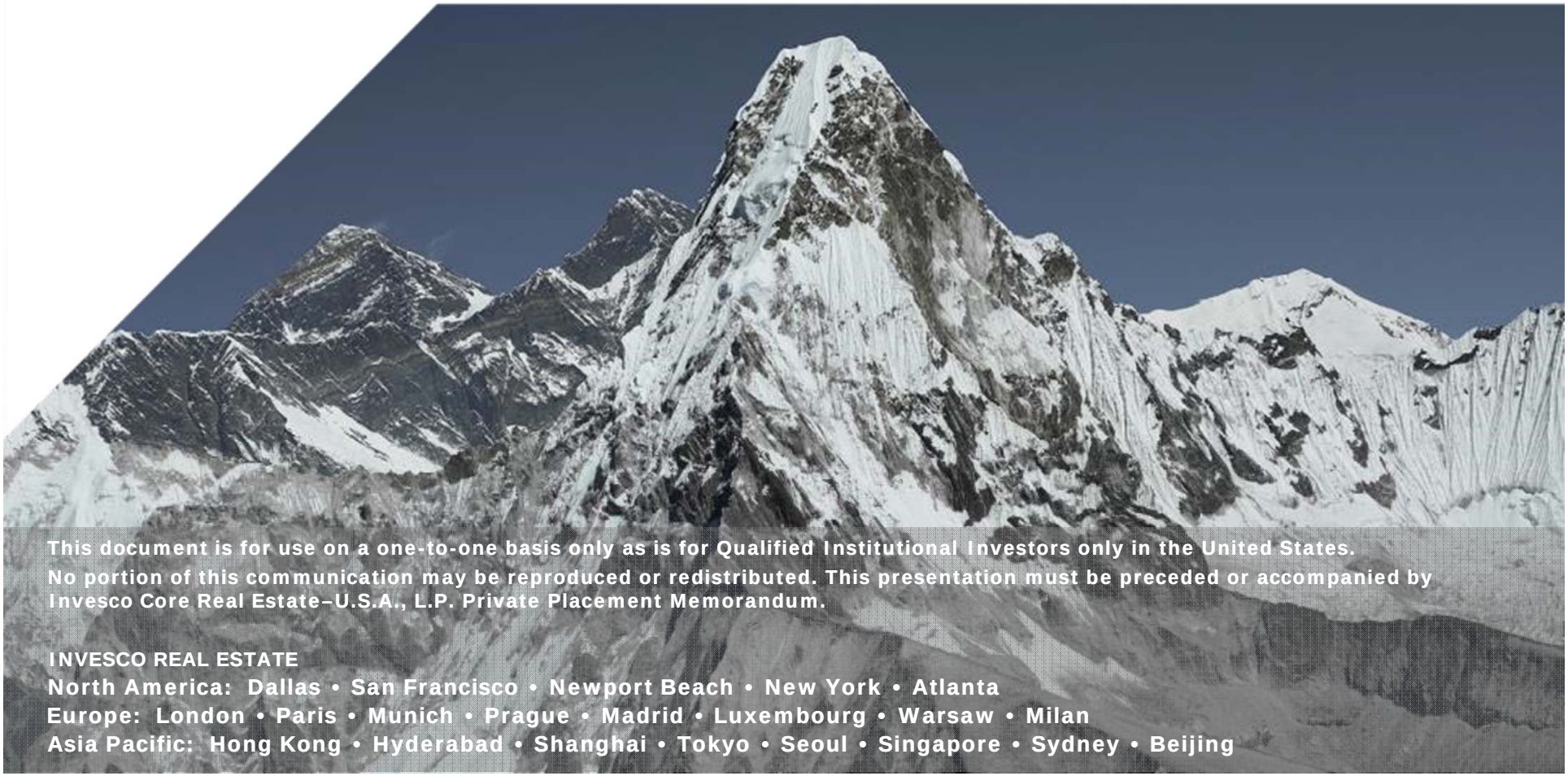
Invesco

Employees' Retirement Fund of the City of DALLAS ®

Invesco Core Real Estate–U.S.A.

August 20, 2018



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INVESCO REAL ESTATE
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Invesco Core Real Estate–U.S.A.

Durable Income – Growing Income – Resilient Assets

Williams Tower
Office • Houston, TX

1101 Westlake
Office • Seattle, WA

Joseph Arnold Lofts
Apartment • Seattle, WA

Liberty Wharf
Retail • Boston, MA

Safeway Pleasanton Gateway
Retail • San Francisco Bay Area, CA

The Shops at Crystals
Retail • Las Vegas (The Strip), NV

SFF Logistics
Industrial • South San Francisco, CA

Pearl West
Office / Retail • Boulder, CO (Denver)

139 Spring Street
Retail • New York City (SoHo), NY

Flats 8300
Apartment • Bethesda, MD (Washington, DC)

Trade Center Portfolio
Industrial • Dallas, TX

The photographs depict current holdings of the Invesco Core Real Estate-U.S.A., L.P. as of June 30, 2018, but are not the complete holdings of the Fund. All properties were acquired within the last five years and reflect current acquisitions in each of the four US real estate sectors in which we invest. Performance was not a criteria for selection, and the photographs are provided for illustrative purposes only and do not constitute investment advice or a recommendation.

Section 1
Invesco Overview

Invesco is a leading independent global investment firm

We have one culture – with a broad range of distinctive investment capabilities – united by our shared purpose.

We are differentiated by:

- Specialized investment teams managing investments across a comprehensive range of asset classes, investment styles and geographies
- More than 7,300 employees across the globe focused on client needs
- Proximity to our clients with on-the-ground presence in more than 25 countries
- Solid corporate financials, investment grade debt rating and strong balance sheet

We are privileged to be trusted with managing **$963.3 billion in assets** on behalf of clients worldwide.

US & Canada

UK & Continental Europe

Asia

Australia

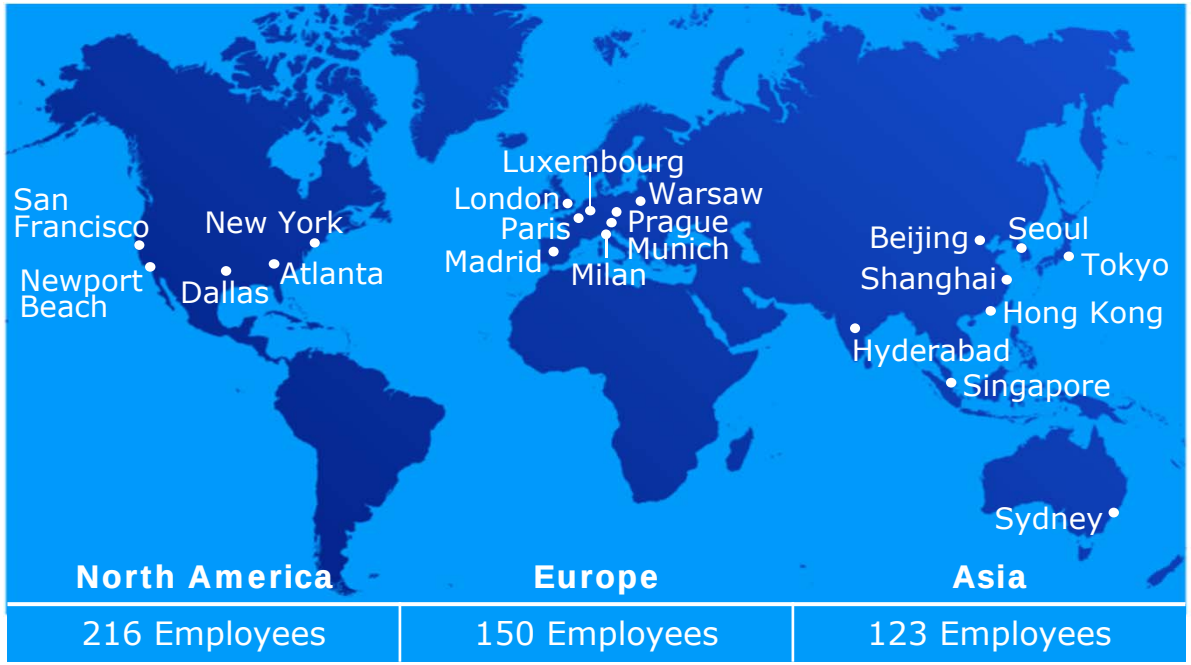
 All data as of June 30, 2018. AUM figure includes all assets under advisement, distributed and overseen by Invesco.

Invesco Real Estate

As of June 30, 2018

$65.3 Billion Under Management

489 Employees Worldwide; 21 Offices; 16 Countries



North American Direct
— $31.2 Billion
— Since 1983

Global Securities
— $17.1 Billion
— Since 1988

European Direct
— $10.9 Billion
— Since 1996

Asian Direct
— $6.1 Billion
— Since 2006

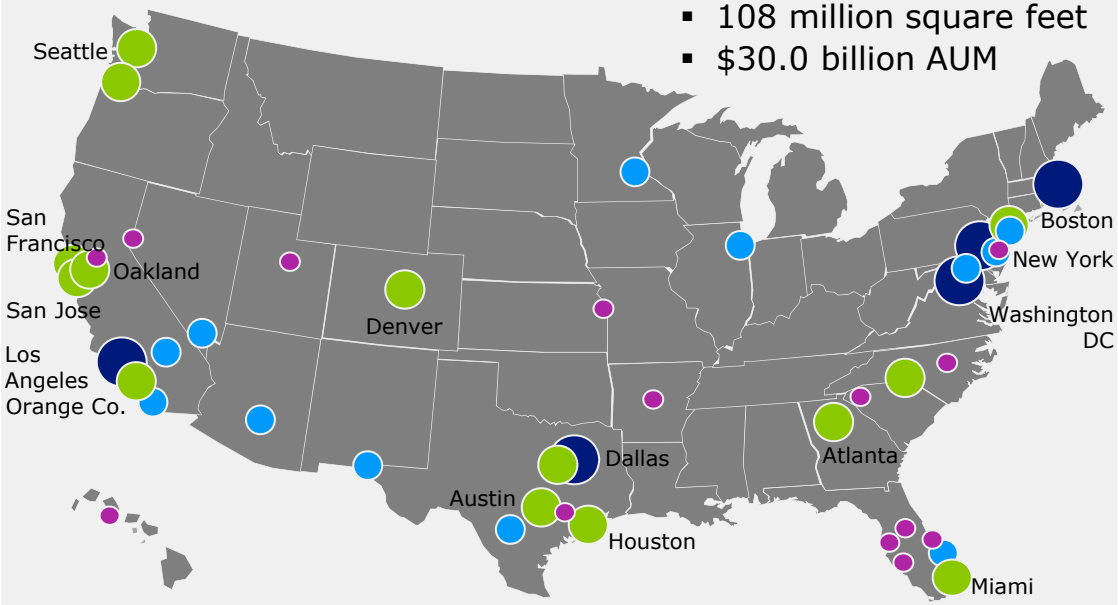
 Source: Invesco Real Estate (IRE) June 30, 2018

US Real Estate Platform

Has Resulted in Specific Advantages vs. Peers

US Ownership Footprint

- 441 Properties
- 108 million square feet
- $30.0 billion AUM



Number of Properties

1	11-20
2-10	21-55

US Transaction Activity

(2013–2017; $ billions, rounded)

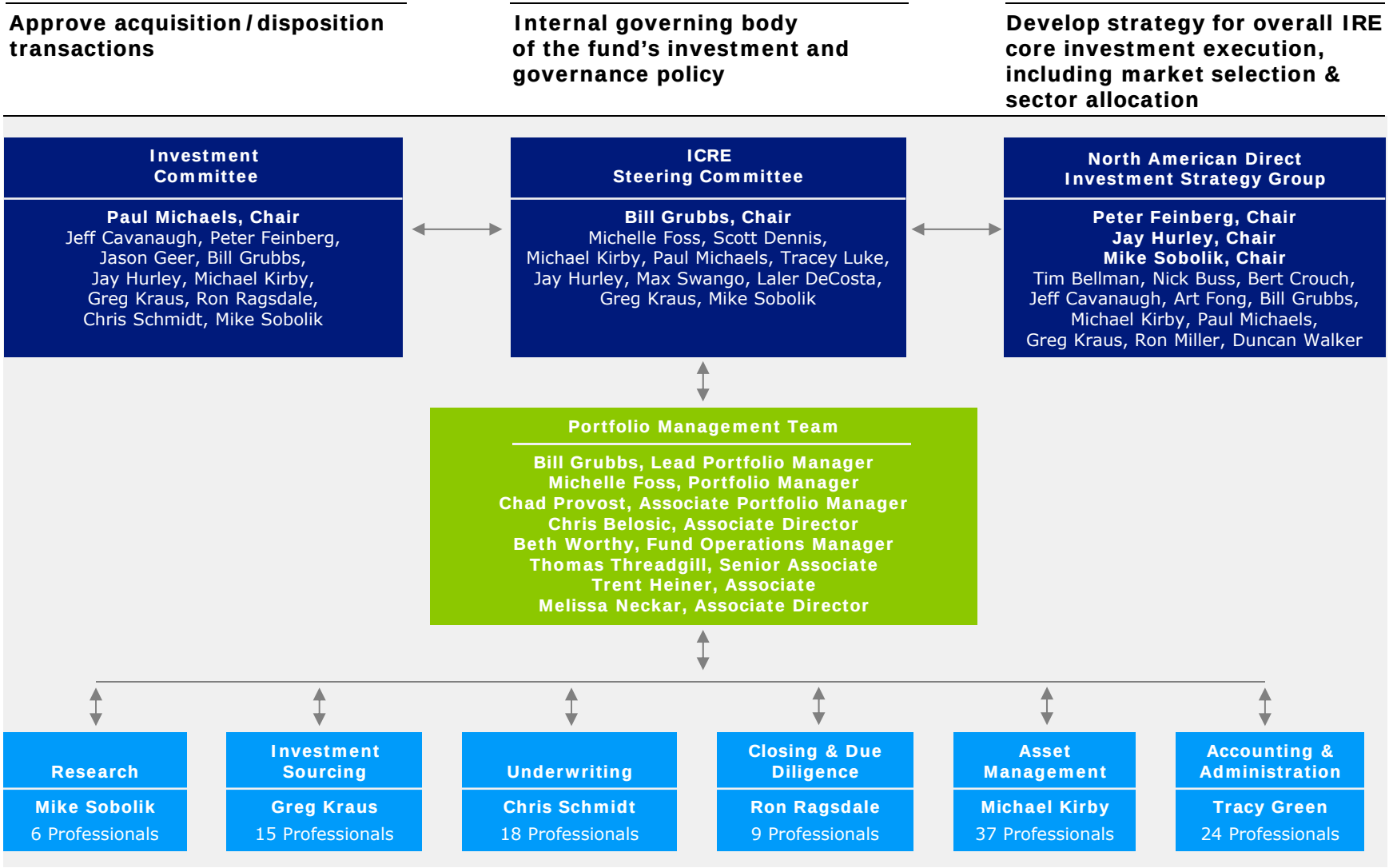
Acquisitions	$20
Dispositions	$13
Total	**$33**

Fund Series Benefits

- Creates sourcing advantages
- Ability to attract and retain talent

 Source: Invesco Real Estate as of 1Q 2018

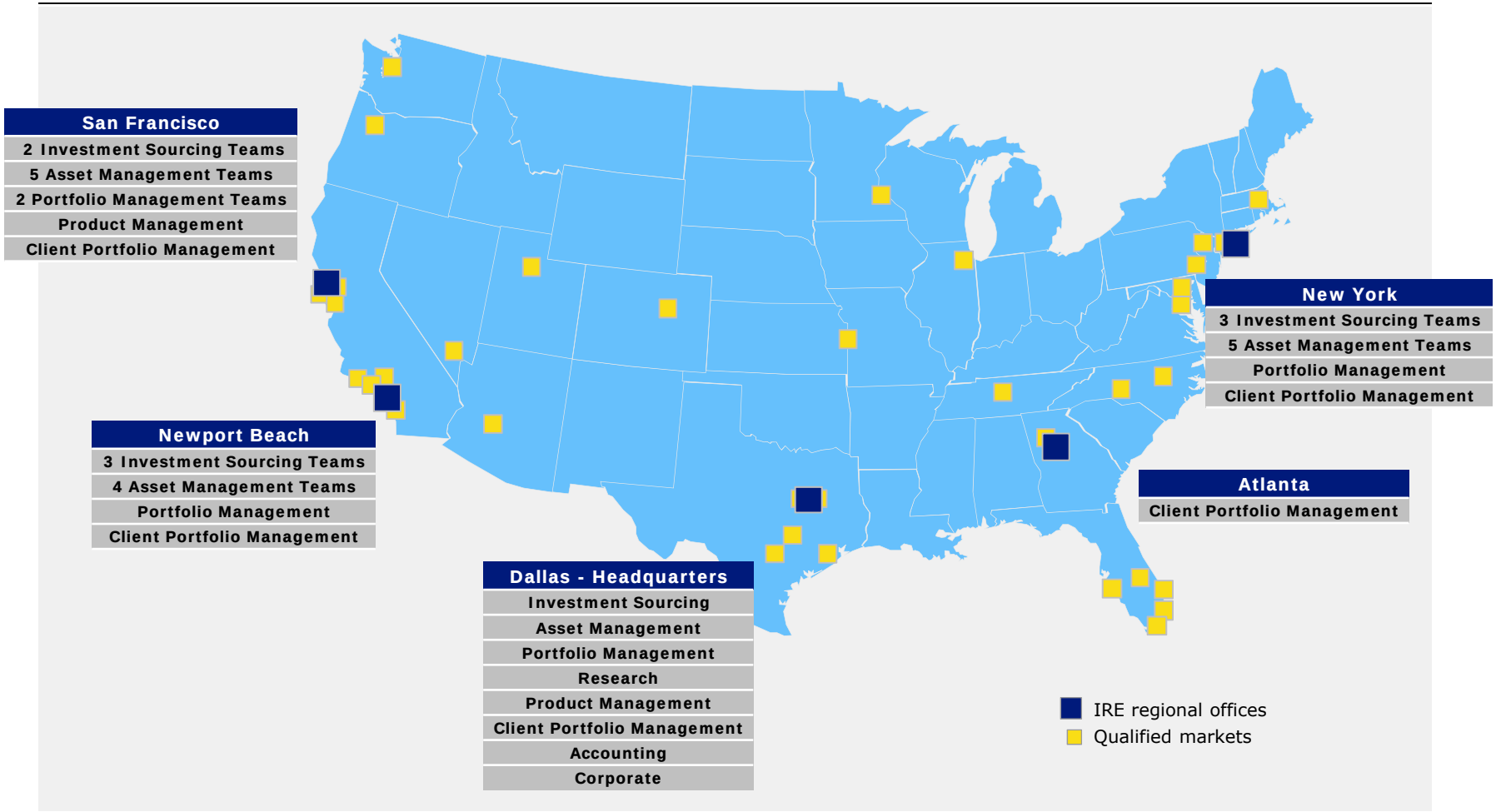
Invesco Core Real Estate–U.S.A.



 Source: Invesco Real Estate as of June 30, 2018

Invesco Market Coverage

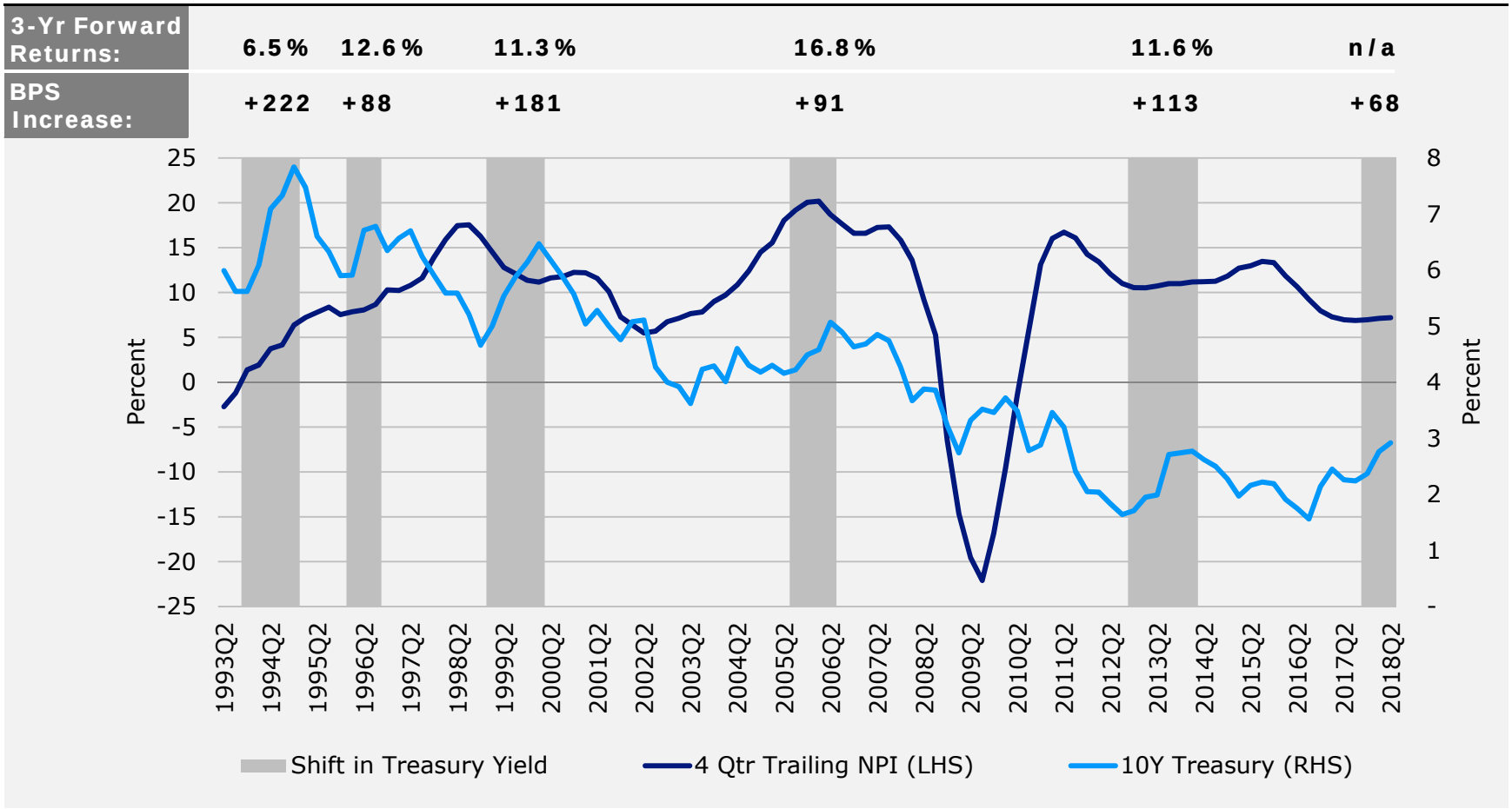
National reach; local presence



As of June 2018

Section 3
Real Estate Market Overview

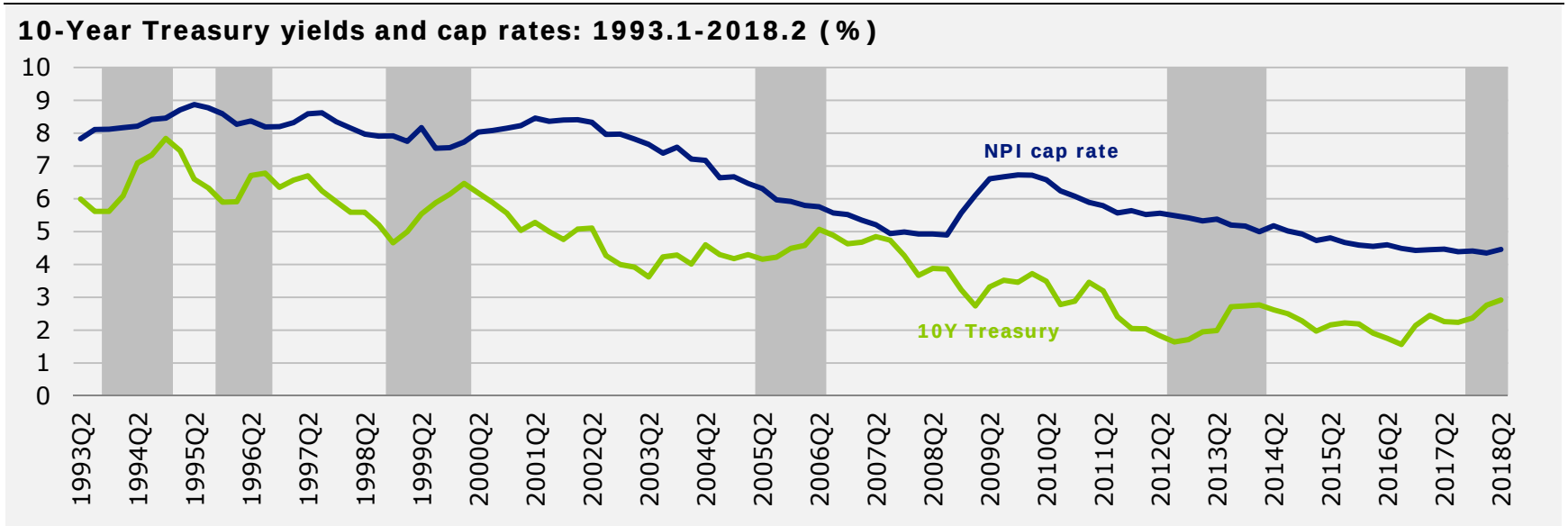
NPI Total Return vs. 10Y Treasury



Source: Invesco Real Estate based on data from Moody's Analytics and NCREIF, Q2 2018

