Equity Residential and lodging names such as Marriott, were key contributors.

Detracted value:

Key detractors from performance were stock selection in Australia and Singapore and exposure to below-index performance in Brazil. In Australia, no exposure to the relatively stronger performance of higher leveraged GPF, and possible corporate activity speculation around ING Industrial, were key detractors. In Japan, no exposure to a number of strongly performing J-REITs, including Orix and Top REIT, also detracted.

Market outlook and portfolio strategy

The general trend for global economic growth remains broadly intact. However, the reality of the measures and economic rebalances required to fix the global balance sheet remain clear. We expect that GDP growth will generally continue to trend positively from quarter-to-quarter in most major global economies but there may be isolated exceptions as the path toward sustained and higher levels of growth is unlikely to be entirely smooth.

The effects of austerity measures in many of the western economies and their impact on global trade remain somewhat unclear, while uncertainties surrounding long and short term management of debt burdens remain very evident, creating volatility in the capital markets. As such, given ongoing economic uncertainty, most underlying real estate markets continue to see somewhat lacklustre tenant demand. However, supply of new real estate remains limited and absolute levels of vacancy remain below historical high points. Ultimately, the relative lack of new construction should provide for a more orderly recovery once GDP growth accelerates and employment creation begins to pick up. Certain more-cyclical markets are beginning to show signs of a pick-up in demand and evidence of willingness among tenants to pay higher levels of rent for good premises. Security of earnings from lease contracts and the effect of reduced interest rates are proving relatively supportive for cashflow from the sector versus other equity investment sectors.

Our long-held belief that urbanisation trends in Asian (ex-Japan) economies should offer the greatest long-term earnings and asset value growth potential remains intact. However, policy measures to restrain growth have the capacity to continue to generate short-term uncertainty. Investor demand for direct real estate assets in many of the more liquid global markets where high quality, long-term income can be sourced at historically attractive yields, remains strong. This is highly encouraging toward sustaining net asset value growth. We might expect some support for the sector from consideration of the possibility of mid-term inflation prospects, particularly as the spread between initial yields and sovereign yields still remains wide and a number of global lease structures offer annual indexation of rent.

While there is an ongoing re-appraisal of risk and return requirements for all investment classes, real estate securities valuations currently appear fair by longer-term standards. With balance sheets within the listed real estate sector now relatively more secure, companies are generally now able to focus on earnings growth, with many companies holding significant cash resources to invest. We maintain our bias toward companies with higher quality assets and tenant rosters and flexible 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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