Interest rates and real estate cap rates

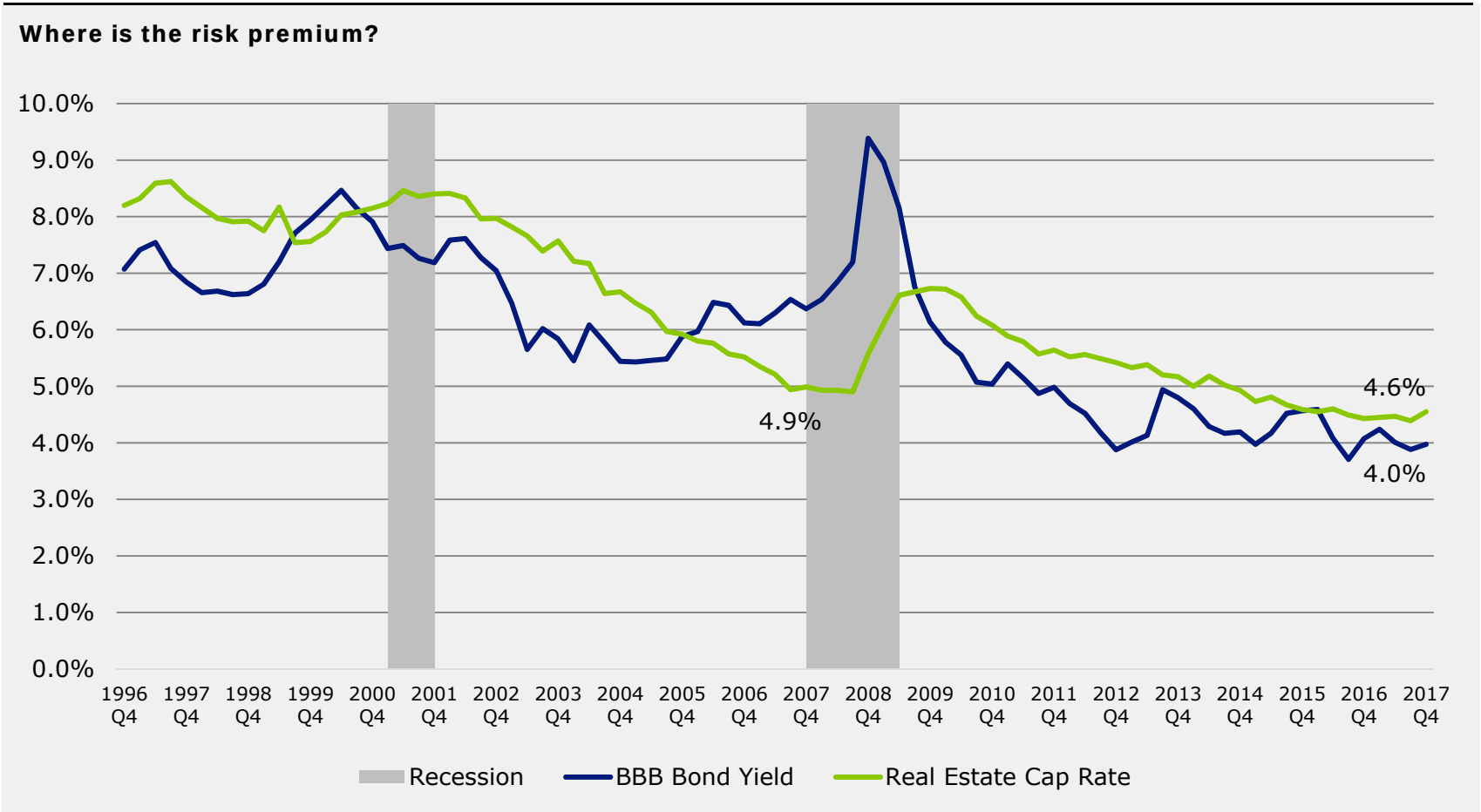
Rising interest rates have not always resulted in rising cap rates



		Shift in Treasury Yield/Cap Rate (bps)	
Period	# Quarters	10Y Treasury	NPI Cap Rate
1993.4-1994.4	4	222	35
1995.4-1996.3	3	89	(40)
1998.4-2000.1	5	181	(19)
2005.2-2006.2	4	91	(55)
2012.3-2014.1	6	113	(49)
2017.3-2018.2	3	68	7

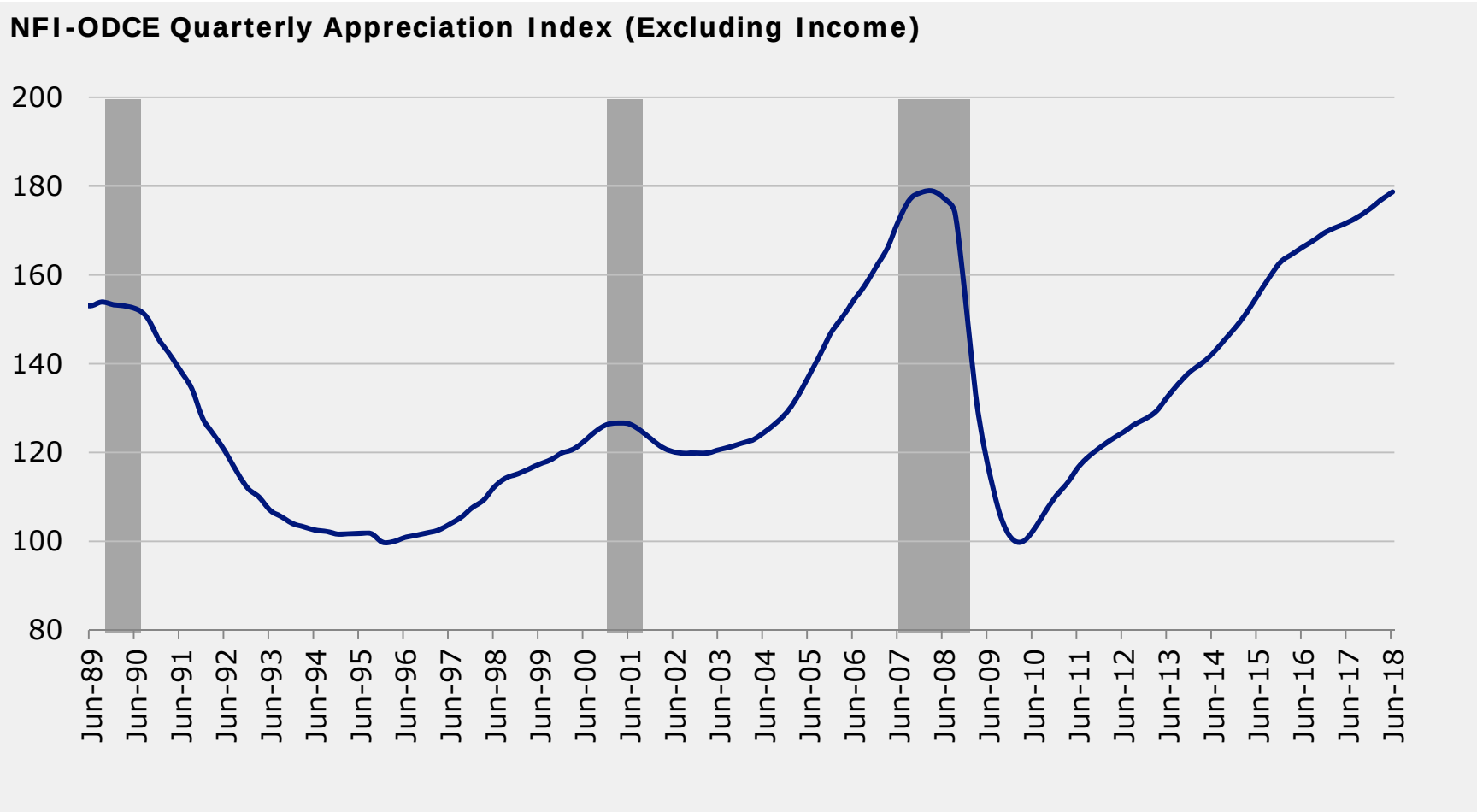
Source: Invesco Real Estate based on data from Moody's Analytics and NCREIF as of July 2018

Appropriate Relative Pricing



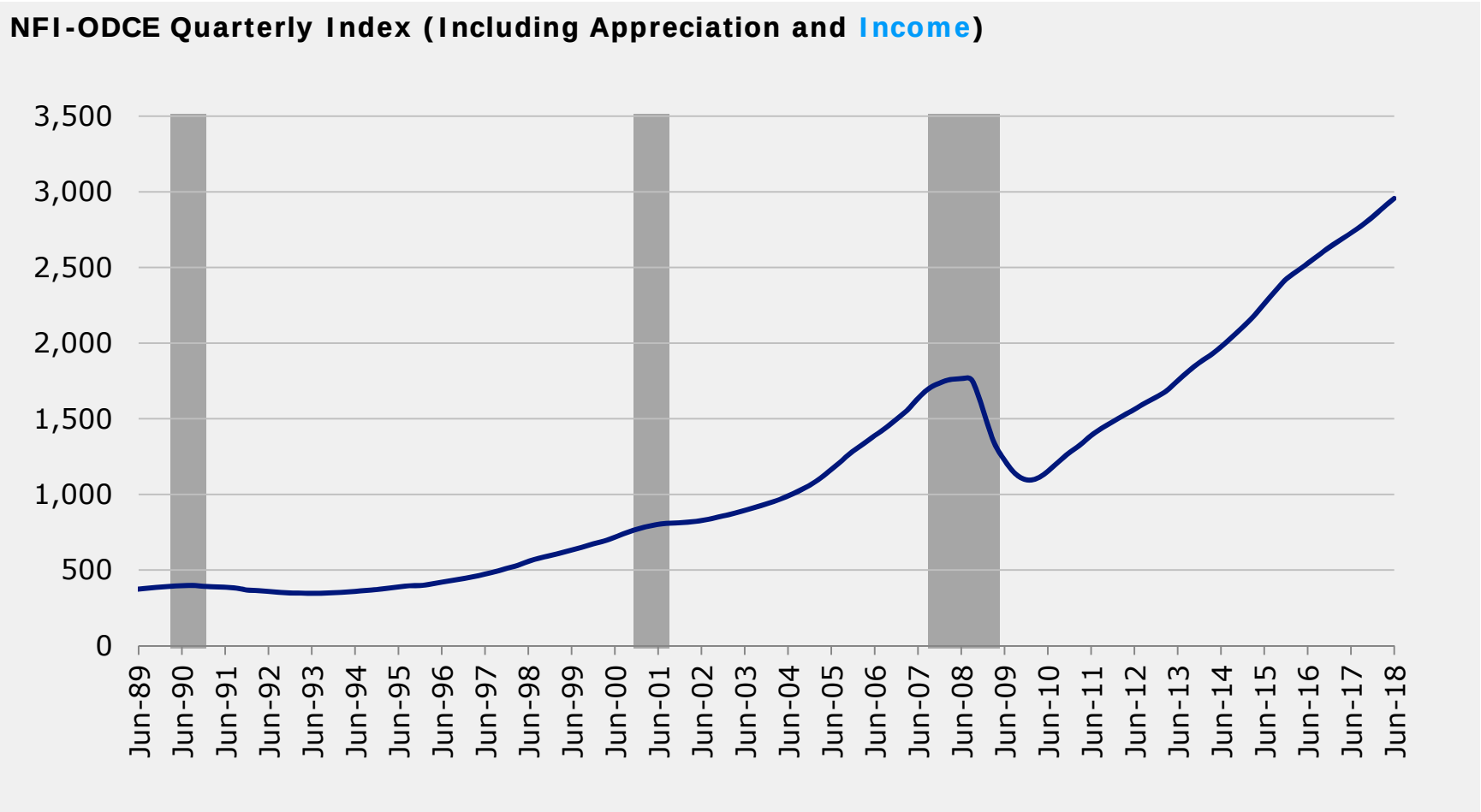
 Source: Moody's Analytics and NCREIF

Three clear market peaks in the last 26 years
US analysis



Source: NFI-ODCE and Invesco Real Estate as of June 30, 2018
Index January 1978=100

Market peaks with income included
US analysis



Source: NFI-ODCE and Invesco Real Estate as of June 30, 2018
Index January 1978=100

The case for long term investing in the US

A US investment program beginning at previous market peaks

If you invested in ODCE…

Source: NFI-ODCE and Invesco Real Estate as of June 30, 2018.
[1] January 1, 2008
[2] January 1, 2001
[3] January 1, 1990
Hypothetical $100M investment into the NFI-ODCE not including the re-investment of dividends.
An investment cannot be made directly into an index.

Section 3

Invesco Core Real Estate–U.S.A. Portfolio Strategy & Results

Invesco Core Real Estate–U.S.A.

What sets ICRE apart?

- ***Durable Income***
- ***Growing Income***
- ***Resilient Assets***

Durable, Growing Income

Distinctly durable, with significant embedded growth

Differentiated Real Estate

Resilient assets competitively positioned to attract outsized tenant & investor demand

Invesco Core Real Estate

Financial Flexibility

Strong, simple & flexible balance sheet – time-tested and proven through multiple cycles

Consistent Performance

Long-term outperformance, with consistent execution since inception and across dynamic market environments

- Stable organization
- Tenured firm leadership and fund team
- Alignment of interests

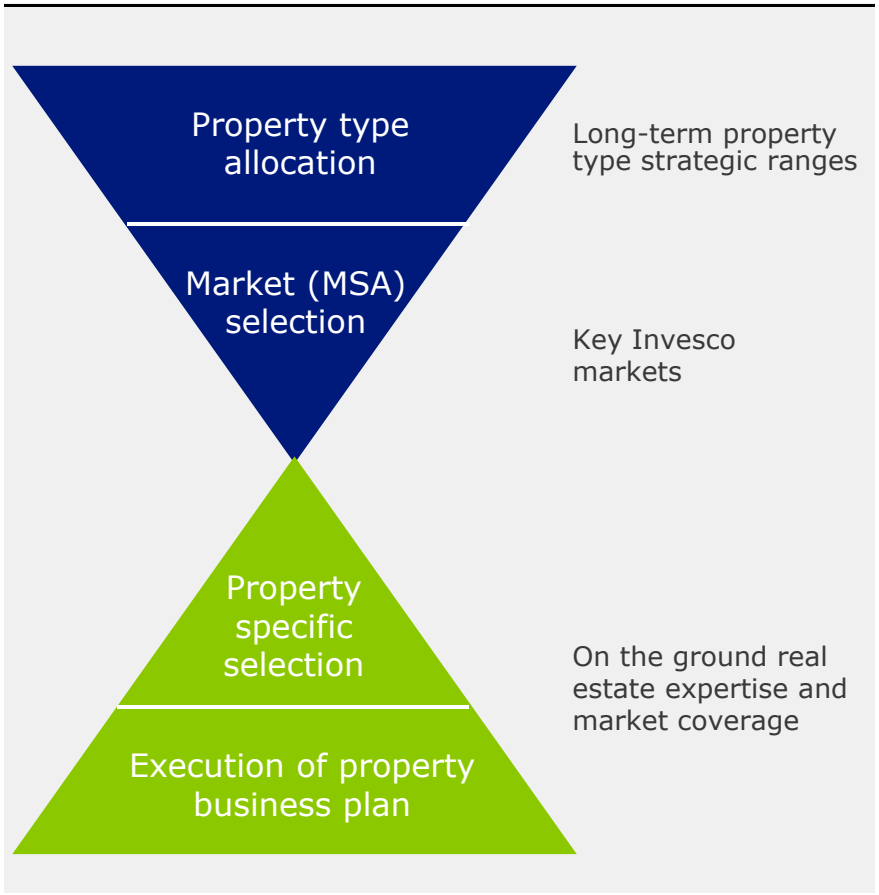
Portfolio Strategy

Objective = performance

Equal or exceed ODCE over long-term periods

Invesco House View core real estate strategy

30 years of US core investing

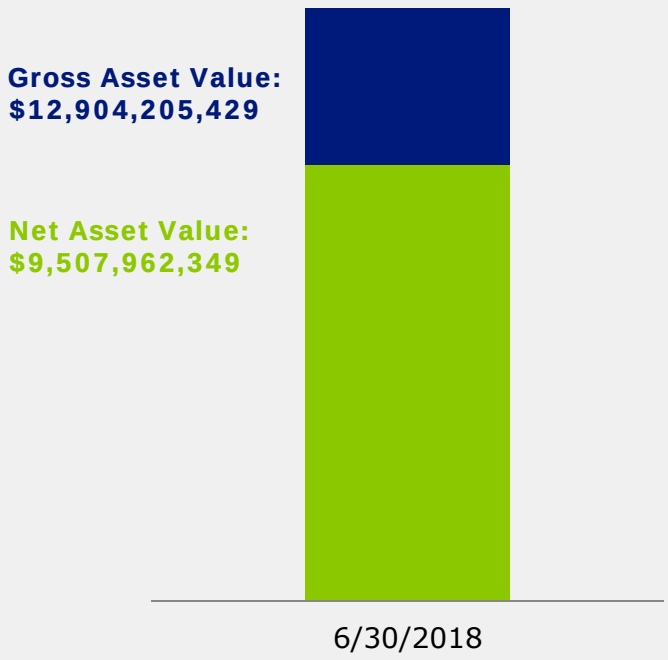


 For illustrative purposes only.

Portfolio Profile

As of June 30, 2018

Portfolio summary



Diversification	
▪ Number of investments:	96
▪ Average size of investments:	$137.0 m
▪ % of revenue for largest tenant:	2.4%
Income oriented	
▪ Portfolio % leased:	93.1% (Core portfolio 94.7%)
▪ Trailing 4 qtr gross distribution yield:	3.3%
▪ WARLT[3] of top 10 tenants:	12.4 Years
Conservative risk posture	
▪ Loan-to-value:	24.5% [1]
▪ Weighted average remaining term (fixed rate):	8.5 Years
▪ Manage-to-core portfolio:	7.8% [2]

[1] Short-term line of credit balance was $75M. Excluding the line balance, loan-to-value was 23.9%.
[2] Represents the manage-to-core portfolio on a fully funded basis plus appreciation to date. At current carry value, the manage-to-core portfolio is 6.2%.
[3] Weighted Average Remaining Lease Term.
Source: Invesco Real Estate accounting, internal, unaudited results.

Portfolio Strategy

Deliberate sector strategy

Industrial portfolio:
Ports, population & strong functionality

15 investments – 11.2m sq ft – 99% leased[1]

- Newly-built product with modern, best-in-class functionality near ports and population centers; West Coast emphasis
- Average size of 288,000 sq ft and 26' clear height reflects trend in tenant demand seeking larger, more efficient space

Empire Gateway

Apartment portfolio:
Urban, walkable, transit-oriented

32 investments – 9,042 units[2] – 94% leased[1]

- Newer vintage Class A assets in NYC, Denver, L.A., Seattle, Chicago, San Diego, Portland and Washington, DC
- Transit-oriented, live-work-play locations in dominant submarkets (Denver, San Francisco, Chicago)
- Primarily mid/high rise with an average age of six years[2]

Cadence

Retail portfolio:
Unique goods, services & experiences

26 investments – 3.3m sq ft[2] – 94% leased[1]

- Centers anchored by market-dominant grocers in high-barrier locations (San Francisco, L.A., Denver, Austin)
- "Experiential" retail that provides goods and services not easily replicated online (NYC, Boston, Miami, Chicago)
- Do NOT own the "broad middle" in the Retail Sector

Clayton Lane

Office portfolio:
Centers of global comparative advantage

21 investments – 6.4m sq ft[2] – 94% leased[1]

- 85% urban, amenity-rich, live-work-play locations (San Francisco, Washington, DC, Boston, Denver, West L.A., Seattle and Houston)
- Differentiated, highly functional assets "where tenants want to be;" 7.1 year WALE

101 Second

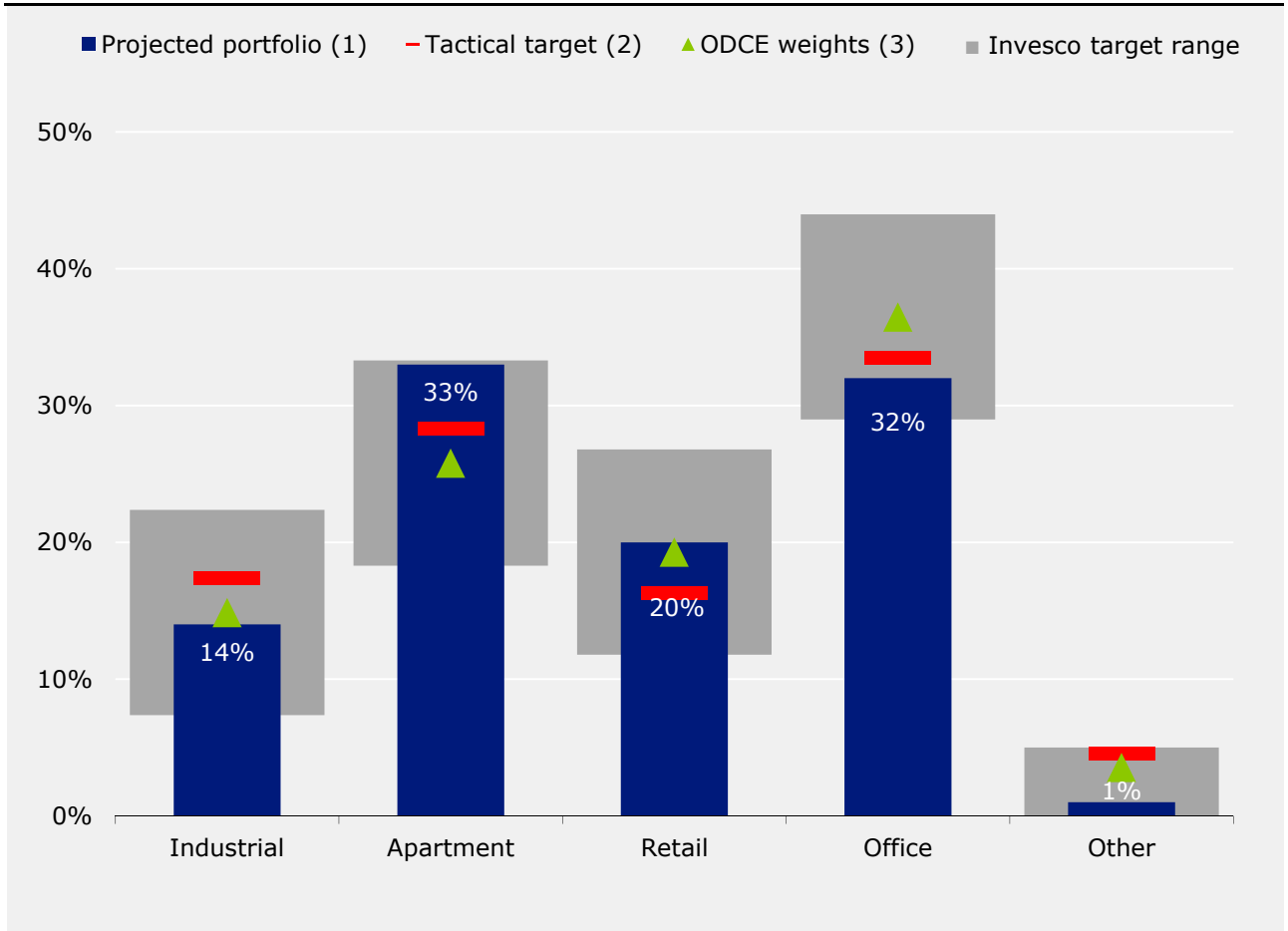
Performance was not a criteria for selection, and the photographs are provided for illustrative purposes only and do not constitute investment advice or a recommendation.

[1] Percentage leased reflects core portfolio only as of June 30, 2018.

[2] Includes properties under development as of June 30, 2018.

Portfolio Strategy

Sector allocation as of June 30, 2018



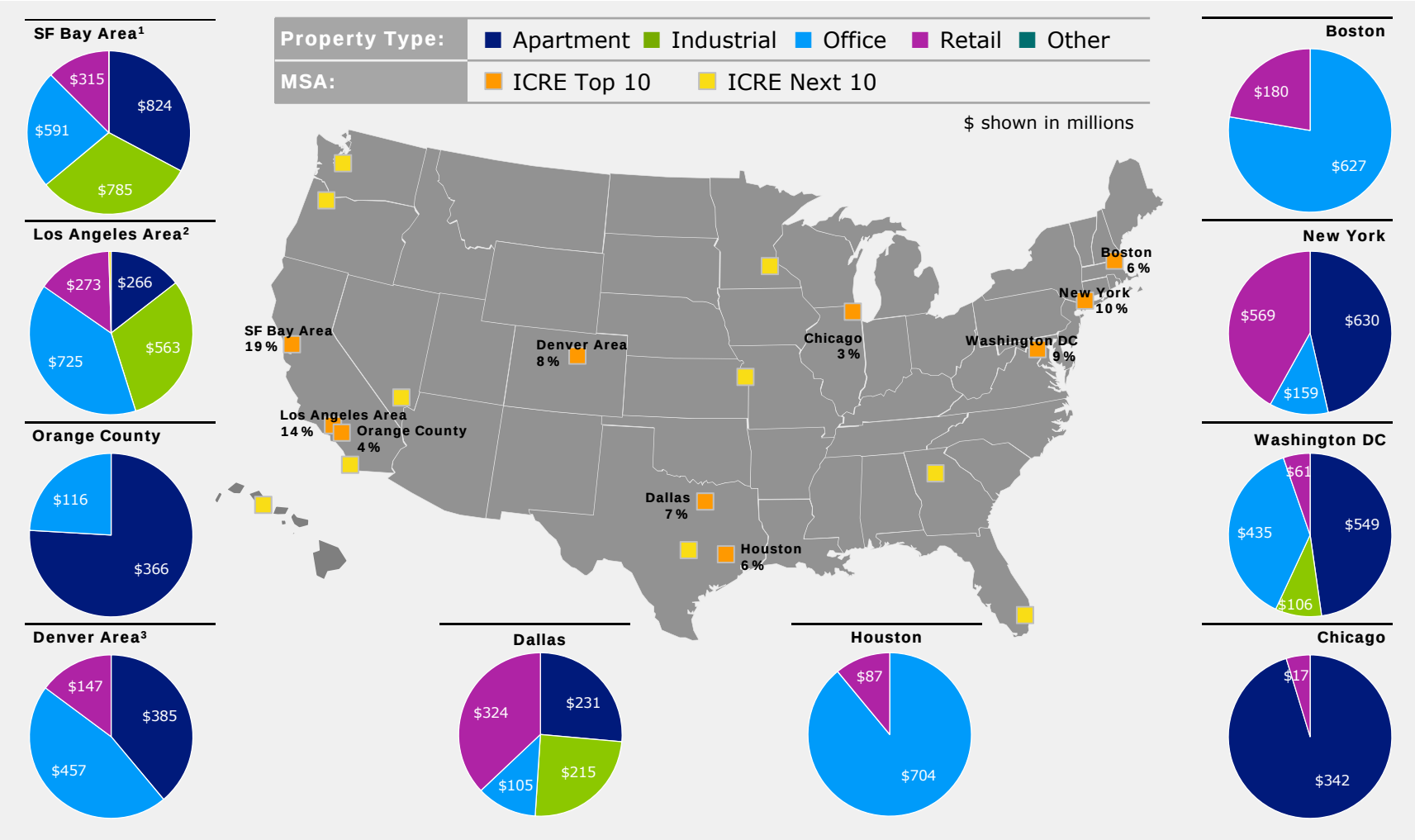
Sector	Tactical Weighting
Industrial	Mild Overweight
Apartment	Mild Overweight
Retail	Underweight
Office	Underweight
Other	Mild Overweight

[1] Projected property type weightings include the manage-to-core portfolio on a fully funded basis plus appreciation to date.
[2] Target diversification may change based on changing market conditions.
[3] As of June 30, 2018. Based on Gross NCREIF-ODCE - Capital Weighted.
This analysis represents the ICRE portfolio using gross property value. Information is taken from sources believed to be reliable, but accuracy cannot be guaranteed.

Portfolio Strategy

Top 10 exposure reflects markets with future high quality job growth

Performance = Durable Income + Growing Income + Resilient Assets



[1] SF Bay Area includes San Francisco, SF East Bay and San Jose; [2] Los Angeles Area includes Los Angeles and the Inland Empire region;
[3] Denver Area includes Denver and Boulder.

Source: Invesco Core Real Estate-U.S.A. internal reporting as of 6/30/18. The markets shown are all Invesco target markets as outlined in our house view. Past performance is not indicative of future results.

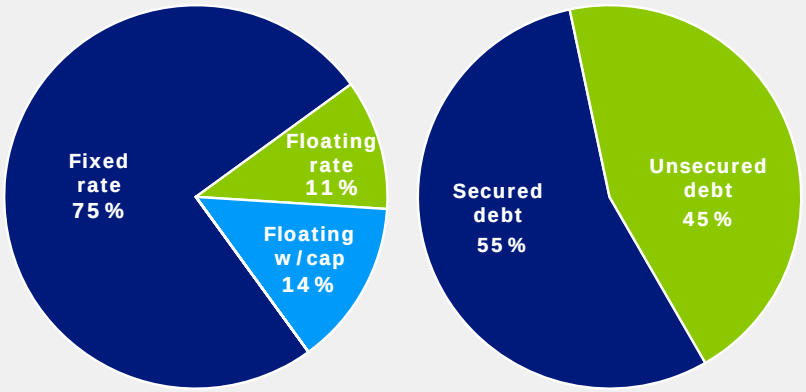
Balance Sheet
As of June 30, 2018

Total outstanding principal: $3,195M

Key statistics [1]

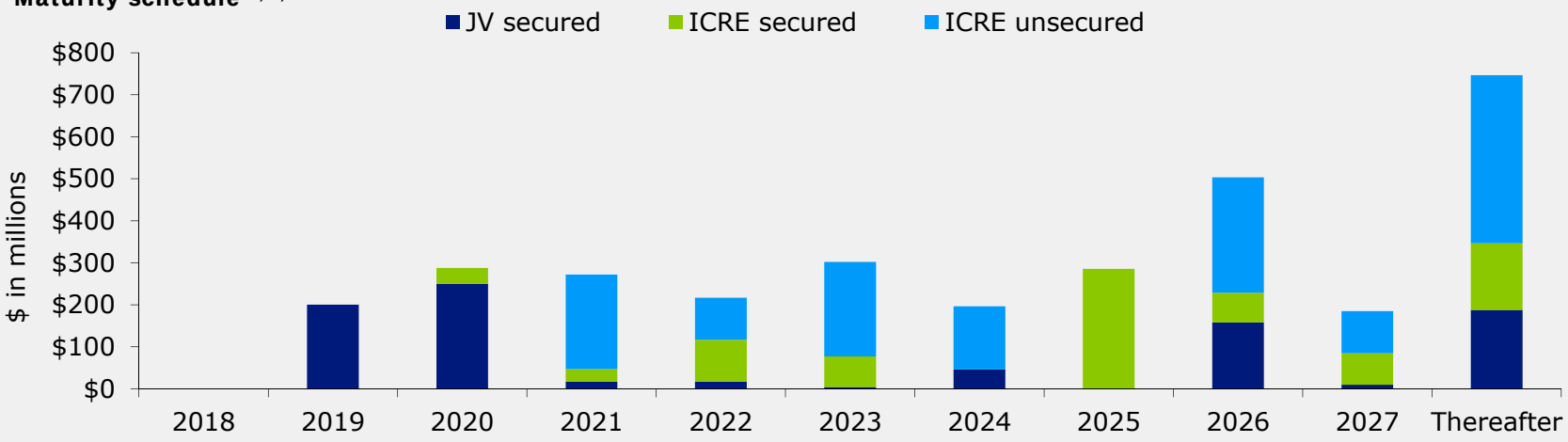
- LTV (incl./excl. short-term borrowings)[2]: 24.5% / 23.9%
- DSCR [3]: 3.9x
- Debt yield [3]: 13.5%
- Unencumbered assets: 65.5%
- Contract rate: 3.9%
- Market rate: 4.1%
- Weighted average remaining term (fixed rate): 8.5 years

Structure



- **Financial Flexibility throughout market cycles**

Maturity schedule [1, 2, 3]



[1] Includes joint venture debt at ICRE's pro rata share.
[2] Short-term line of credit balance was $75M.
[3] As of March 31, 2018.
Source: Invesco Real Estate internal reporting

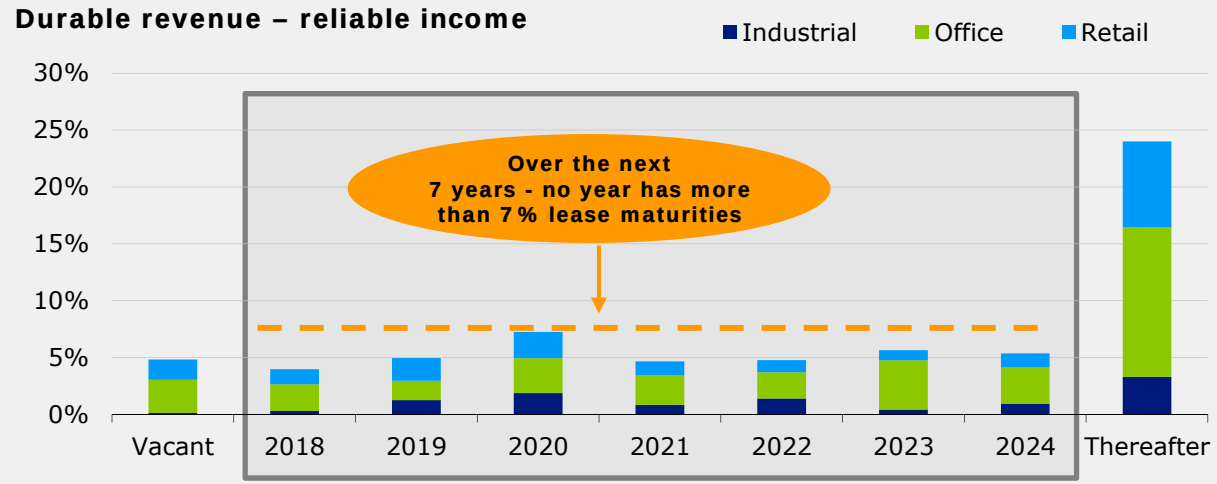
Fundamentals
As of June 30, 2018

Durable income

Leasing

Total portfolio leased	Q2 18
Apartment	94.0%
Industrial	99.0%
Office	94.4%
Retail	93.5%
Core portfolio	**94.7%**
Manage-to-core portfolio	44.9%
Total portfolio	**93.1%**

Commercial lease rollover (as % of total base rental revenue)

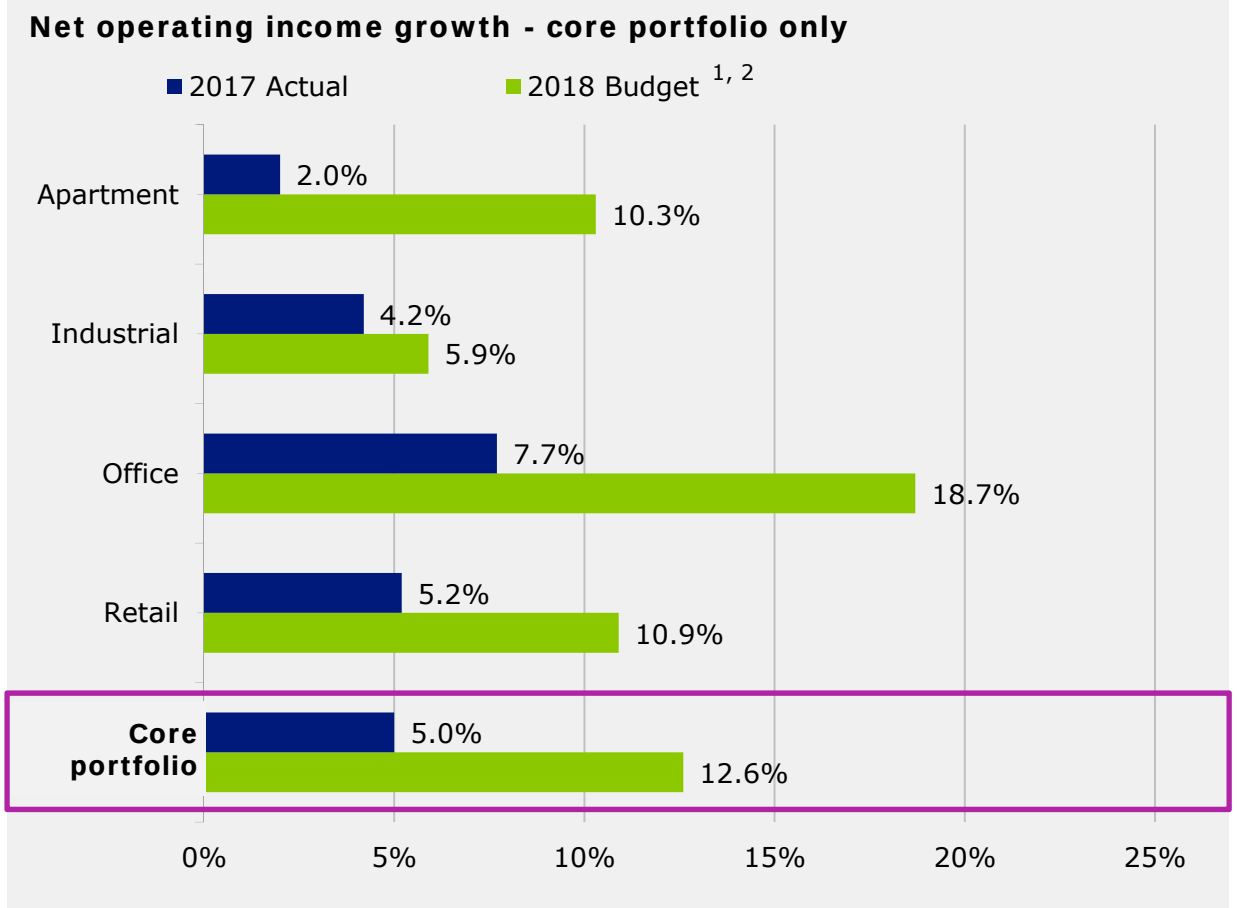


Source: Invesco Real Estate analysis of underlying contractual lease expirations as of June 30, 2018

- **35% of Fund revenue is derived from the apartment portfolio – low volatility sector**
- **Weighted Average Remaining Lease Term (WARLT) on the commercial portfolio is 6.6 years**
- **Top 10 tenants have a WARLT > 12 years**
- **No tenant > 3.0% of total revenue**
- **Favorable lease expiration schedule**

Fundamentals
As of June 30, 2018

Growing income



- **ICRE is on track to deliver 12.6% NOI growth in 2018, which is inclusive of Manage-to-Core properties recently migrated to Core.**

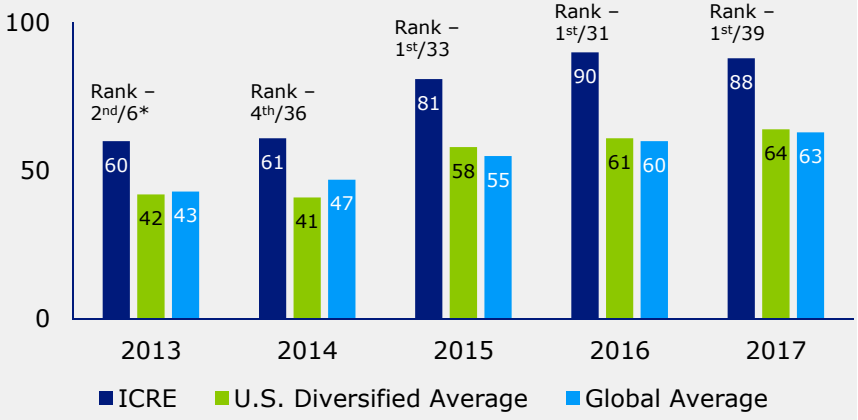
Source: Invesco Real Estate internal reporting
[1] Represents the pool of core properties held as of December 31, 2017.
[2] Includes Manage-to-Core assets that have migrated to Core during 2016 and 2017. Excluding these assets, total core portfolio growth is 6.0%. Exclusive of Legacy West only, total core NOI growth is 9.0%.

Sustainability Highlights

ICRE has improved its ranking every year for the last four years – current ranking is No. 1 of 47 North America Diversified. ICRE leads its peer set in implementation and measurement of ESG (Environmental, Social and Governance)

GRESB
REAL ESTATE
Sector Leader 2017

GRESB Performance History



NFI / ODCE Constituents

Out of 18

U.S.A. / Non-listed / Diversified

Out of 39

U.S.A. / Diversified

Out of 41

N.A. / Non-listed / Diversified

Out of 45

North America / Diversified

Out of 47

Source: GRESB Benchmark Report 2017.
The GRESB Survey is structured into seven weighted aspects. These include: Management, Policy & Disclosure, Risks & Opportunities, Monitoring & EMS, Performance Indicators, Building Certification, and Stakeholder Engagement. GRESB defines Implementation & Measurement as the process of executing a decision or plan, or of putting a decision or plan into effect. For more information, visit gresb.com. Any reference a rating provides no guarantee for future performance results and is not constant over time. Please see Appendix 3 for additional information regarding GRESB.

Valuation Summary

As of June 30, 2018

Core portfolio - unleveraged valuation metrics

Property type	Year 1 NOI yield	Stabilized NOI yield	10 year discount rate	5 year average NOI yield	Year 10 exit cap rate	5 year average rent growth
Apartment	3.94%	4.23%	6.06%	4.36%	4.72%	3.25%
Industrial	4.19%	4.44%	5.83%	4.55%	4.93%	3.32%
Office	4.19%	4.81%	6.32%	4.91%	5.52%	3.31%
Retail	4.04%	4.75%	6.06%	4.68%	5.10%	3.35%
Total core portfolio	4.07%	4.56%	6.12%	4.63%	5.09%	3.30%
Change from prior year	*-0.06%*	*-0.02%*	*-0.10%*	*-0.02%*	*-0.09%*	*-0.11%*

- **Stabilized NOI yield that is near-term and largely contractual**
- **Commercial rents that are materially below market(1) provide embedded revenue growth**
- **Materially below ODCE on "big box" retail and suburban office**

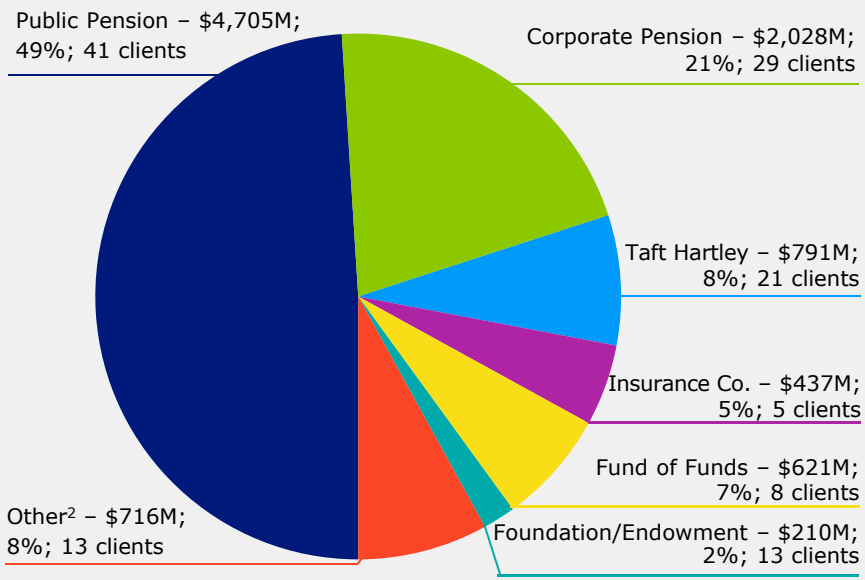
Note: Figures above are core portfolio numbers only and are unleveraged metrics.
(1) Based on Altus 3rd party data as of June 30, 2018.
Source: Invesco Real Estate

Investor Composition

As of June 30, 2018

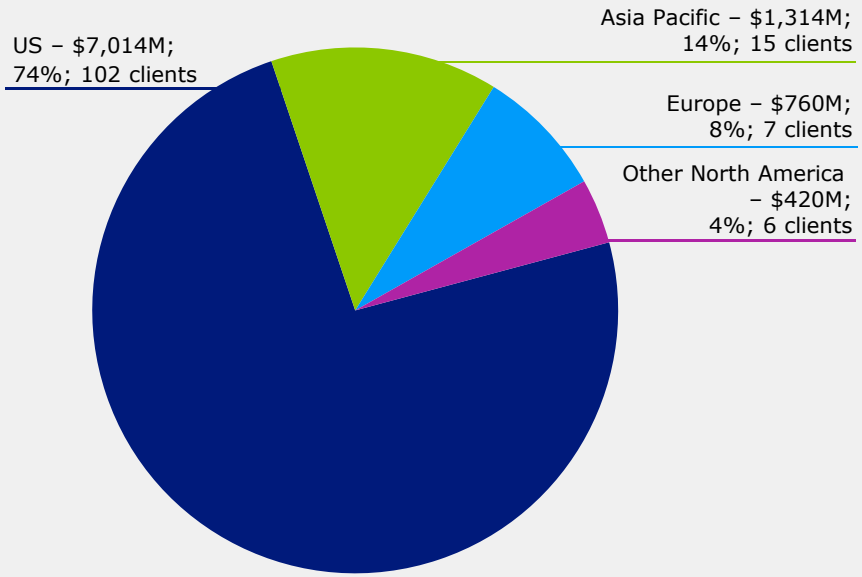
Total Number of Investors: 130

Investor Pool By Type [1]



Long-term Global Investors

Investor Pool By Domicile [1]

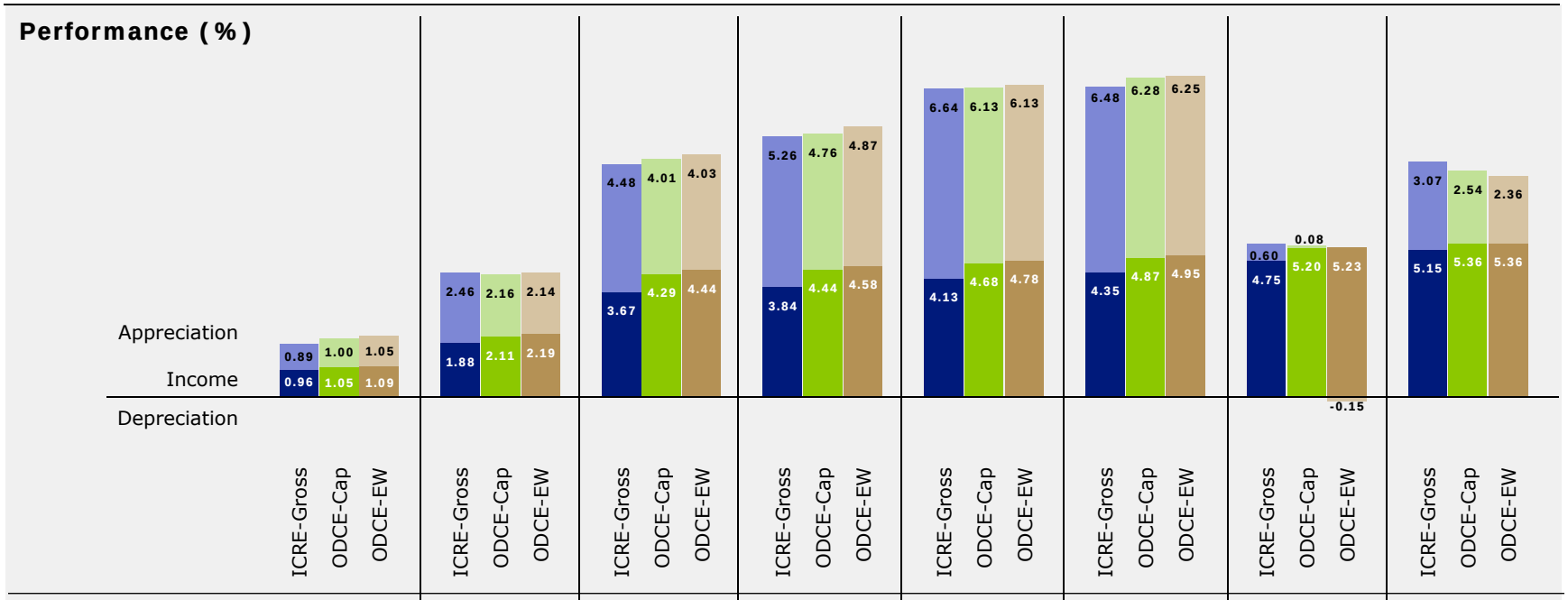


[1] Based on June 30, 2018 NAV.
[2] Includes sovereign wealth funds, high net worth and other investor types.
Source: Invesco Real Estate internal unaudited amounts for illustrative purposes only.

Performance

As of June 30, 2018

- **Strong absolute and relative performance across multiple market cycles.**
- **Recent roll off of strong prior quarters of performance temporarily impacting relative trailing returns**



Total return (%)	2Q 18	YTD	One year	Three years	Five years	Seven years	Ten years	Since inception
ICRE – Gross	1.85	4.36	8.27	9.25	10.97	11.04	5.39	8.34
NFI-ODCE – Cap Gross	2.05	4.30	8.44	9.37	11.04	11.39	5.29	8.02
NFI-ODCE – EW Gross	2.13	4.35	8.61	9.62	11.14	11.44	5.08	7.83

This chart reflects the fund performance of the Invesco Core Real Estate-U.S.A., LP as of June 30, 2018. The fund inception date is September 30, 2004.

This performance information is supplemental to the Global Investment Performance (GIPS®) compliant presentation of the Invesco North American Direct Real Estate Composite which includes more complete information about the Composite's construction and performance. A complete list of composites and performance results is available upon request. Past performance is not a guarantee of future results. For additional performance information please see Appendix 6.

Performance Summary

Recent & Long Term Performance

What's going well?
▪ The West Coast and the Industrial Portfolio are showing strong appreciation
▪ Overweight to the San Francisco Bay Area
▪ Overweight to the Los Angeles MSA
▪ Asset Selection in the Urban Office Portfolio
▪ Manage to Core Portfolio is showing strong capital growth – income to follow
▪ Do NOT own the "broad middle" of Retail

What's a challenge?
▪ Underweight to Industrial sector despite strong property level performance
▪ Temporary softness in Apartments
▪ Material transaction activity – dramatic downshift post Q2.2016
▪ J-Curve from Manage to Core assets – quarterly income dilution of ~9bps[1] per quarter
▪ Trailing 1, 3, 5 and 7-year returns all rolled off a strong outperforming quarter

Source: Invesco Real Estate as of December 31, 2017. Past performance is not a guarantee of future results.
[1] Includes assets recently migrated to the Core Portfolio

Looking Forward

Manage-to-core portfolio[3] can provide material appreciation

Net Value Creation		($) In dollars [1]	In basis points [2]
Here & Now	▪ Legacy West[3] Dallas mixed-use ▪ 33 Tehama[3] SF apartment ▪ The Royce f/k/a VPP Orange County apartment	$40.5m	40 bps
Coming Soon	▪ Biscayne 27 Miami apartment ▪ 5250 Park Miami apartment ▪ OMP Burbank Los Angeles industrial ▪ Pacific Commons Bay Area industrial ▪ The Mark 302 Santa Monica mixed-use	$154.0m	152 bps
When We're Ready	▪ 2270 Broadway Oakland apartment ▪ 4th & Colorado Santa Monica apartment ▪ Clayton Lane – Apartments Denver apartments	Future Value Creation	
TOTAL	→	**$194.4m**	**192 bps**

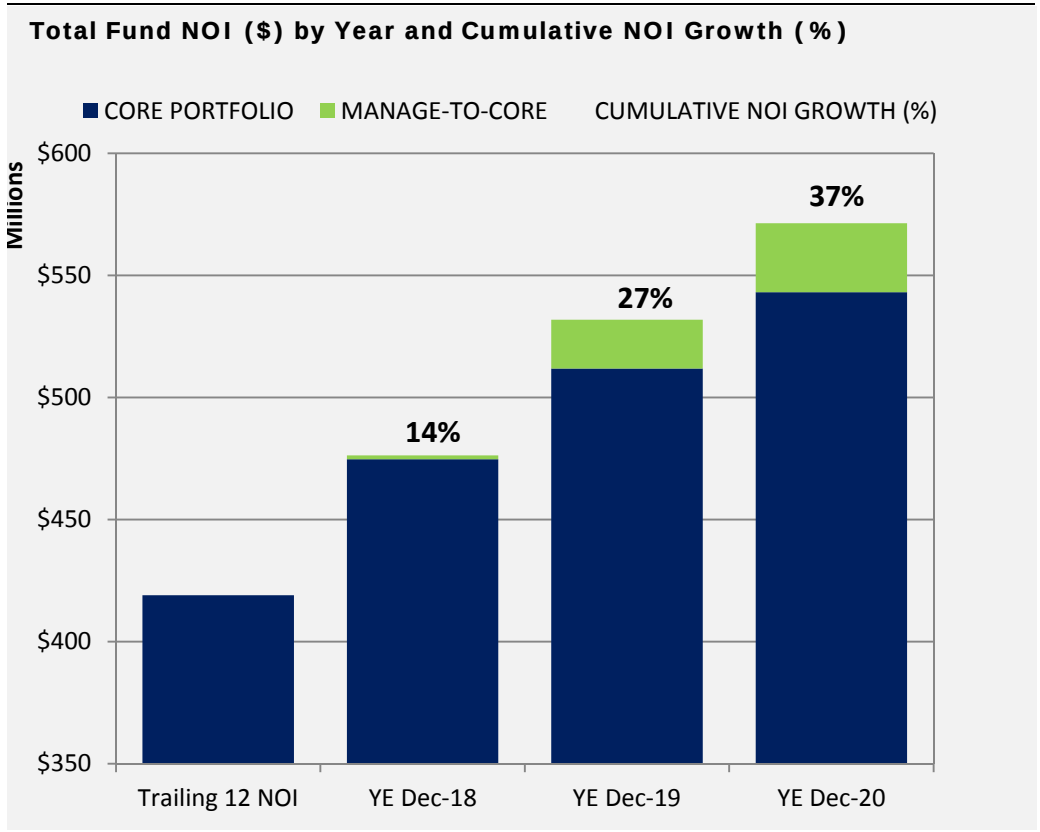
- **Expect potential meaningful increase in value creation from manage-to-core portfolio[3]**
- **$194.4m of net value creation results in 192 bps[2] of net value gain**
- **Future Value Creation represents over $500m in future manage-to-core assets at cost**

Pacific Commons (rendering)

Source: Invesco Real Estate as of June 30, 2018. [1] Based on 3rd party valuations and/or IRE acquisition underwriting; [2] Based on constant valuation plus future equity @ ICRE share; [3] Includes Legacy West & 33 Tehama, which were both recently moved to core

Looking Forward (Calendar Year 2018 - 2020)

Significant near term NOI growth



- **2018:**
  Total portfolio NOI is expected to increase by ~14% – more than $58MM of additional NOI

  Nearly all of the NOI Growth is expected from the Core Portfolio – 33 Tehama & The Royce are expected to begin contributing positively in the 3rd quarter
- **2019:**
  Total portfolio NOI is expected to increase by ~27% – more than $114mm of additional NOI

  The manage-to-core portfolio is expected to contribute nearly $21mm(1) of additional NOI
- **2020:**
  Total portfolio NOI is expected to increase by ~37% – nearly $153mm of additional NOI

  The manage-to-core portfolio is expected to contribute more than $29mm(1) of additional NOI

Estimated 8-quarter income return @ constant valuation

	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Quarterly income yield (2)	0.96%	0.99%	0.99%	1.02%	1.06%	1.11%	1.12%	1.15%
Annualized quarterly income yield	3.85%	3.95%	3.95%	4.07%	4.25%	4.44%	4.49%	4.59%

Source: **Invesco Real Estate 3rd party appraisals as of December 31, 2017**. (1) Assumes no migration to core; (2) Assumes a constant valuation & structural dilution as of June 30, 2018. Primary contributors to NOI growth in the core portfolio include Legacy West, Runway Apartments, Flats 8300, 1111 Pennsylvania, Fort Point & 1101 Westlake. Primary contributor to NOI growth in the manage-to-core portfolio includes The Royce. These estimates do not include 2270 Broadway or Clayton Lane Apartments. See notable transactions for additional detail. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions.

Competitive Advantages

Strong position moving forward

Deliberate sector strategy

A focus on durable, growing income

- Industrial: ports & population
  - Highly selective exposure - 7 markets
- Office: centers of comparative advantage
  - Highly selective exposure - 10 markets
- Retail: experiential and necessity goods
- Apartments: newer vintage; live/work/play

Highest quality assets

Best submarkets in top markets

- Industrial – 13% rent premium v. peer set [1]
- Office – 84% urban portfolio
- Retail – 57% rent premium v. peer set [1]
- Apartments – Average age of six years

Invesco Core Real Estate

Manage-to-core Execution

Significant NOI Growth & Value Creation

- Access to "uber core" through lease-up, renovation and development of apartment and industrial projects
- Offers opportunity for enhanced returns

Balance sheet

Strong, simple & flexible in all times

- Attractive weighted average interest rate
- Longest debt duration in benchmark
- Historically lower leverage than peers
- Reduced valuation risk through execution of "clear the decks" strategy

[1] Based on 3rd party valuations as provided by Altus as of June 2018.

Appendix 1

Invesco Core Real Estate–U.S.A. Most Recent Transactions/Executions

The following examples illustrate transactions completed over the trailing four quarters on behalf of the Invesco Core Real Estate–U.S.A. Fund. Performance was not a criteria for selection.

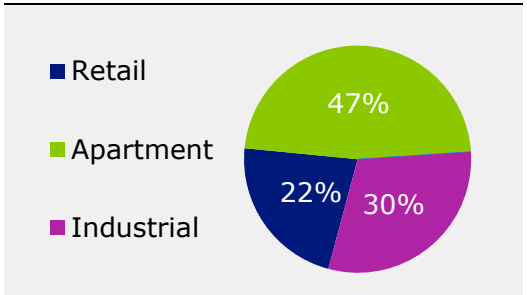
Invesco Core Real Estate–U.S.A.

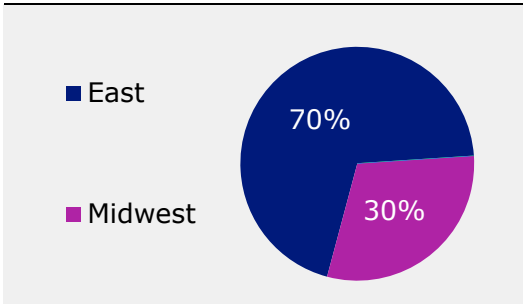
Closed dispositions over trailing 12 months
As of June 30, 2018

Dispositions*

Gross volume:	$123.0m
No. of sales closed:	3

* Based on gross sales price and excludes pending sales





	Property Location	Property Type	Closing Quarter	Gross Sales Price	Pre Marketing Quarter	Carry Value Pre Marketing	% Change
Closed Sales							
KC Industrial Portfolio	Kansas City, KS	Industrial	3Q 17	37,150,000	1Q 17	32,800,000	13.3%
Matthews Township	Charlotte, NC	Retail	4Q 17	27,500,000	1Q 17	26,500,000	3.8%
The Pointe at West Chester	West Chester, PA	Apartment	4Q 17	58,300,000	2Q 17	58,800,000	-0.9%
Total				**$ 122,950,000**		**$ 118,100,000**	**4.1%**
Pending Sales							
None							
Total				**$ -**		**$ -**	**0.0%**
TOTAL				**$ 122,950,000**		**$ 118,100,000**	**4.1%**

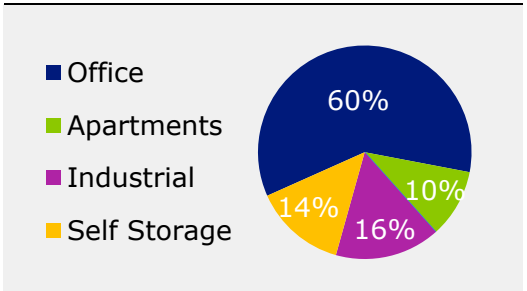
- **From 2014 thru 2016, ICRE closed on more than $2B in dispositions in 23 assets.**
  - Calendar Year 2014: $592m in Sales in 8 assets
  - Calendar Year 2015: $676m in Sales in 4 assets
  - Calendar Year 2016: $780m in Sales in 11 assets
  - Calendar Year 2017: $122m in Sales in 3 assets

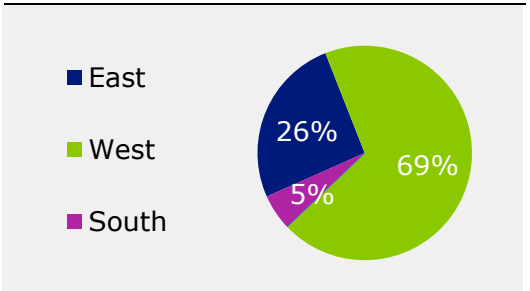
Invesco Core Real Estate–U.S.A.

Closed acquisitions over trailing 12 months
As of June 30, 2018

Acquisitions

Gross volume:	$956m
Net equity:	$766m
Underwritten weighted avg. 10-yr IRR:	8.67%





	Property Location	Property Type	Closing Quarter	Gross Acquisition Price / Commitment	Equity	Debt	10 Year IRR [1]
Closed Transactions							
The Mason	Pleasanton, CA (SF Bay Area)	Apartments	3Q17	99,625,000	99,625,000	-	6.10%
Total 3Q17 (Weighted Avg.)				**99,625,000**	**99,625,000**	**-**	**6.10%**
US Storage[2]	Compton, CA (Los Angeles MSA	Self Storage	4Q17	24,564,856	24,564,856	-	9.44%
Total 4Q17 (Weighted Avg.)				**24,564,856**	**24,564,856**	**-**	**9.44%**
Gateway 80 Business Park	Fairfield, CA (SF Bay Area)	Industrial	1Q18	100,000,000	100,000,000	-	7.27%
The Mark 302	Santa Monica, CA	Office	1Q18	150,069,024	75,034,512	75,034,512	*11.32%*
Baranof Self Storage Portfolio	Austin, Raleigh & Portland)	Self Storage	1Q18	109,100,000	109,100,000	-	6.15%
Total 1Q18 (Weighted Avg.)				**359,169,024**	**284,134,512**	**75,034,512**	**8.62%**
The Quad (Closed)	Cambridge, MA	Office	2Q18	192,891,204	77,156,482	115,734,722	13.70%
430 West 15th Street	New York City, NY	Office	2Q18	158,500,000	158,500,000	-	5.99%
Total 2Q18 (Weighted Avg.)				**351,391,204**	**235,656,482**	**115,734,722**	**10.22%**
Total (Weighted Avg.)				**834,750,084**	**643,980,850**	**190,769,234**	**9.02%**
Pending Transactions							
Meridian Distribution Center	Riverside, CA (Inland Empire)	Industrial	3Q18	52,540,000	52,540,000	-	6.05%
Union Tower West	Denver, CO	Office	3Q18	69,000,000	69,000,000	-	6.43%
Total (Weighted Avg.)				**121,540,000**	**121,540,000**	**-**	**6.27%**
TOTAL (Weighted Avg.)				**956,290,084**	**765,520,850**	**190,769,234**	**8.67%**

- **From 2014 thru 2016, ICRE closed on more than $5B in acquisitions in 39 assets.**
  - Calendar Year 2014: $1.2B in Acquisitions in 14 assets
  - Calendar Year 2015: $1.9B in Acquisitions in 12 assets
  - Calendar Year 2016: $2.1B in Acquisitions in 13 assets
  - Calendar Year 2017: $0.5B in Acquisitions in 5 assets

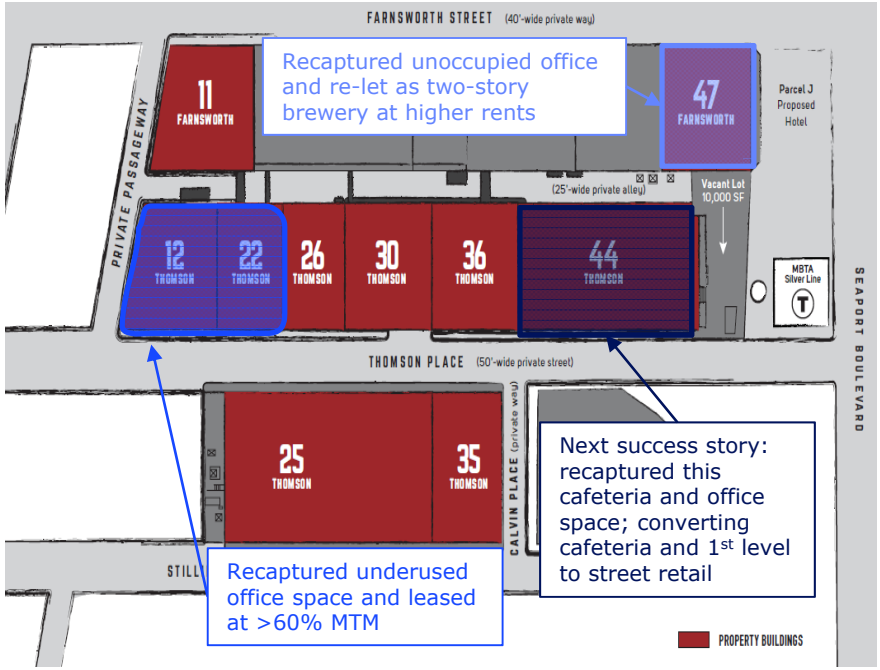
[1] Estimated IRRs (Leveraged IRRs are italicized). Estimated IRRs based on internal Invesco Real Estate underwriting at time of acquisition.
[2] Future development projects; ICRE has acquired the land. Gross Acquisition Price represents total development budget and is subject to change.

Property Execution

Case Studies - 2018

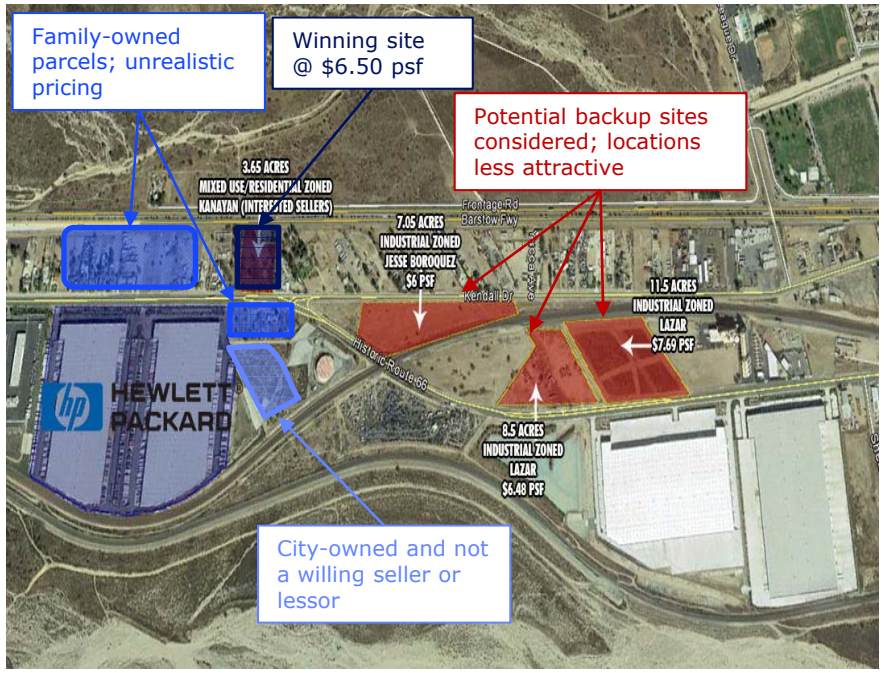
Fort Point – Boston Seaport – Mixed Use

- **Opportunity:** Anchor office tenant Thomson Reuters was paying significantly below market rent while underutilizing space
- **Execution:** Negotiated early takeback of three buildings and converted some office to street retail
- **Outcome:** ICRE converted a vacant office building into a brewery for Trillium, lifting rents from $32 psf gross to $43 psf net. The other two buildings were re-let to an office tenant at >60% MTM



IE Logistics – SoCal - Industrial

- **Opportunity:** Hewlett Packard (HP), needed more trailer drops and was 3 years out from lease expiration
- **Execution:** Procured attractively priced adjacent land that added 120 stalls, raising the site total from 2.5 to 3.0 drops per door
- **Outcome:** HP renewed >10 months early for an additional 7 years of term, even after searching for and considering newer product available product in the market

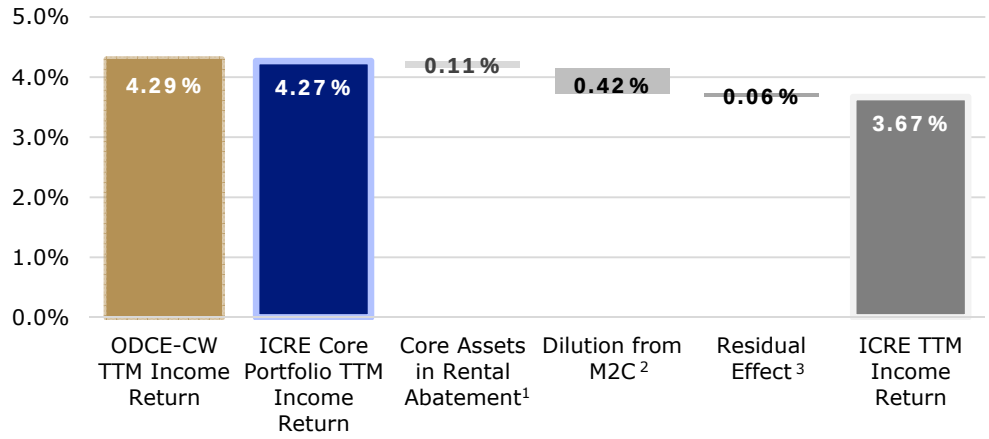


 For illustrative purposes only. It does not constitute recommendation or advice.

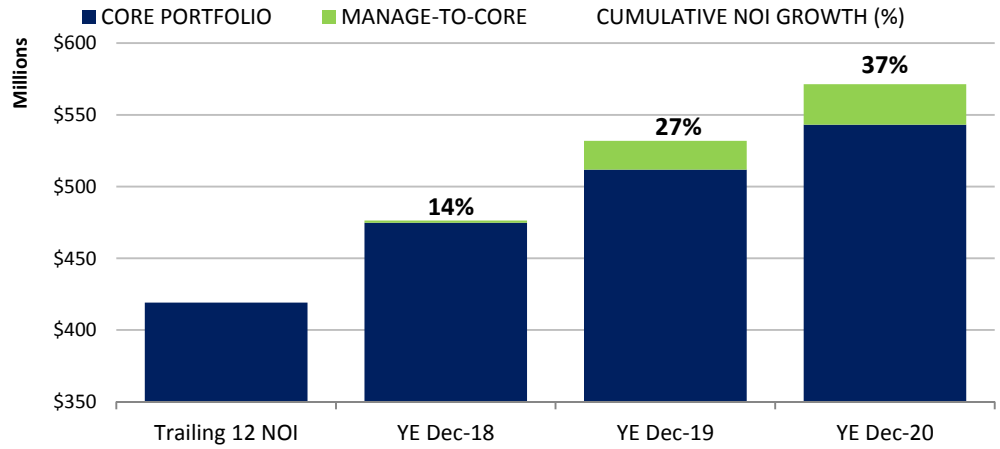
Income Return

Significant Core and M2C NOI growth ahead

ICRE Income Return (Q2.2018)



Projected ICRE NOI Growth (CY 2018 – 2020)



Key Takeaways

- Core TTM income return is closer to that of the ODCE
- $14m of Contractual NOI Growth in the next 12 months from free rent burn off at three Core Assets in Rental Abatement[1,5]
- Nearly $47m of NOI Growth over the next 24 months from assets held in the M2C portfolio in 2017[2,5]
- The current total portfolio should provide $151M more NOI over the next 36 months[5]
- 37% total portfolio NOI growth expected over the next 36 months with very minimal new capital[4]

[1] Includes 1111 Pennsylvania, 1101 Westlake and Fort Point portfolio. [2] Includes Legacy West, 210 King Street, Runway Playa Vista, Flats 8300, OMP Burbank, Pacific Commons, The Mark 302, 4th & Colorado, 33 Tehama, The Royce, 2270 Broadway, Clayton Lane, Biscayne 27, 5250 Park, US Storage and Baranof portfolio. [3] Residual effect from removing both M-2-C and core assets under significant rental abatement. [4] As of December 31, 2017. [5] As of June 30, 2018.

430 West 15th Street

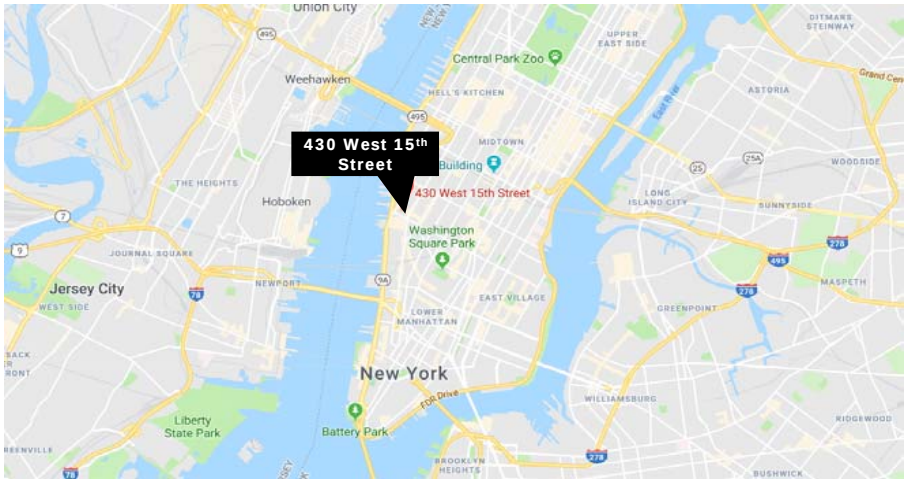
Office ◆ New York City, New York

Transaction Highlights (closed 06/12/2018)

- Trophy quality, newly renovated, boutique office building 100% leased to LiveNation (via Palantir Sublease) through 2031
- Favorable year 1 cap rate versus recent NYC office trades
- Located within the Meatpacking District, one of the trendiest neighborhoods in New York
- Directly across from Google's Chelsea market (gourmet food hall / creative office)
- Same block as the Highline elevated park
- Efficient floorplates in the "sweet-spot" for tenant demand – 9,000SF to 16,000SF

Key Statistics

Purchase Price:	$158.5 million
Price per SF:	$1,702
Going-In Cap Rate:	4.84%
5 Year Average Income Return:	4.87%
Year 10 Unleveraged IRR:	5.99%



Source: Invesco Real Estate as of June 2018. For illustrative purposes only. It does not constitute recommendation or advice. Returns stated are based on Invesco Real Estate's underwriting at acquisition.

The Quad

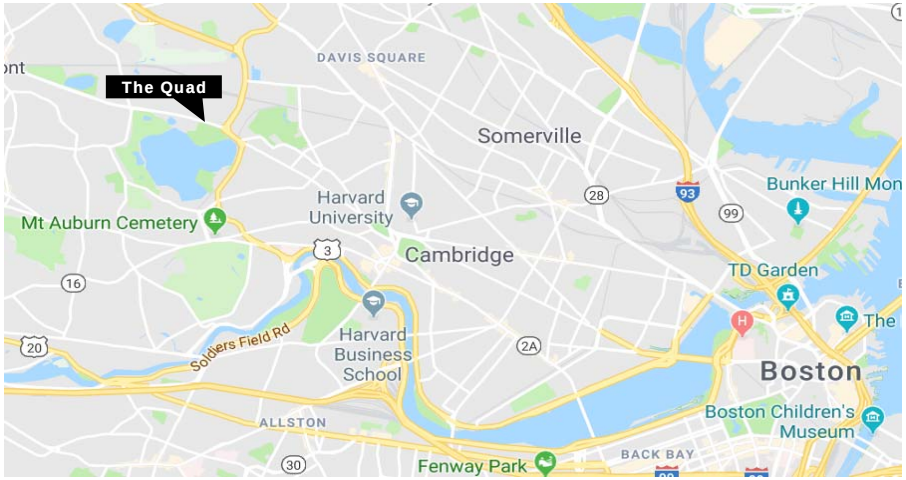
Office/Lab ◆ Cambridge, Massachusetts (Boston MSA)

Transaction Highlights (closed 04/13/2018)

- Conversion of four building portfolio into 275,000 square feet of lab space in the top ranked life sciences market in the country.
- West Cambridge submarket continues to grow with 2,000+ Class A apartment units added since 2010 and the addition of major retailers such as Whole Foods and Trader Joes.
- Since 2012, rent growth in the Cambridge lab market has averaged 6.6% while current vacancy is less than 2%.
- The investment's untrended return on cost provides a 175 basis point spread over current market cap rates.
- Joint-venture with The Davis Companies, a best-in-class developer with extensive experience in the submarket.

Key Statistics

Total Development Cost:	$192.9 million
Cost Per SF:	$696
Untrended Return on Cost:	7.50%
Year 9 Leveraged IRR:	13.70%
Year 9 Structured IRR:	13.24%
Year 9 Structured EM:	2.14x



Source: Invesco Real Estate as of April 2018. For illustrative purposes only. It does not constitute recommendation or advice. Returns stated are based on Invesco Real Estate's underwriting at acquisition.

Baranof Self Storage Portfolio

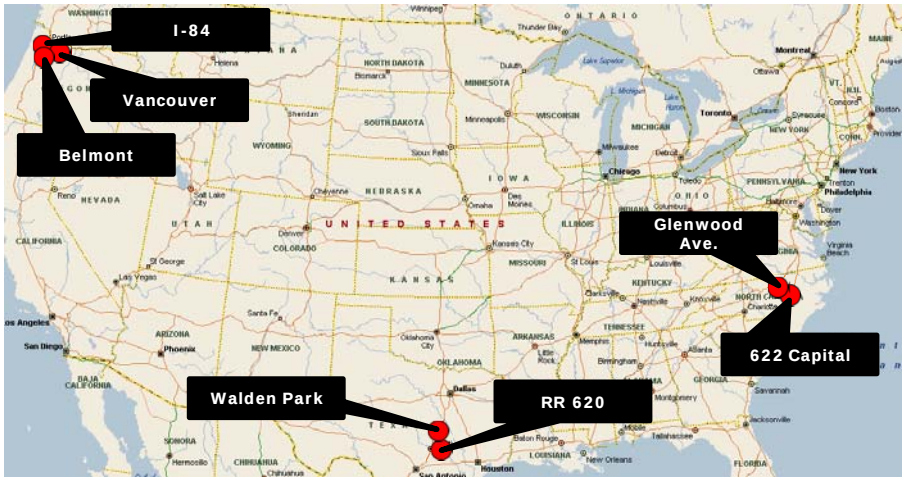
Self-Storage ◆ Austin, TX / Raleigh, NC / Portland, OR

Transaction Highlights (initial closing 03/23/2018)

- Off-market, joint venture recapitalization of a new class A, self-storage portfolio in early stage lease up or nearing completion.
- The portfolio consists of seven buildings, 4,947 units and 510,848 square feet located in Austin, Raleigh & Portland MSAs.
- The buildings are best-in-class quality and well located within their respective submarkets.
- The Stabilized Income Yield provides a 75 to 100 basis point spread over recent core transactions.
- The transaction will be executed in three separate closings – five assets in March and the remaining two assets upon completion.

Key Statistics

Purchase Price:	$109.1 million
Price per Unit:	$22,054
Price per Square Foot:	$214
Stabilized Year 4 NOI Yield:	5.51%
Year 10 Unleveraged IRR (BF):	6.15%



Source: Invesco Real Estate as of March 2018. For illustrative purposes only. It does not constitute recommendation or advice. Returns stated are based on Invesco Real Estate's underwriting at acquisition.

The Mark 302

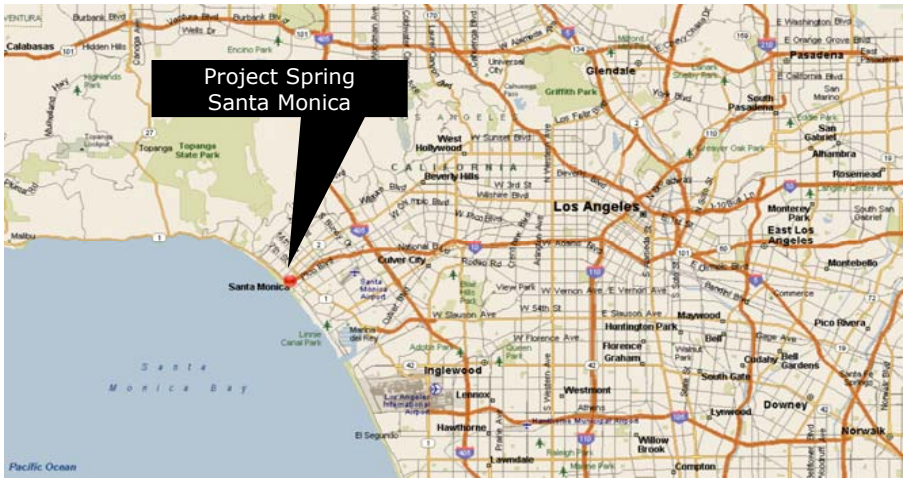
Mixed-Use ◆ Santa Monica, California (Los Angeles MSA)

Transaction Highlights (closed 03/21/2018)

- Redevelopment of a vacant, historic department store into a highly differentiated four-level creative office building with ground floor retail.
- Highly walkable and well-amenitized location in Downtown Santa Monica next to hotels, retail, entertainment, and the light rail terminal station.
- In the top office market in Los Angeles with significant barriers to entry and a lack of available large blocks of competitive space.
- The investment's untrended return on cost provides a 150-200 basis point spread over current market cap rates, and the negotiated structure with the partner provides significant and asymmetrical downside protection.

Key Statistics

Total Development Cost:	$150.1 million
Total Rentable SF:	118,585
Cost Per SF:	$1,265
Untrended Return on Cost:	6.50%
Year 4 Unleveraged IRR:	9.24%
Year 4 Leveraged IRR:	13.51%



Source: Invesco Real Estate as of March 2018. For illustrative purposes only. It does not constitute recommendation or advice. Returns stated are based on Invesco Real Estate's underwriting at acquisition.

Gateway 80 Business Park

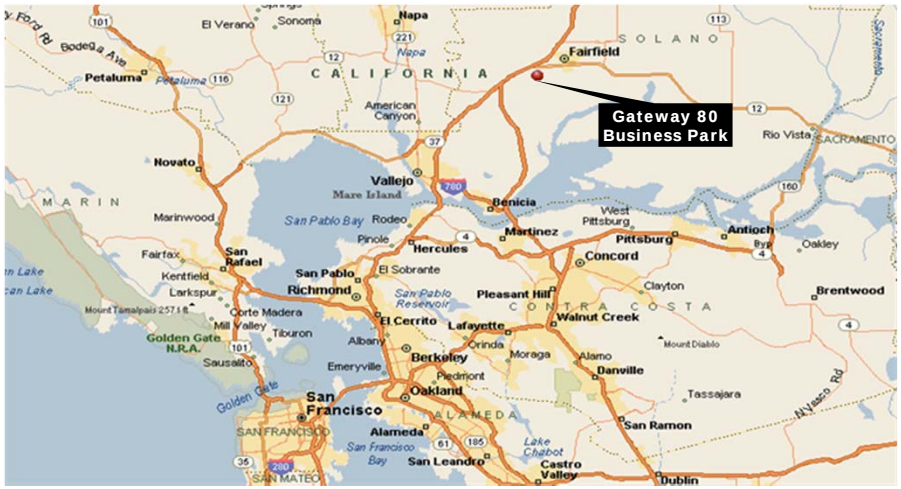
Industrial ◆ Fairfield (SF Bay Area), California

Transaction Highlights (closed 01/17/2018)

- Acquisition of two, 100% leased, new, Class A distribution buildings totaling 860,651 SF and a 9.5 acre land parcel currently used for parking.
- Located in the North Bay submarket of the San Francisco Bay Area, with proximity to a population of 15 millions people, 40 miles from Port of Oakland with excellent freeway access and visibility.
- Hard-to-find, State-of-the-art features including cross dock configuration, 32'-36' clear heights, ESFR sprinklers, high power, concrete pavement throughout entire site, and trailer parking.
- Substantial yield premium to recent new construction trades in the Bay Area.
- Development capacity on land parcel.

Key Statistics

Purchase Price:	$100.0 million
Price per SF:	$116
Year 2 Unleveraged NOI Yield (Stabilized):	5.55%
Year 5 Unleveraged IRR:	6.98%
Year 10 Unleveraged IRR:	7.27%



Source: Invesco Real Estate as of January 2018. For illustrative purposes only. It does not constitute recommendation or advice. Returns stated are based on Invesco Real Estate's underwriting at acquisition.

US Storage – National Development Program

Self Storage ◆ Various Locations

National Development Program

- Programmatic Joint Venture with Westport Properties to develop build-to-own self-storage facilities within major U.S. metros.
- Development partner has more than 30 years experience and is the 12th largest operator of self storage facilities in the nation.

Transaction Highlights (closed 10/06/2017)

- Infill development of a three story, 1,390 unit, 141,925 RSF high quality, self-storage facility in Los Angeles MSA.
- Located in an under-supplied market with only 1.8 square feet of self-storage per capita - national average is 6.7sf per capita.
- Significant barriers to entry with the nearest competing project two miles away and the average age of the stock in the competitive market greater than 40 years.

Key Statistics (Development Program)

Total Equity:	$50.0 million
Time to Deploy:	4 Years

1st Investment (Los Angeles MSA)

Total Development Budget:	$24.6 million
Price per Unit:	$17,673
Return on Cost (Untrended):	7.04%
Year 10 Unleveraged IRR:	9.44%

Source: Invesco Real Estate as of October 2017. For illustrative purposes only. It does not constitute recommendation or advice. Returns stated are based on Invesco Real Estate's underwriting at acquisition.

The Mason

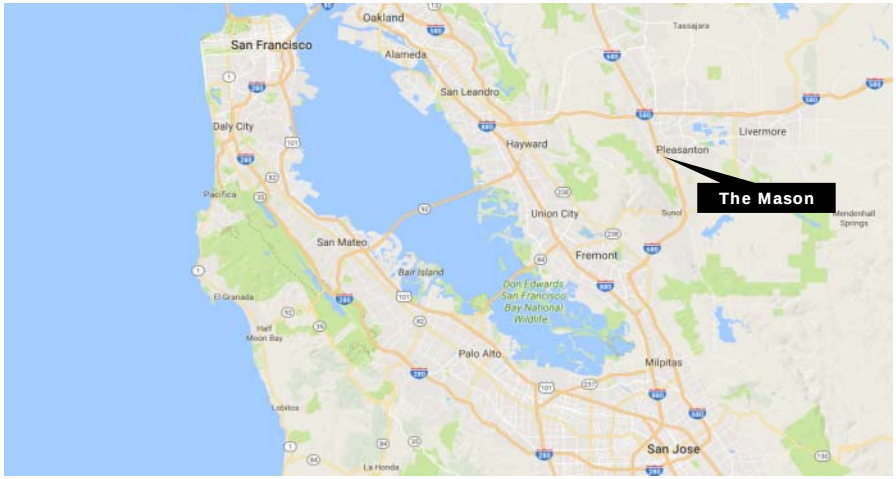
Apartment ◆ Pleasanton, California (Oakland MSA)

Transaction Highlights (closed 09/14/2017)

- Newly constructed 210-unit Class "A" apartment community located in Pleasanton, CA, an affluent East Bay submarket with access to major Bay Area employment centers and top-ranked school districts.
- Acquired at approximately 15% below replacement cost.
- The project is in lease up, 91% leased and nearing stabilization.
- Unique, walkable location, adjacent to ICRE's Safeway anchored retail center and various nearby amenities. Excellent access to major freeways and two commuter rail stations that provide residents access to San Francisco, Oakland, and the Silicon Valley.
- Strong employment growth, very limited new supply and high barriers to home ownership have resulted in tight multifamily submarket conditions over multiple cycles.

Key Statistics

Purchase Price:	$99.6 million
Price per Unit:	$474,405
Going-In Cap Rate:	3.97%
Stabilized Income Return:	4.25%
5 Year Average Income Return:	4.25%
5 Year Average Cash Return:	4.02%
Year 10 Unleveraged IRR:	6.07%



Source: Invesco Real Estate as of September 2017. For illustrative purposes only. It does not constitute recommendation or advice. Returns stated are based on Invesco Real Estate's underwriting at acquisition.

Notable Transactions & Active Manage-to-Core

Performance was not a criteria for selection.

Pearl West

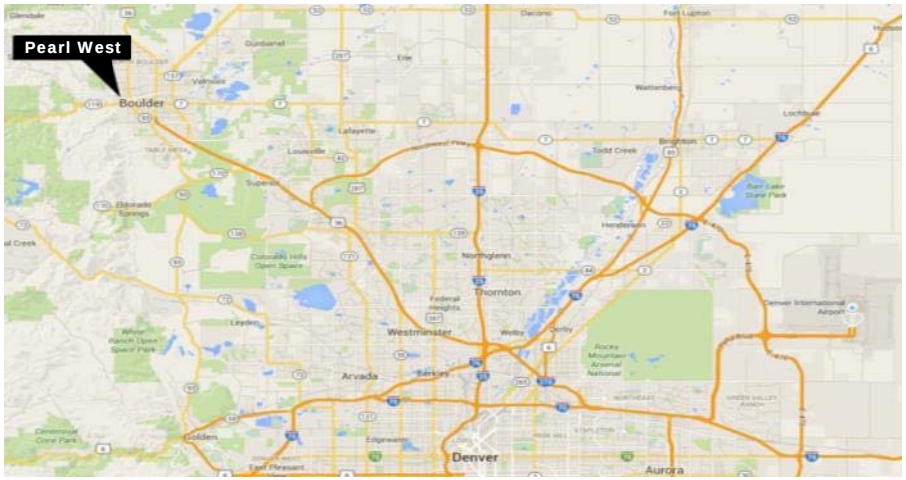
Office / Retail ◆ Boulder, Colorado (Denver MSA)

Transaction highlights (closed 12/08/2016)

- Presale acquisition of a recently completed, 175,027 SF, 4-story office and retail building that is 91% preleased to a mix of information technology, shared workspace, and financial services tenants.
- The property will include 13,434 SF of street level retail space and three restaurants (11,555 SF) including a rooftop restaurant with unobstructed views of the Flatirons Mountains.
- Pearl West is constructed on an irreplaceable 1.36 acre infill location situated at the corner of Pearl Street and 11th street, less than a block from Boulder's Pearl Street pedestrian mall.
- With limited office construction in Boulder, this property will set a new quality standard for multi-tenant office buildings.

Key statistics

Purchase price:	$122.5 million
Price per SF:	$700
Going-in cap rate:	5.23%
5 year average income return:	5.40%
Year 11 unleveraged IRR:	6.16%



Source: Invesco Real Estate as of December 2016. For illustrative purposes only. It does not constitute recommendation or advice. Returns stated are based on Invesco Real Estate's underwriting at acquisition.

Miami Industrial Portfolio

Industrial ◆ Miami & Ft. Lauderdale MSA, Florida

Transaction Highlights (closed 02/16/2016)

- Off-market acquisition of a seven-property industrial portfolio located in South Florida (Dade and Broward Counties) totaling 675,387 square feet.
- The properties are well located throughout South Florida and represent a diverse tenant mix including FedEx and Air France.
- 7 buildings with NRA ranging from 30,000 to 191,280 square feet.
- The portfolio is 97.1% leased and the five largest tenants account for approximately 74% of the asset's gross rental income and have a weighted average lease expiration of 6+ years.

Transaction Highlights (closed 05/09/2017)

- Airport North Logistics is a recently-built, vacant 182,057sf Class A industrial asset with 32' clear heights and above market trailer parking.

Key Statistics

Purchase Price:	$97.2 million
Price per SF:	$144
Going-In Cap Rate:	5.16%
5-Year Average Income Yield:	5.20%
Year 10 Unleveraged IRR:	6.16%

Key Statistics – Airport North Logistics

Stabilized Cost Basis:	$25.7 million
Stabilized Cost per SF:	$141
Untrended Return on Cost:	5.00%

Miami MSA

Ft. Lauderdale MSA

Source: Invesco Real Estate as of February 2016 and May 2017, respectively. For illustrative purposes only. It does not constitute recommendation or advice. Returns stated are based on Invesco Real Estate's underwriting at acquisition.

Runway

Multifamily/Retail/Office ◆ Playa Vista, California (L.A.)

Transaction Highlights (closed 02/09/2016)

- Runway is the Town Center within the Playa Vista Master Plan and represents 85% of all retail square footage. Playa Vista is the first master-planned community in West Los Angeles in over 50 years.
- Runway is a mixed use project consisting of 216,759 SF of retail, 33,044 SF of office and 420 residential units. The project is being delivered in phases throughout 2015 and is currently in lease-up.
- The 33,044 SF of office space is 100% leased to Cedars Sinai Medical through February 2027.
- The retail space is 88% leased and the multifamily space is 44% leased. 44% of the retail space is occupied by the three anchor tenants with a weighted average remaining lease term of 19 years: Whole Foods (35,918 SF, S&P BBB-), CVS (14,850 SF, S&P BBB+) and Cinemark (45,000 SF, S&P BB).

Key Statistics (Estimated)

Total Purchase Price:	$475.0 million
Commercial Price per SF:	$943
Multifamily Price per Unit:	$570K
Year 3 NOI Yield:	4.63%
5 Year Average Income Return (Years 3-7):	5.02%
Year 10 Unleveraged IRR:	6.42%
Year 10 Leveraged IRR:	8.45%

Source: Invesco Real Estate as of February 2016. For illustrative purposes only. It does not constitute recommendation or advice. Returns stated are based on Invesco Real Estate's underwriting at acquisition.

North Water Residences

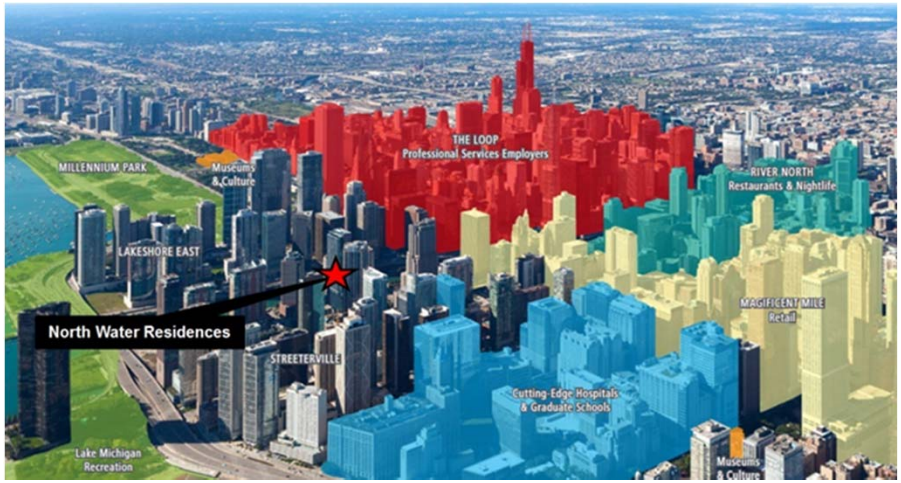
Apartment ◆ Chicago, Illinois

Transaction Highlights (closed 01/07/2016)

- Off-market acquisition of a 398-unit, Class A+ luxury apartment building, which is situated on floors 16-50 above a Loews hotel (Loews is not part of the offering).
- North Water is one of the newest multi-family assets located downtown with unobstructed views on all sides, condominium quality finish-outs, and 25,990 square feet of amenity space (excludes shared amenities with the attached Loews hotel).
- The property is located near the financial and business districts in the Central Loop and the cultural and entertainment district in River North with easy access to public transportation and a walk score of 95 (out of 100).
- Average household income for residents currently exceeds $278,000 with a 13.5% income to rent ratio.

Key Statistics

Purchase Price:	$244.0 million
Price per Unit:	$613,065
Price per SF:	$674
Year 2 Income Return (Stabilized):	4.48%
5-Yr Average Income Return:	4.51%
Year 10 Unleveraged IRR:	6.18%



Source: Invesco Real Estate as of January 2016. For illustrative purposes only. It does not constitute recommendation or advice. Returns stated are based on Invesco Real Estate's underwriting at acquisition.

5250 Park

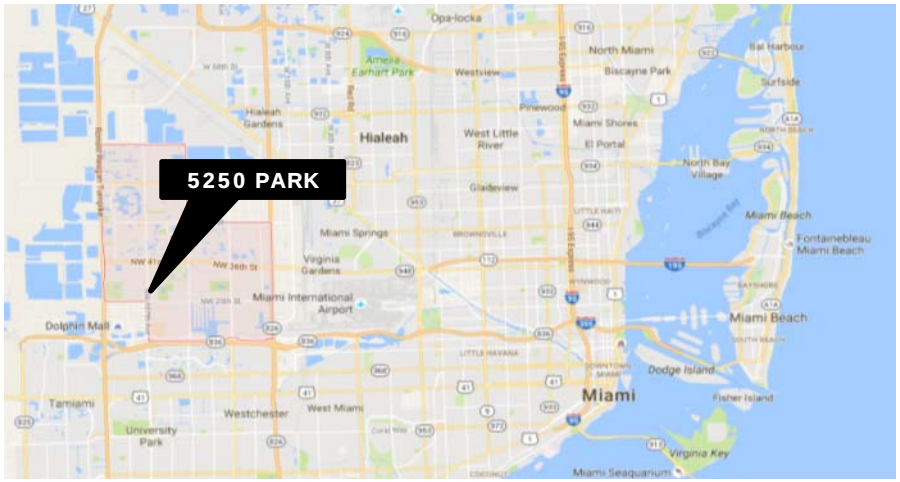
Apartment ◆ Doral, Florida (Miami MSA)

Transaction Highlights (closed 05/04/2017)

- Joint venture with Codina Partners to develop a 231 unit, 20-story apartment building located in Downtown Doral, a master planned mixed-use community within the Miami MSA.
- Build to core strategy of the first high-rise apartment (for rent) project in Doral proximate to existing amenities and highly sought after schools.
- Unit finishes and building amenities will be built to condo level specifications.
- The investment's submarket has maintained a sub 5% vacancy since 2009.

Key Statistics

Total Development Budget:	$73.8 million
Price per Unit:	$319,297
Return on Cost (Untrended)	5.62%
Return on Cost (Trended)	5.97%
Year 10 Unleveraged IRR:	7.67%
Year 10 Leveraged IRR:	10.67%



Source: Invesco Real Estate as of May 2017. For illustrative purposes only. It does not constitute recommendation or advice. Returns stated are based on Invesco Real Estate's underwriting at acquisition.

Pacific Commons Industrial

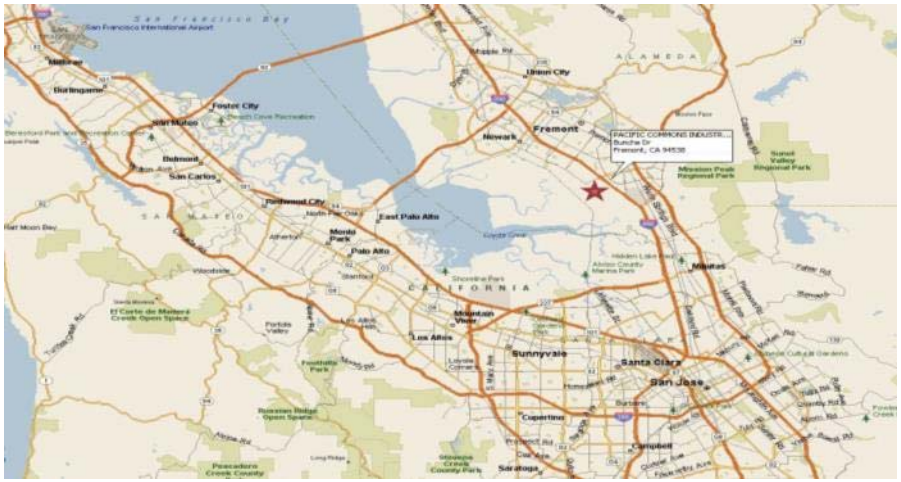
Industrial ◆ Fremont, California (San Jose MSA)

Transaction highlights (closed 01/20/2017)

- Acquisition of 111 acres of contiguous, unimproved land with the intent to develop a ten building, 1.7 million square foot warehouse and advanced manufacturing industrial park.
- Delivering state-of-the-art product in a supply constrained market with a vacancy rate below 3% with a best-in-class partner.
- Pacific Commons benefits from ease of access to Interstate 880, proximity to 1.2MM SF of retail amenities, and future light rail. Tesla's nearby 5.5MM SF headquarters facility and associated suppliers is expected to drive significant additional tenant demand.

Key Statistics

Land purchase price:	$123.3 million
Total development budget:	$298.6 million
Price per SF:	$174
Untrended return on cost:	5.62%
Year 5 unleveraged IRR:	9.85%
Year 5 leveraged IRR:	13.09%



Source: Invesco Real Estate as of January 2017. For illustrative purposes only. It does not constitute recommendation or advice. Returns stated are based on Invesco Real Estate's underwriting at acquisition.

Biscayne 27

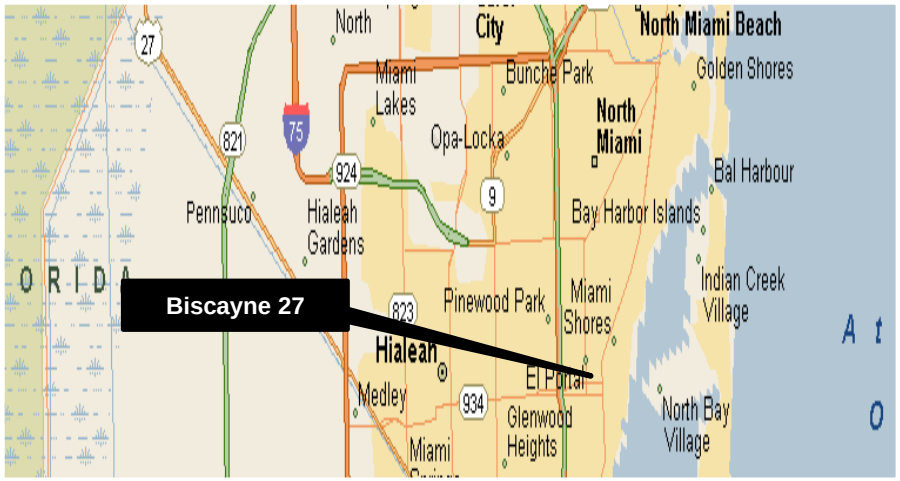
Apartment ◆ Miami, Florida

Transaction Highlights (closed 05/03/2016)

- Joint venture with The Richman Group to develop a 330 unit, eight-story midrise apartment building with 10,000 square foot ground floor retail located in the Midtown submarket of Miami.
- Build to core strategy in an excellent location on Biscayne Boulevard within close proximity to Wynwood and Design District neighborhoods.
- Building will offer a ground floor pool deck with bar, grills and private cabanas along with a garage rooftop deck featuring an outdoor bar, grilling stations, bocce ball court, and a plunge pool while offering views of downtown Miami.
- Groundbreaking scheduled for the end of 2016 with delivery in the summer of 2018.

Key Statistics

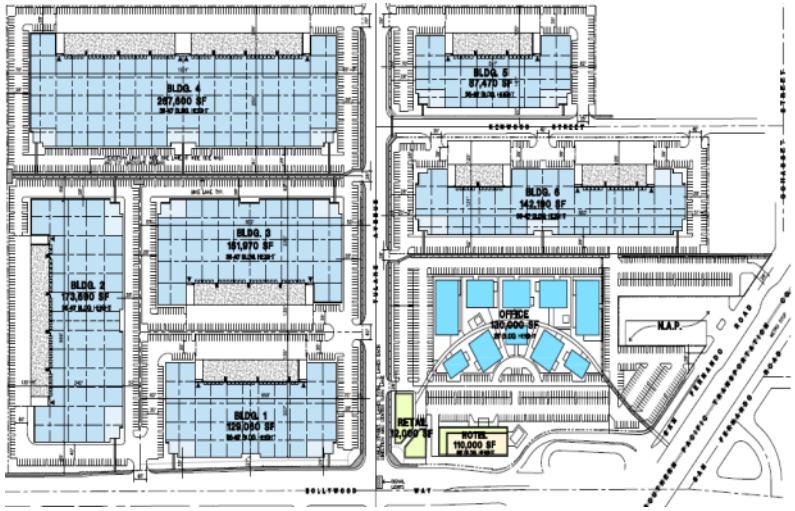
Total Development Budget:	$107.7 million
Price per Unit:	$326,305
Return on Cost (Untrended)	5.71%
Return on Cost (Trended)	6.34%
Year 5 Unleveraged IRR:	8.48%
Year 5 Leveraged IRR:	14.35%



Source: Invesco Real Estate as of May 2016. For illustrative purposes only. It does not constitute recommendation or advice. Returns stated are based on Invesco Real Estate's underwriting at acquisition.

OMP Burbank

Industrial ◆ Burbank, California



Transaction Highlights (closed 04/14/2016)

- Acquisition of 61.5 contiguous acres in the infill market of Burbank, California for the development of a 951,980 SF state-of-the-art industrial manufacturing and distribution industrial park, 130,000 SF of low-rise, creative office, and 12,000 SF of supporting retail.
- The site provides superior access to the market by being adjacent to the Bob Hope Airport and providing less than 2-turn connectivity to Interstate 5, Interstate 405 and US Highway 101.
- Opportunity to capitalize on an inefficient market characterized by outdated industrial product, but yet is still less than 1% vacant and lacks a single available building larger than 100,000 SF.
- The venture will capitalize on the unmet demand for trailer storage and parking to generate interim income prior to development, helping offset pre-development costs.

Key Statistics

Purchase Price:	$69.5 million
Total Development Budget (Industrial):	$154.7 million
Price per SF (Industrial):	$162
Untrended ROC:	6.3%
Year 5 Unleveraged IRR:	9.91%
Year 10 Unleveraged IRR:	8.17%

Source: Invesco Real Estate as of April 2016. For illustrative purposes only. It does not constitute recommendation or advice. Returns stated are based on Invesco Real Estate's underwriting at acquisition.

4th and Colorado

Retail ◆ Santa Monica, California

Transaction Highlights (closed 02/23/2016)

- "Main & Main" located bank branch at the intersection of the Expo Line Terminus, the Colorado Esplanade, and within walking distance to Santa Monica Place Mall and Third Street Promenade (Walk Score of 93).
- Opportunity to redevelop the existing free standing bank branch into a jewel box retail destination featuring high ceilings, floor to ceiling glass, off-street parking and an addition 950 SF (5,660sf).
- Current Market Rents on Third Street Promenade are $240-$360/SF NNN with Retail Sales exceeding $1,000/SF - the Apple Store exceeds $4,000/SF.
- The site has the potential for future multifamily development and ICRE envisions a 57-unit, Type-I constructed mixed-use tower upon receipt of entitlements.

Key Statistics

Purchase Price:	$15.7 million
Total Budget:	$17.8 million
Price per SF:	$3,139
Year 4 NOI Yield:	4.79%
Year 10 Unleveraged IRR*:	6.39%

*Does not consider future multi-family development potential.

Source: Invesco Real Estate as of February 2016. For illustrative purposes only. It does not constitute recommendation or advice. Returns stated are based on Invesco Real Estate's underwriting at acquisition.

Clayton Lane

Retail / Mixed-Use Development ◆ Denver, Colorado

Transaction Highlights (closed 01/29/2016)

- Off-market JV acquisition with OliverMcMillan of a 182,802 SF, Class A, 89% leased retail center in the Cherry Creek submarket of Denver.
- Irreplaceable "main and main" location in Cherry Creek - considered Denver's premier shopping destination.
- The asset is anchored by Whole Foods and Crate & Barrel.
- Excellent demographics include an Avg. HH income of $155,072 within a one mile radius and median home value of $645,838.
- Purchase includes the rights to redevelop the currently vacant Sears site and construct two eight-story buildings containing 292 apartment units above 64,952 SF of new street retail with four levels of subterranean parking.

Key Statistics

Purchase Price:	$169.9 million
Retail Price per SF (Allocated):	$749
Retail Going-in Cap Rate (Allocated):	4.23%
Year 6 Income Return (Unleveraged)*:	6.31%
Year 10 Unleveraged IRR*:	7.61%
Year 10 Structured IRR*:	9.46%

*Note: Includes redevelopment.

Source: Invesco Real Estate as of January 2016. For illustrative purposes only. It does not constitute recommendation or advice. Returns stated are based on Invesco Real Estate's underwriting at acquisition.

The Royce f/k/a Village at Park Place

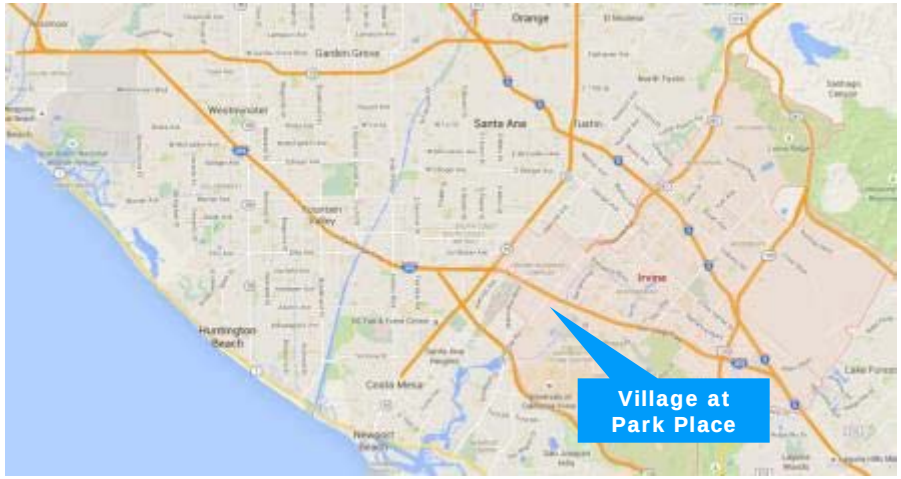
Apartment ◆ Irvine, California

Transaction highlights (closed 04/15/2015)

- Development of a 520-unit, Class "A+" apartment project within the 105-acre mixed use Park Place Campus.
- Park Place Campus contains 2.6 million SF of office, 161,000 SF of retail, and 232 luxury condominiums.
- The Property's units include stainless steel appliances, 9' ceilings, full size washers and dryers and structured parking.
- Common area amenities include a rooftop sun deck, resort style pool and a state-of-the-art fitness and conference center.
- The property's central location provides quick access to shopping, employment, and entertainment destinations.
- Park Place has excellent access to the surrounding freeway system and is proximate to the John Wayne Airport.

Key statistics

Total projected development cost:	$188.2 million
Cost per unit:	$361,851
Return on cost (untrended):	4.55%
Return on cost (trended):	6.13%
Year 5 unleveraged IRR:	6.81%
Year 5 leveraged IRR:	9.77%



Source: Invesco Real Estate as of April 2015. For illustrative purposes only. It does not constitute recommendation or advice. Returns stated are based on Invesco Real Estate's underwriting at acquisition.

Legacy West

Mixed Use (Retail/Office/Apartment) ◆ Plano, Texas (Dallas)

Transaction Highlights (closed 02/04/2015)[1]

- Off-market acquisition of a 34.9 acre land parcel[1] to develop a mixed-use retail, office and apartment project.
- The development will include 670,000 SF of Class A office and retail space designed as a lifestyle open-air shopping center featuring a combination of contemporary retailers, best in class restaurant operators and differentiated office suites.
- Incorporated throughout the development will be 621 Class A apartment units with first class amenities.
- Excellent location at the heart of Legacy Business Park – the future home of Toyota North America's 2.1million headquarter building, plus regional campuses for JPM Chase and Liberty Mutual.
- Retail Grand Opening occurred on June 2nd, 2017.

Key Statistics

Land Purchase Price[1]:	$28.3 million
Price per Land SF:	$18.66
Total Projected Development Cost[2]:	$368.7 million
Trended Return on Cost[2]:	7.90%

Leasing Update (06/30/2018)

Apartments:	97.3%
Commercial (Office/Retail):	82.1% / 88.2%

Source: Invesco Real Estate. For illustrative purposes only. It does not constitute recommendation or advice.

[1] First close on 34.9 acre parcel. Subsequent transactions included an 8-acre purchase on 04/28/2016 and a 7.1 acre disposition on 05/25/2017.

[2] Invesco Real Estate as of May 2017.

33 Tehama

Apartment ◆ San Francisco, California

Transaction highlights (land closed 08/05/2014)

- Build-to-hold development opportunity with joint venture partner Hines to construct a 403 unit, transit-oriented, Class "A+" apartment project in the Transbay District of San Francisco, CA.
- The project will be a LEED Certified, 35-story building with a 3-level subterranean parking garage and 822 square feet of ground floor retail.
- The site is located two blocks south of the under construction $4.7 billion Transbay Transit Center and $1 billion Transbay Office Tower.
- Upon completion in 2017, these projects will serve 100,000 travelers per day and feature 1.3 million square feet of new Class "A" office space and 60,000 square feet of new retail space.

Key statistics

Total project cost:	$258.4 million
Cost per unit:	$641,000
Cost per SF:	$917
Untrended return on cost:	4.86%
Trended return on cost:	5.97%
Year 6 structured IRR:	11.02%

Source: Invesco Real Estate as of August 2014. For illustrative purposes only. It does not constitute recommendation or advice. Returns stated are based on Invesco Real Estate's underwriting at acquisition.

Appendix 2
Market update

US real estate investment context – H1 2018

Maturing cycle calls for resilient strategies

Where we are:

- The economic cycle continues to mature.
- Embedded revenue remains favorable, but is slowing.
- Absolute and relative pricing are historically high.
- Few markets are expected to match long-term returns.

What we intend to do:

- Emphasize bottom-up execution and asset selection.
- Focus on long-term outperforming markets.
- Exercise caution where new supply has been persistent.
- Invest in sectors benefiting from secular trends.

Image: San Francisco, California is a market that has demonstrated deep demand and dynamic long term growth.
Source: Invesco Real Estate April 2018

US real estate fundamentals

Mature cyclical demand; mixed effects of secular demand; supply a wildcard

Apartments: Demand remains strong but new supply is now impacting occupancy and rent growth

Office: Supply has picked up; demand is moderating as is rent growth

Industrial: Robust demand; new supply increasing; robust rent growth expected to moderate

Retail: Occupancy declining, reflecting impact of online retail; rent growth varies across segments

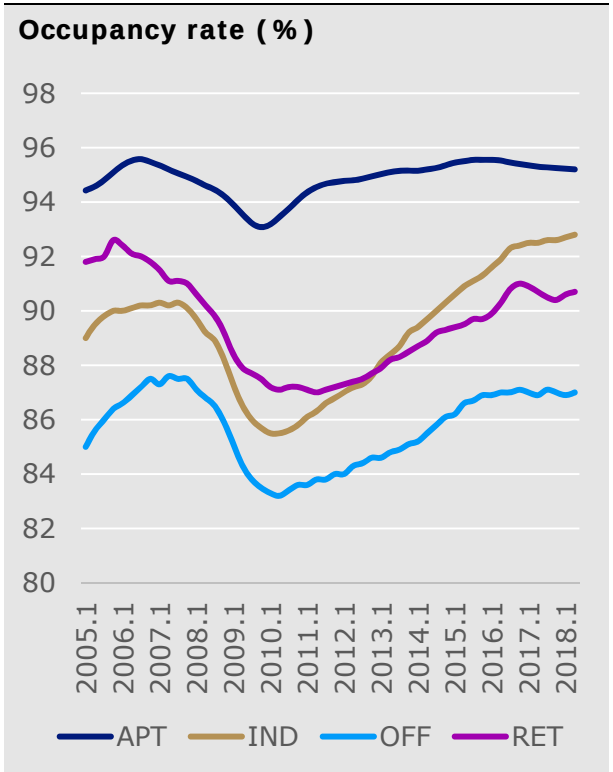
Short-term expectations

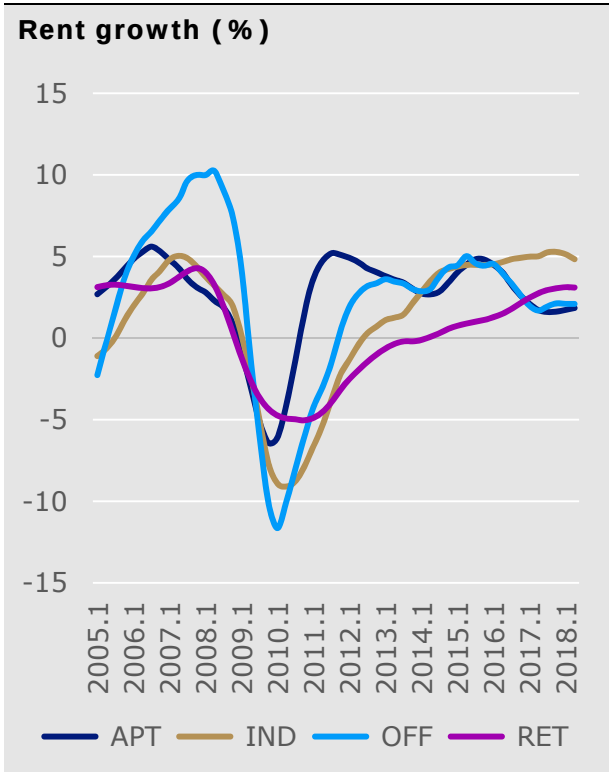
- Wage growth should fuel consumer spending and boost industrial and retail demand
- Tight labor conditions should further decelerate tenant demand growth for office
- Rising cost of labor, materials, and financing could curb construction starts

Source: Invesco Real Estate as of March 2018

US current real estate fundamentals

Occupancy high, but plateauing; rent growth varies across sectors





Tenant demand in general remains elevated across sectors with the exception of retail, which continues to experience fragmented conditions due to disruption from e-commerce.

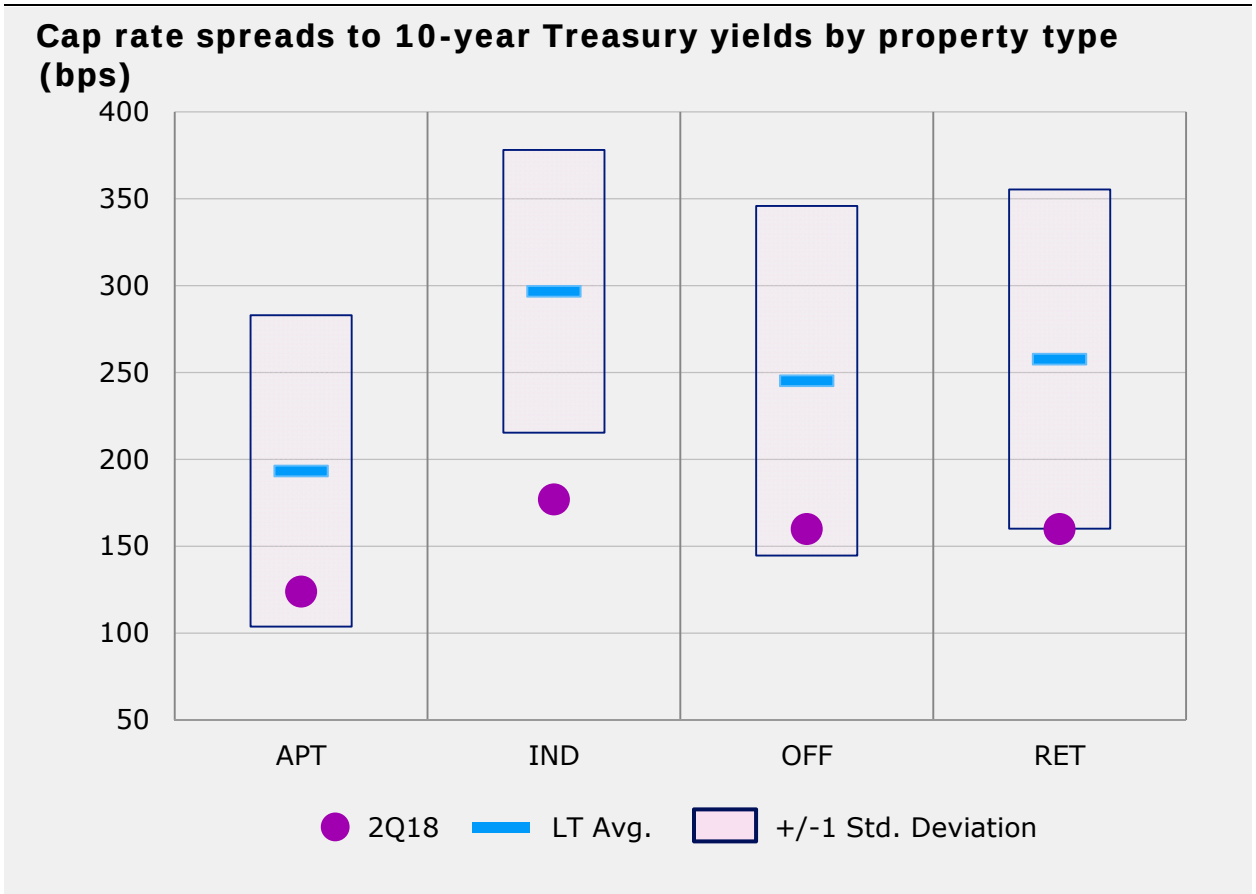
New construction has tempered rent growth; mostly in apartments, followed by office. Rising industrial supply is expected to trim what have been robust levels of rent growth.

While growth of face rents is moderating, in-place leases with below-market rents provide embedded revenue growth as leases expire.

Source: Invesco Real Estate using data from CBRE-EA as of August 2018

US private real estate relative pricing by sector

Structural shift may partly explain very low spreads for industrial



Since the recent increase in 10-year Treasury yields, implied cap rate spreads for all sectors have now moved well below their respective long-term average levels.

Implied spreads for the industrial sector have moved below the lower bound of the normal range. In broad terms, this would suggest that relative pricing for the industrial sector is least attractive.

That said, the secular shifts underway in the industrial sector may argue that a risk premium lower than the long term average may now be appropriate.

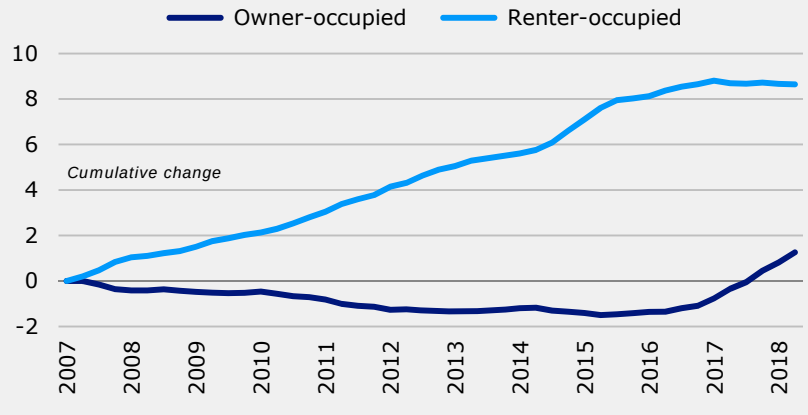
Historical average spreads reflect period from 1Q 1995 to 2Q 2018. Data reflects current value weighted market cap rates and spreads to 10 year US Treasury bonds (2.92 average, 2Q 2018).

Source: Invesco Real Estate using data from NCREIF and Moody's Analytics as of August 2018

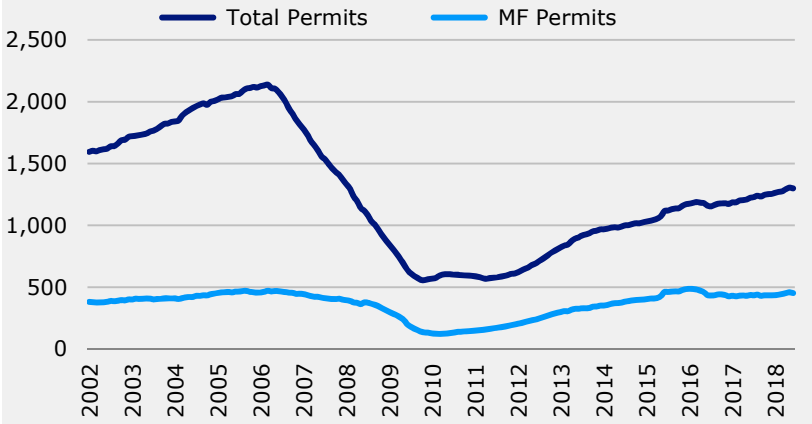
Apartment trends

Rising supply and strained affordability may temper near-term rent growth

Change in households by tenure since 2007 (mil.)



Permit issuance – trailing 12M total (ths. units)



Cyclical trends:

- National occupancy is just above long-term average.
- In high-cost markets, cumulative rent growth is constraining further rental gains.
- New supply has increased in most markets, and meaningfully exceeds long-term norms in several.
- One-third of new apartment construction is occurring in submarkets comprising <8% of total unit inventory.

Secular trends:

- Renters' housing needs will change as renters get older.
- Projected growth of prime renter population (25-34 years) remains positive over mid-term horizon.

Investment behaviors we pursue:

- Account for lifestyle shifts as apartment tenants age.
- Consider opportunities in low-supply exposure locations.
- Consider rehabs in locations with large rental rate spreads to new product.

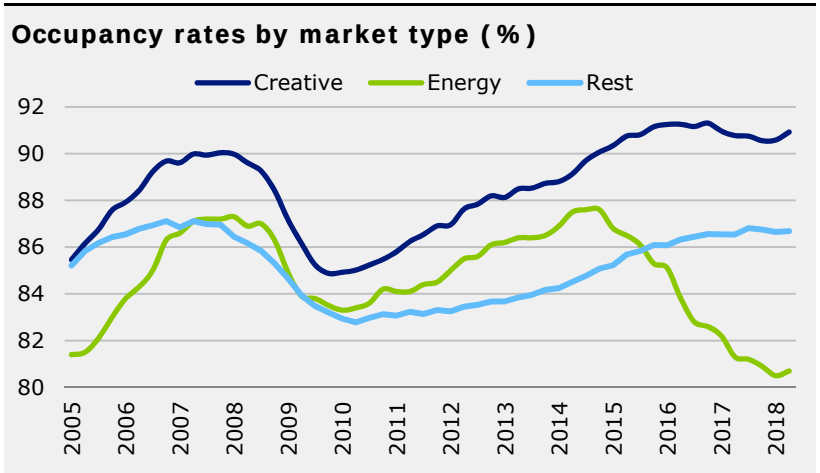
Investment behaviors we avoid:

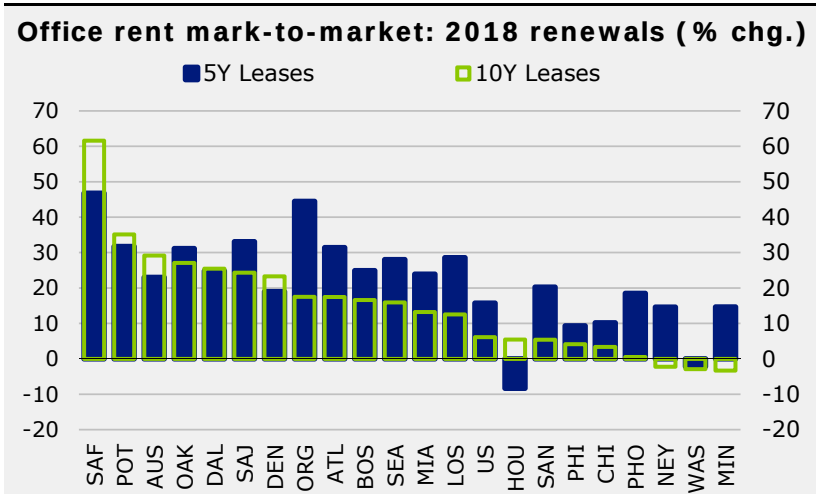
- Avoid buying apartments in over-supplied locations.
- Avoid rehabs with incurable attributes.

 Source: Invesco Real Estate based on data from CBRE-EA, Axiometrics, and Moody's Analytics as of June 2018

Office trends

Demand is slowing; newer buildings have dominated this cycle





Cyclical trends:

- Occupancy rates remain above long-term trends.
- Strongest fundamentals are in the tech/creative segment.
- Tenant leasing and absorption have decelerated.
- Supply has increased across several markets.
- Newer space has dominated leasing in this cycle.

Secular trends:

- Battle for talent is accentuating demand for newer, highly functional space in live-work-play locations.
- Co-working provides flexibility for tenants, yet uncertain credit risk for landlords.

Investment behaviors we pursue:

- Favor offices positioned to attract and retain talent.
- Trade rent growth for lease term on lease renewals.
- Identify and mitigate credit risk.
- Accelerate leasing on renewals and value-add.

Investment behaviors we avoid:

- Avoid chasing yield in last-in/first-out locations.

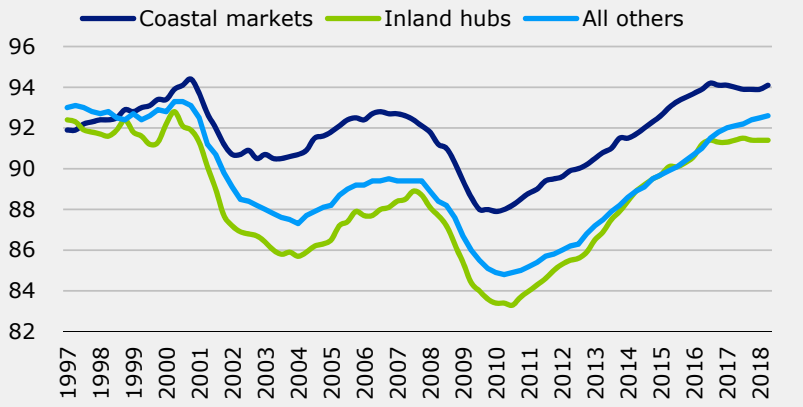
Creative markets: Austin, Boston, West LA, Midtown South NY, Portland, San Francisco, San Jose, Seattle. Energy markets: Houston, Denver, Pittsburgh. Rest includes the remaining 114 markets of the 126 tracked by CBRE-EA that are not creative or energy markets.

Source: Invesco Real Estate based on data from CBRE-EA, Moody's Analytics as of July 2018

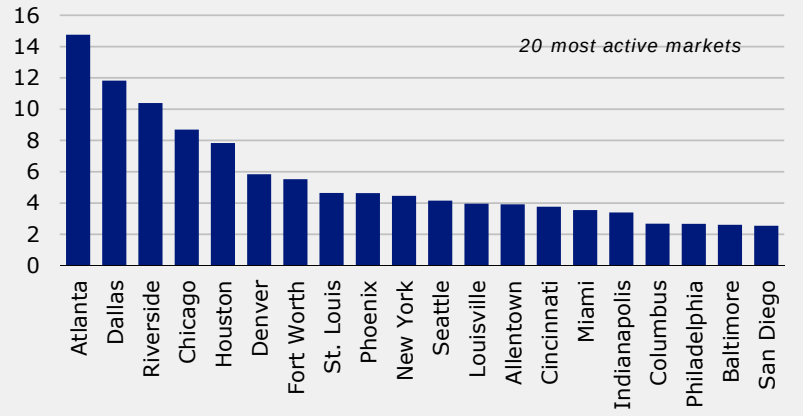
Industrial trends

Structural and cyclical tailwinds driving demand; supply response now underway

Industrial availability (%)



Industrial space under construction 2Q18 (SF, Mil.)



Cyclical trends:

- Occupancy remains high, but momentum has flattened.
- New supply is concentrated most in large bulk segment.
- Growing influence of access to labor on location decisions.

Secular trends:

- Demand for highly functional bulk space continues to be driven by rapid online sales growth.
- Demand for infill warehouse has increased in urban locations where population growth has led to density.

Investment behaviors we pursue:

- Overweight the large port, large population markets.
- Consider build-to-core opportunities.
- Assume lease-up risk on new buildings.
- Assemble infill properties in high-density locations.
- Consider warehouses with convertibility to other uses.

Investment behaviors we avoid:

- Avoid buying at peak cycle rents in locations with flat to negative long-term rent growth trends.
- Avoid buying in locations providing development tax incentives.

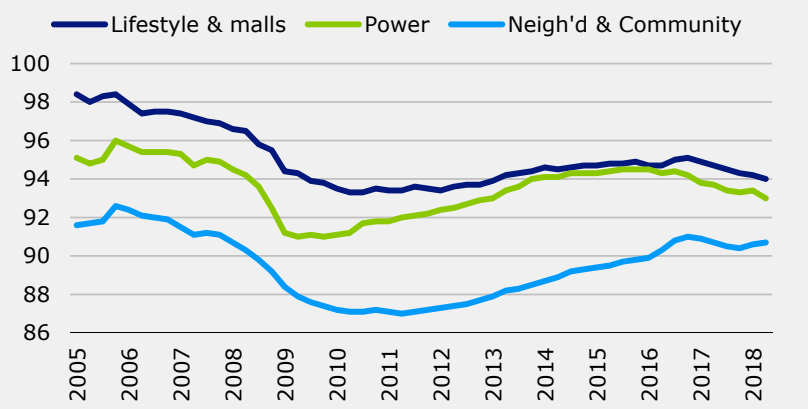
Coastal Markets: Seattle, San Jose, Oakland, Los Angeles, Orange County, Riverside, New York, Newark, Ft. Lauderdale, Miami, Houston. Inland Hubs: Atlanta, Chicago, Dallas, Fort Worth. All others include the remaining 111 markets of the 126 tracked by CBRE-EA that are not coastal markets or inland hubs.

Source: Invesco Real Estate based on data from CBRE-EA, Q2 2018

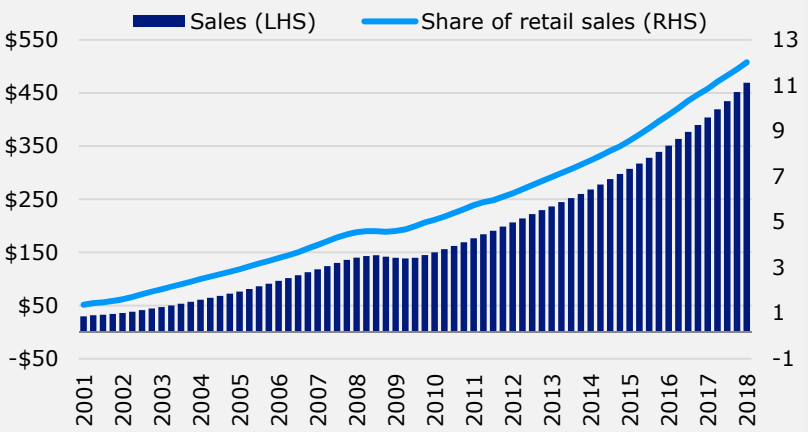
Retail trends

Ecommerce disruption continues; storefronts remain important, but may need fewer of them

Occupancy by center type (%)



E-commerce sales (rolling 4Q total, $bil. / %)



Cyclical trends:

- Expected wage gains should spur short-term retail sales.
- Construction across formats should remain limited.

Secular trends:

- Continued fragmented performance across property segments and store categories; winners vs losers
- Internet retail and shifting age demographics could constrain longer-term storefront spending trends.
- Retailers investing in online platforms are seeing revenue growth, but also earnings erosion.
- E-commerce formats are starting to selectively open bricks and mortar stores.

Investment behaviors we pursue:

- Deliver superior shopping experience and convenience.
- Favor high-density, moderate to under-retailed locations.
- Diversify tenant mix with services not replicable online.

Investment behaviors we avoid:

- In high-density locations, avoid marginal walkability.
- Avoid excessively large spaces and non-divisible spaces.

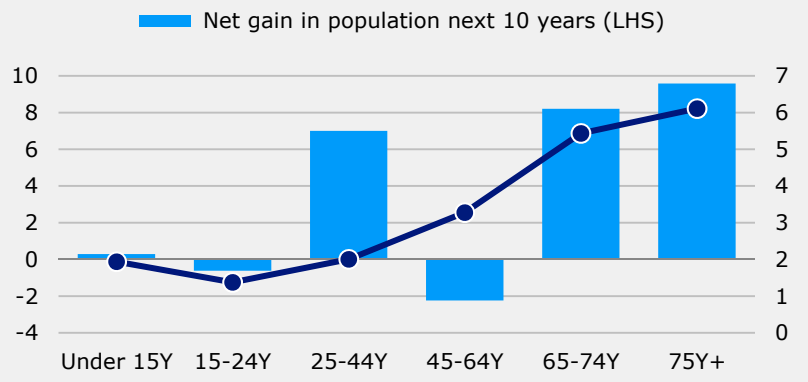
E-commerce sales are shown as a share of total retail sales, excluding autos and parts, food and drinking places, and fuel dealers.

Source: Invesco Real Estate based on data from CBRE-EA and Moody's Analytics as of July 2018

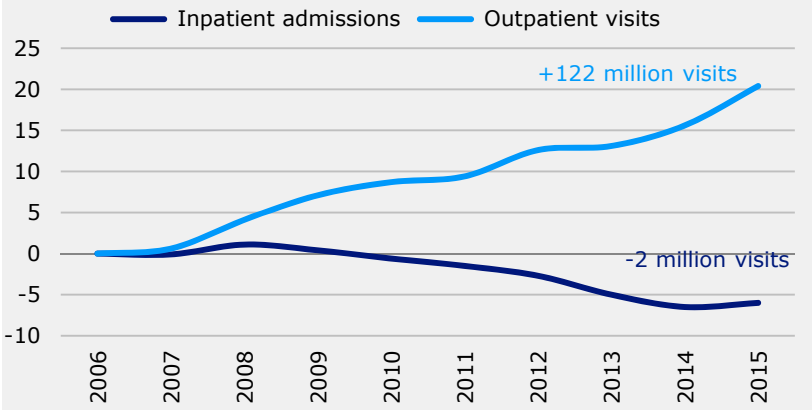
Medical office buildings (MOBs)

Aging demographics and shifts in healthcare delivery support MOB demand

Avg. annual doctor's office visits by age group (#) / Projected population growth (Mil.)



Cumulative change in total inpatient admissions and outpatient visits 2006-15 (%)



Cyclical trends:

- Cyclical durability supported by event-driven demand
- Occupancy rates remain elevated and stable
- New supply is modest; limited speculative development
- Healthcare spending growth continues apace

Secular tends:

- Rapid growth in seniors population; healthcare needs increase notably with aging
- Drive to deliver healthcare services in a more cost efficient setting favors MOBs over hospitals
- Technology enables more procedures to occur in MOBs
- Move to patient-centered delivery model favors push to off-campus MOBs

Investment behaviors to pursue:

- Focus on buildings anchored by leading regional healthcare providers/specialties
- Consider both on- and off-campus properties that play critical roles in healthcare delivery ecosystems
- Favor certificate-of-need states

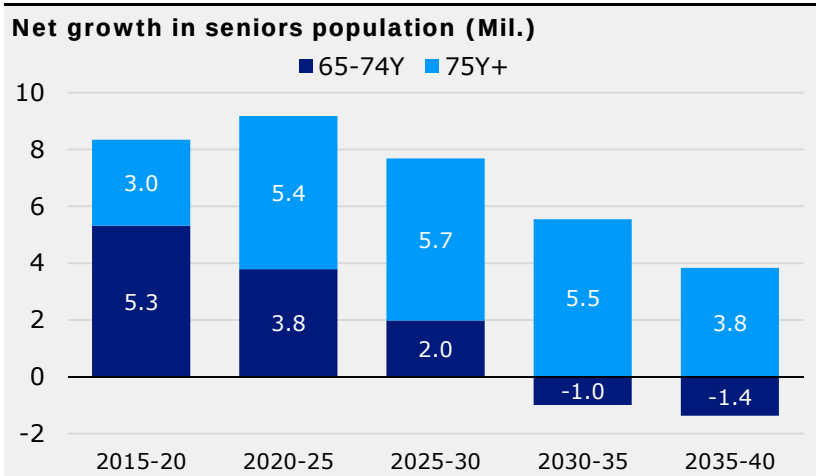
Investment behaviors to avoid:

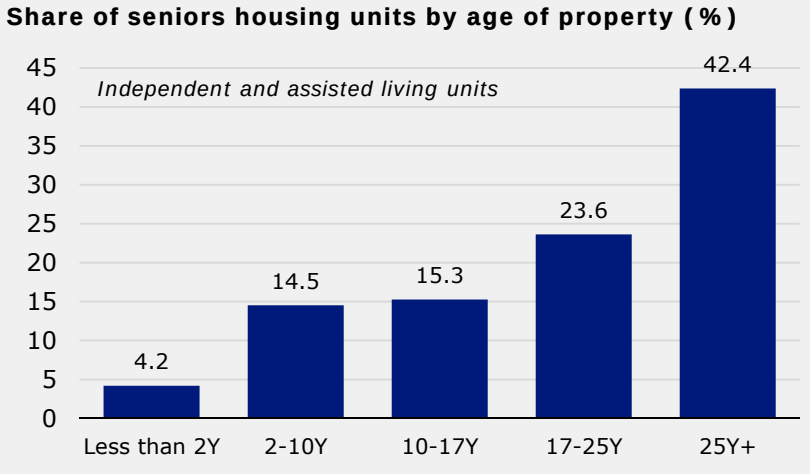
- Avoid stand-alone ER centers not associated with a major healthcare system

Source: Invesco Real Estate using data from the National Center for Health Statistics and Medpac/American Hospital Association as of August 2018

Seniors housing

Strong aging trend, need-driven demand, outdated existing product





Cyclical drivers:

- Need-driven demand providing cyclical durability
- Occupancy elevated but moderating
- Supply surge underway, focused on higher-acuity product; deliveries high, but starts slowing
- Emerging labor shortages impacting operating costs

Secular trends:

- Rapid growth of seniors, potentially doubling current demand for seniors units over next 20 years
- Existing inventory is dated; Boomer seniors desire amenity-focused product
- The ratio of adult children to seniors is declining; fewer caregivers may raise penetration rates

Investment behaviors to pursue:

- Favor newer product in higher income, higher growth locations, close to adult children
- Favor product with some combination of independent, assisted and memory care
- Develop in high income, low supply locations

Investment behaviors to avoid:

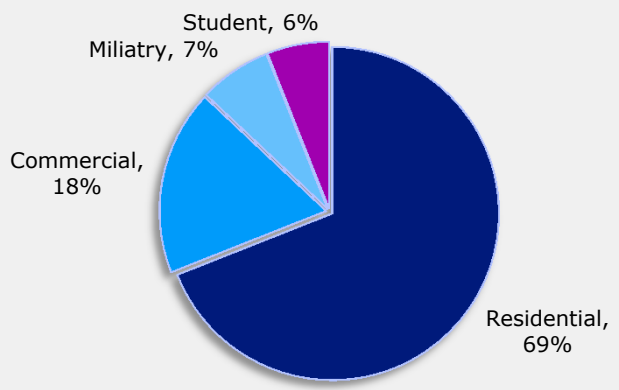
- Avoid older, outdated product
- Avoid larger properties
- Avoid high-supply locations

Source: Invesco Real Estate using data from Moody's Analytics and NIC as of August 2018

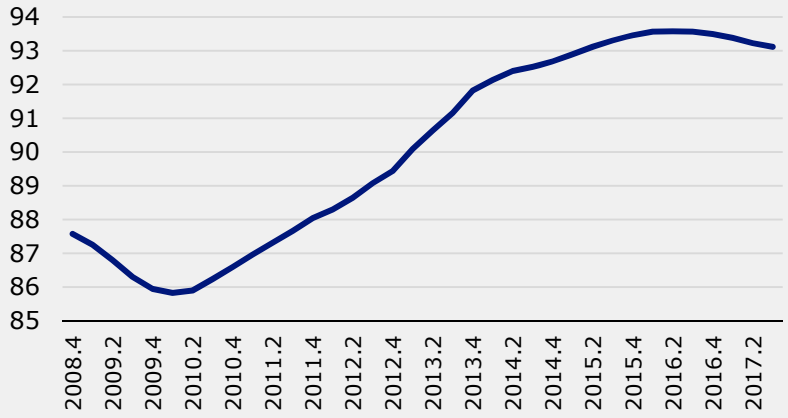
Self-storage

Broad demand base supports sector in both good and bad times

Self-storage renters by type: 2013 (%)



Self-storage occupancy rate: REITs (%)



Cyclical drivers:

- Growth and disruption drive utilization and provide durability through cycles
- Occupancy high and relatively stable
- But, new construction at historic levels and rising
- Supply weighing on revenue in high-supply locations; move-in specials pervasive

Secular drivers:

- Use of online media becoming more important to drive demand
- New product is differentiated from older units: climate controlled, 24-hour access and heightened security
- Institutionalization is at an early stage; opportunity to benefit from yield compression as the sector matures

Investment behaviors to pursue:

- Favor newer product in dense trade areas with below-average self-storage space/capita
- Consider new development in undersupplied trade areas

Investment behaviors to avoid:

- Avoid older, outdated product
- Avoid trade areas with self-storage space/capita that is well above average

Source: Invesco Real Estate using data from Self-Storage Association and REIT company reports as of August 2018

US real estate sector strategy implications – H1 2018

Be mindful of sector segmentation and asset differentiation

Apartment: good demand, favorable relative pricing, cyclical peak supply

- Changes in tax law will reduce incentives for home ownership and raise costs in more expensive locations.
- Performance differentiators are expected to be exposure to new supply and suitability of unit mix.

Office: wide gap between winners/losers; durability for best locations and differentiated assets

- Focus on differentiated product located in value-creation clusters that attract a high-skill workforce.
- Remain wary of undifferentiated assets and commodity locations lacking walkability.

Industrial: best near-term growth but high relative pricing

- Strategic focus on markets with both large ports and large populations.
- Basis matters and will drive our decisions regarding buying and building.

Retail: solid historical performance, but future uncertainty

- Fragmented conditions lead us to focus on high-density locations that support high store sales productivity.
- Barbell strategy of "where I need to shop" (necessity retail) and "where I want to shop" (experiential retail).

Specialty sectors: long-term secular trends distinguish sector opportunities

- Accelerating growth of seniors population supports demand for medical office and seniors housing.
- Self-storage is experiencing cycle-high supply growth; student housing faces challenging demand trends.

Source: Invesco Real Estate as of March 2018.

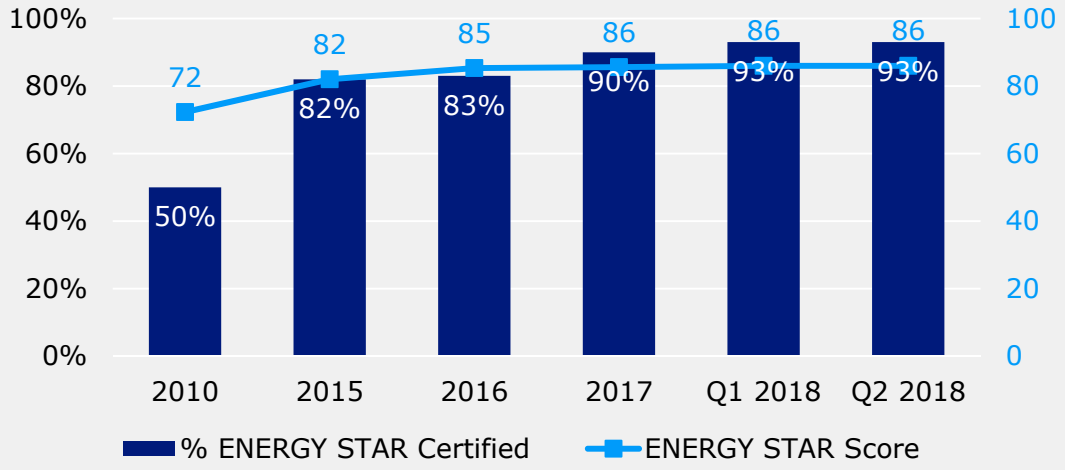
Appendix 3

Invesco energy & sustainability program

Invesco Core Real Estate-U.S.A.

Energy & sustainability program: Performance indicators – Q2 2018

ENERGY STAR Certifications (Office Properties Only)



Green Building Certifications

- **A total of 13.9 million square feet was certified**

Property Type	% Certified
Office	77.5%
Multifamily	68.4%
Retail	25.6%
Industrial	22.1%

Our ESG program is aligned with INREV, GRESB, GRI and UNPRI. Data provided herein has been reviewed by LORD Green Strategies and represents a snapshot of current performance.

Energy & sustainability program: Elements

- Complete Global Real Estate Sustainability Benchmark (GRESB) annually.
- Conduct ESG assessments during due diligence.
- Benchmark and monitor all landlord-controlled energy, water and waste consumption/cost in ENERGY STAR Portfolio Manager.
- Take a managed approach to the procurement of energy in deregulated energy markets.
- Provide Energy & Sustainability Guidelines & Requirements to Office and Apartment Service Providers.
- Track the implementation of energy, GHG emissions, water and waste reduction measures as well as sustainable practices including health & well-being, indoor environmental quality, resilience and tenant & community engagement strategies in the annual ESG Survey and ABP/Budget process for all property types.
- Evaluate feasibility of pursuing green building certifications such as LEED.
- Provide Green Living Guide for residents and Sustainable Office Handbook and Sustainable Office Checklist for commercial tenants.
- Conduct tenant/resident satisfaction surveys annually

 This report is aligned with INREV Sustainability Reporting Recommendations and the sustainability data has been reviewed by LORD Green Real Estate Strategies, Inc.

Appendix 4

Invesco Core Real Estate–U.S.A. terms, legal structure, performance (net) & historical fund growth

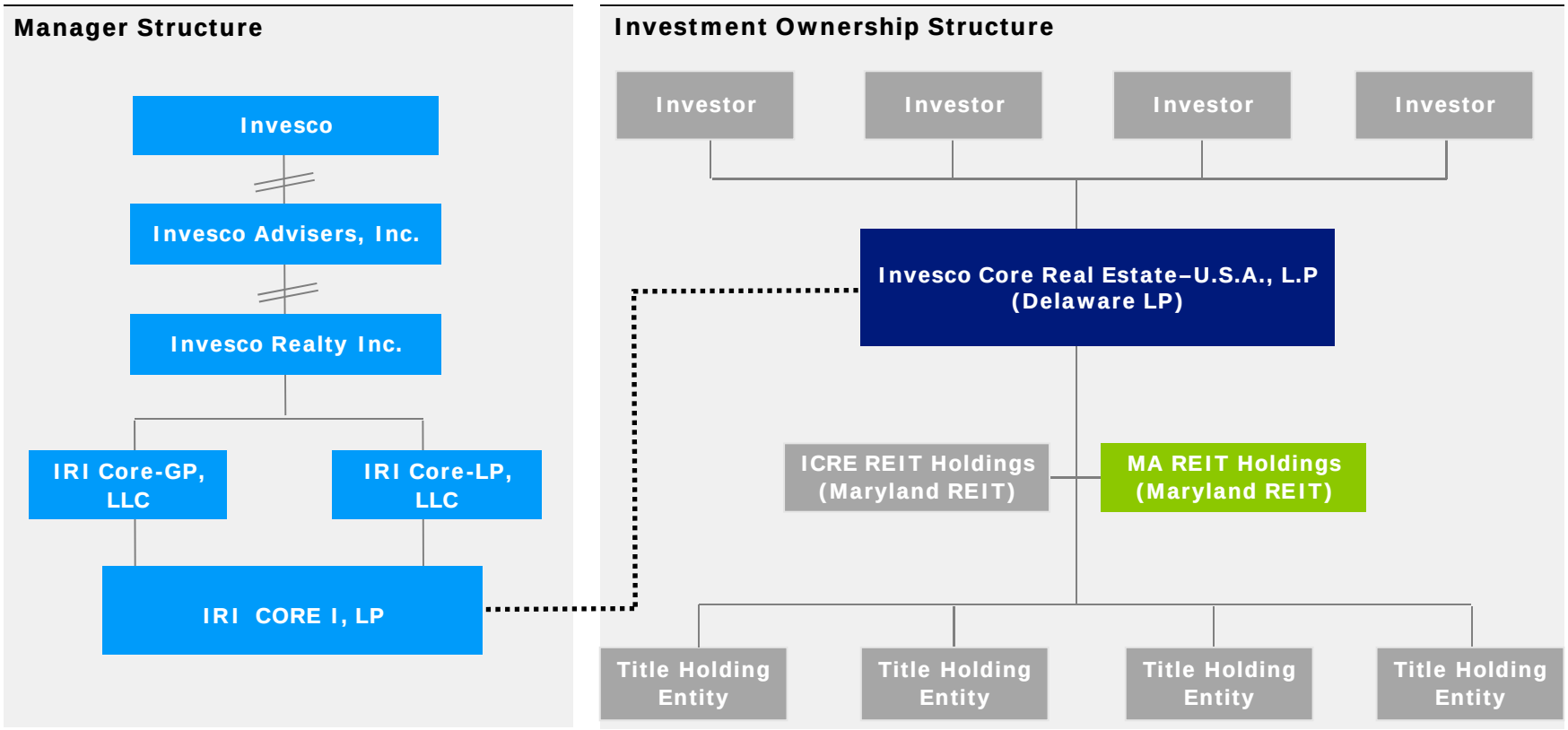
Invesco Core Real Estate–U.S.A., L.P.

Terms

Investment strategy:	Core real estate (apartment, retail, industrial, office)
Geographic focus:	Major metropolitan areas within the united states
Leverage:	Maximum of 35% loan-to-value
Structure:	A Delaware limited partnership; open-ended
Eligible investors:	Public pension funds, corporate pension funds, jointly trusteed benefit plans, foundations, endowments, banks, insurance companies, charitable trusts, high net worth individuals, and non-us investors
Minimum investments:	$10,000,000
Investment management fee:*	For investors whose subscription is: ▪ Greater than $25 million – 0.9% of NAV ▪ $15 million to $25 million – 1.0% of NAV ▪ $0 million to $15 million – 1.1% of NAV The portion of the contribution in excess of $75 million and up to $175 million – 0.8% of NAV The portion of the contribution in excess of $175 million – 0.7% of NAV

* Please review Invesco Core Real Estate–U.S.A., L.P. PPM for complete information about the fund terms.

ICRE Legal Structure

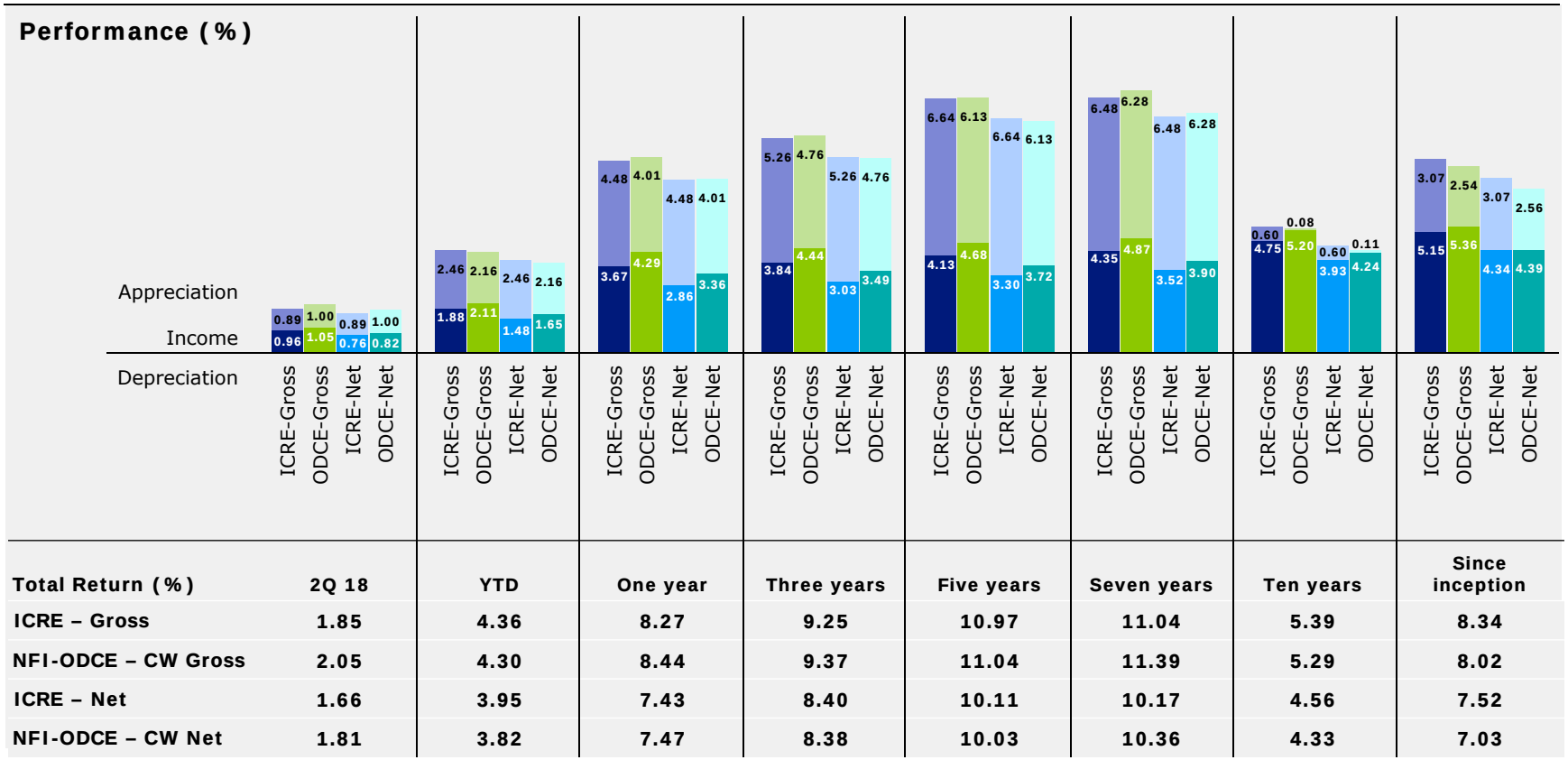


 Source: Invesco Real Estate as of June 30, 2018.

Performance (gross and net)

As of June 30, 2018

- **Strong absolute and relative performance across multiple market cycles.**

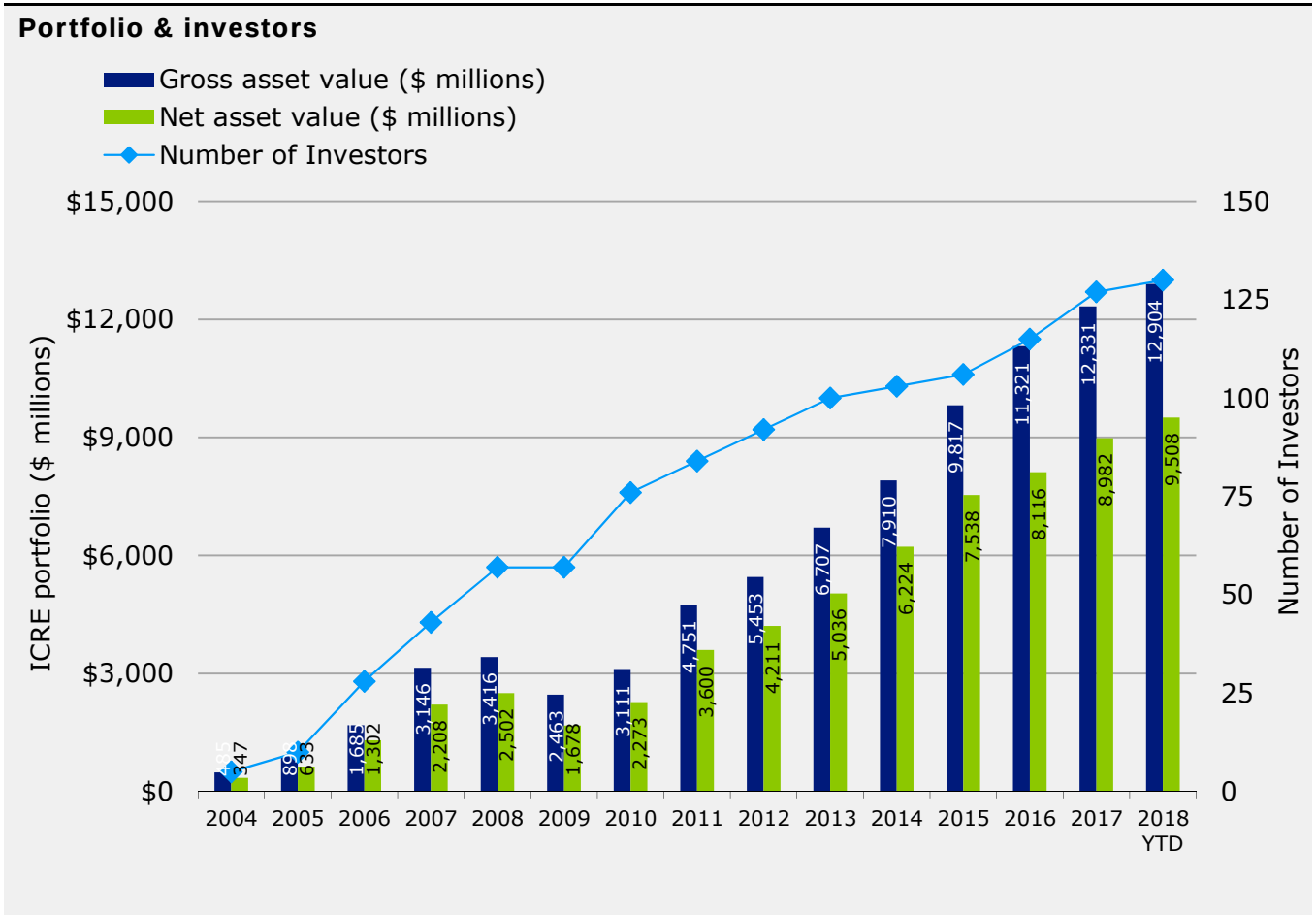


Total Return (%)	2Q 18	YTD	One year	Three years	Five years	Seven years	Ten years	Since inception
ICRE – Gross	1.85	4.36	8.27	9.25	10.97	11.04	5.39	8.34
NFI-ODCE – CW Gross	2.05	4.30	8.44	9.37	11.04	11.39	5.29	8.02
ICRE – Net	1.66	3.95	7.43	8.40	10.11	10.17	4.56	7.52
NFI-ODCE – CW Net	1.81	3.82	7.47	8.38	10.03	10.36	4.33	7.03

This chart reflects the fund performance of the Invesco Core Real Estate-U.S.A., LP as of 06/30/2018. The fund inception date is 09/30/2004. This performance information is supplemental to the Global Investment Performance (GIPS®) compliant presentation of the Invesco North American Direct Real Estate Composite which includes more complete information about the Composite's construction and performance. A complete list of composites and performance results is available upon request. Past performance is not a guarantee of future results.

Historical Fund Growth

As of June 30, 2018



- **Successful management through multiple cycles**

Source: Invesco Real Estate accounting, internal, unaudited results.

Capital Contributions

As of June 30, 2018

Status of Invesco Core Real Estate–U.S.A.

	Net Asset Value
Current Net Asset Value	
June 30, 2018	$9,507,962,352
July 2018 Capital Call	157,582,936
July 2018 Redemptions	(40,000,000)
	$9,625,545,288
Investor Commitments	
Signed	41,370,000
In Documentation	275,000,000
Fully Invested NAV [1]	**$9,941,915,288**

ICRE ended the quarter with 130 investors

[1] At Current Valuations

Source: Invesco Real Estate internal reporting

Investment Objectives and Portfolio Construction

	Current Allocation			Recommended Allocations		
Strategy	**%**	**Income Return**	**Total Return**	**%**	**Income Return**	**Total Return**
7.75% overall return target						
US Core	100%	3.0%	7%	70%	3.0%	7%
US Value-Added	0%	0%	12%	30%	0%	12%
Total	**100%**	**3.0%**	**7%**	**100%**	**2.1%**	**8.5%**

NOTE: Return expectations shown above are Net of Fees

Source: Invesco Real Estate. Return expectations are estimates reflecting current market conditions as of May 2018, are provided for illustrative purposes only, and are subject to change. It is not known if return expectations will be met.

Appendix 5
Team biographies

Invesco Core Real Estate–U.S.A.

Dedicated team

William C. Grubbs Jr.
Managing Director
Portfolio Management

- 28 years' real estate experience
- Joined Invesco Real Estate in 2005

Michelle Foss
Senior Director
Portfolio Management

- 21 years' real estate experience
- Joined Invesco Real Estate in 2014

Chad Provost
Director
Portfolio Management

- 13 years' real estate experience
- Joined Invesco Real Estate in 2013

Chris Belosic
Associate Director
Portfolio Management

- 3 years' real estate experience
- Joined Invesco Real Estate in 2018

Beth Worthy
Director
Portfolio Management

- 17 years' real estate experience
- Joined Invesco Real Estate in 2006

Thomas Threadgill
Associate
Portfolio Management

- 5 years' real estate experience
- Joined Invesco Real Estate in 2015

Trent Heiner
Associate
Portfolio Management

- 4 years' real estate experience
- Joined Invesco Real Estate in 2017

Melissa Neckar
Associate Director
Portfolio Management

- 33 years' real estate experience
- Joined Invesco Real Estate in 2000

Source: Invesco Real Estate as of June 30, 2018.

Invesco Core Real Estate–U.S.A.

Key contacts

Client Portfolio Management

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Managing Director
Global Head of Client Portfolio Management

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Senior Director

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Director

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Tracey Luke
Senior Director

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Lauren Goodman
Senior Associate

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E: lauren.goodman@invesco.com

Source: Invesco Real Estate as of June 30, 2018.

Appendix 6
Performance disclosures

Invesco Core Real Estate-U.S.A.

Performance information

This performance information is supplemental to the Global Investment Performance (GIPS®) compliant presentation of the Invesco North American Direct Real Estate Composite which includes more complete information about the Composite's construction and performance. A complete list of composites and performance results is available upon request.

The returns are leveraged total returns, calculated at an investment level following the Modified Dietz methodology. The net of fee returns are based on the actual fees charged to current fund investors. Future investor's fees could differ based on the size of their investment. The highest potential fee would be 1.1% of NAV assuming a minimum investment of $10 million. Please see fund documents for more detailed information on fund fees. The NCREIF Fund Index-Open-End Diversified Core Equity (NFI-ODCE) returns are reported on a leveraged, investment level basis. The index returns are shown on both a capitalization weighted and equal weighted basis, gross of fees, time-weighted return. The inception date of the index is 01/01/78.

An investor should only invest in the Fund as part of an overall investment strategy and should not construe that the performance of earlier investments by Invesco as providing any assurances regarding the future performance of the fund. There can be no assurance that the Fund will meet its investment objective.

Investment funds are speculative and involve a high degree of risk. Real property investments are subject to varying degrees of risk including market, leasing and environmental risks; an investor could lose all or a substantial amount of its investment; there is no secondary market nor is one expected to develop for investments in the Fund; there are certain restrictions on transferring interests in the Fund; the Fund is expected to be leveraged; the Fund's performance may be volatile; and the Fund includes management fees and expenses that will reduce returns. Please review the Risk Factor section of the Private Placement Memorandum for a complete discussion. Past performance is not indicative of future results.

Invesco North American Direct Real Estate Composite

Schedule of investment performance

	Composite Gross-of-Fees Returns					NCREIF NFI-ODCE Index Benchmark			Composite Statistics at Year End				
Year	Income Return	Capital Return	Total Return	Range of Returns	Composite Net-of-Fees Returns Total Return	Income Return	Capital Return	Total Return	Number of Portfolios	Composite Assets (USD Million)	External Appraisal % of Composite Assets	Total Firm Assets (USD Billion)	Non-Real Estate % of Composite Assets
2017	4.1%	3.8%	8.0%	-3.0% - 17.2%	7.2%	4.3%	3.2%	7.6%	15	16,646.0	78.48%	660.3	0.0%
2016	4.4%	5.8%	10.4%	6.0% - 24.7%	9.4%	4.5%	4.1%	8.8%	15	15,309.0	80.51%	599.4	0.0%
2015	4.7%	10.4%	15.5%	5.6% - 33.7%	14.6%	4.8%	9.9%	15.0%	20	13,865.1	83.05%	575.1	0.0%
2014	5.0%	7.3%	12.6%	(1.6%) - 29.6%	11.6%	5.0%	7.2%	12.5%	20	11,821.1	79.18%	584.9	0.0%
2013	5.1%	8.5%	13.9%	(0.2%) - 36.0%	13.0%	5.2%	8.3%	13.9%	19	9,657.5	73.89%	572.8	0.0%
2012	5.5%	4.3%	10.0%	2.9% - 27.9%	9.0%	5.4%	5.3%	10.9%	18	8,232.4	72.14%	497.1	0.0%
2011	6.0%	13.5%	20.1%	7.6% - 56.2%	19.1%	5.5%	10.1%	16.0%	17	7,452.0	74.83%	479.8	0.0%
2010	7.0%	9.0%	16.5%	1.8% - 96.7%	15.6%	6.6%	9.2%	16.4%	17	5,037.3	66.65%	475.3	0.0%
2009	6.5%	(32.8%)	(28.0%)	(75.4%) - (7.2%)	(28.4%)	6.1%	(34.1%)	(29.8%)	16	3,809.3	77.52%	298.2	0.0%
2008	5.0%	(13.7%)	(9.2%)	(74.0%) - 6.6%	(9.3%)	4.8%	(14.3%)	(10.0%)	16	5,261.0	84.28%	254.6	0.0%
2007	5.4%	10.2%	16.0%	1.0% - 51.7%	14.4%	5.2%	10.3%	16.0%	14	5,285.4	66.32%	328.6	0.7%
2006	6.1%	12.1%	18.7%	(51.1%) - 37.9%	17.3%	5.8%	10.0%	16.3%	17	4,453.4	64.20%	243.8	0.0%
2005	6.7%	14.1%	21.5%	(10.7%) - 33.6%	20.1%	6.6%	14.1%	21.4%	17	15,309.0	62.04%	174.6	0.0%
2004	7.6%	7.9%	16.0%	3.2% - 47.4%	14.4%	7.1%	5.6%	13.1%	16	13,865.1	49.47%	168.0	0.0%
Annualized Returns													
3 Year	4.4%	6.6%	11.3%		10.4%	4.5%	5.7%	10.4%					
5 Year	4.7%	7.1%	12.0%		11.1%	4.8%	6.5%	11.5%					
7 Year	5.0%	7.6%	12.9%		11.9%	5.0%	6.8%	12.1%					
10 Year	5.3%	0.5%	5.9%		5.1%	5.2%	-0.2%	5.0%					
Since Inception	7.4%	3.4%	11.0%		9.9%	7.2%	1.4%	8.7%					

Invesco Worldwide has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®).
The composite creation date is January 2008 and the Since Inceptions returns are as of April 1, 1992.

Invesco North American Direct Real Estate Composite

Performance notes

Compliance Statement

Invesco Worldwide claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Invesco Worldwide has been independently verified for the periods 1st January 2003 through 31st December 2017. The legacy firms that constitute Invesco Worldwide have been verified since 2001 or earlier. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies are designed to calculate and present performance in compliance with GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

The Firm

Invesco Worldwide ("The Firm") manages a broad array of investment strategies around the world. The Firm comprises U.S.-based Invesco Advisers, Inc. (excluding Unit Investment Trusts) and all wholly owned Invesco firms outside of North America (excluding Invesco India and Source Investment Management Limited). All entities within the Firm are directly or indirectly owned by Invesco Ltd. Invesco Canada Ltd. is also a GIPS-compliant firm whose assets are managed by a subsidiary of Invesco Ltd.

Invesco Senior Secured Management, Inc., Invesco Private Capital, Inc., and Invesco Capital Management LLC are affiliates of the Firm. Each is an SEC-registered investment adviser and is marketed as a separate entity.

Invesco Great Wall Fund Management Co. Ltd is a fund management company established under China Securities Regulatory Commission's approval, and its assets are excluded from total Firm assets.

The Composite

The Invesco North American Direct Real Estate composite is constructed using all fee-paying discretionary non-taxable portfolios that have a focused investment mandate covering North American Direct Real Estate. All assets included in this composite either meet this definition or they are related assets (such as CMBS) that cannot be carved out of a particular portfolio without violating GIPS 2010 carve-out provisions. The Firm's list of composite descriptions is available upon request.

Description of Discretion

Portfolios are considered discretionary if Invesco has sole or primary responsibility for major investment decisions. Major decisions may include portfolio strategy, purchases, sales, investment structuring, financing, capital improvements and operating budgets. Investors rarely delegate complete investment discretion to managers for real estate investments, but in many cases the constraints imposed do not inhibit the manager's investment policy or decision making to any significant extent. Therefore, the required client approval of major decisions does not preclude classification of a real estate portfolio as discretionary. Acceptance of primary responsibility by Invesco may be inferred if a portion of Invesco's compensation is tied to performance or Invesco's success is assessed based on comparison of its performance to an industry benchmark. Portfolios are considered nondiscretionary if client imposed investment limitations and restrictions hinder or prohibit application of Invesco's desired investment strategy.

Invesco North American Direct Real Estate Composite

Performance notes

Valuation
Internal values are developed by Invesco's valuation department on a periodic (annual, quarterly or "significant event") basis to be used: (1) to value the asset to market in quarters where no external valuation is performed (2) in reporting to clients, consultants and for general business management purposes. Value is primarily derived from the income approach; therefore internal sources are accessed to provide adequate detail in developing the cash flows, including: Underwriting, Research, Asset Management and Acquisitions. In addition to internal sources of information, external data such as Market Cycles, Property Considerations and Alternative Investments information is employed in determining the inputs for each assumption in the cash flow and rates of capitalization. Comparable sales are also considered in the valuation process. Further, each asset is valued externally at least once every 36 months unless otherwise more frequently required by the respective investment management agreement. The policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

Basis of Accounting
All portfolios in the composite are reported on a fair value basis in accordance with authoritative guidance in conformity with accounting principles generally accepted in the United States of America.

Calculation of Performance Returns
Returns are calculated in accordance with the Investment Level methodology as prescribed by the National Council of Real Estate Investment Fiduciaries (NCREIF). Component returns are calculated separately using chain-linked time-weighted rates of return. Quarterly returns are geometrically linked in arriving at annual returns. Dispersion is calculated by reporting the highest and lowest annual portfolio returns.

Leverage
Individual underlying portfolios may include a significant amount of leverage.

Investment Management Fees
Gross of fee performance results are presented net of acquisition or transaction costs and before advisory, incentive and disposition fees. Fee schedule structures vary between clients, based on contractual agreements with differing objectives, and may include acquisition, advisory, incentive and disposition fees. Advisory fees for clients are typically based on Net Operating Income (NOI) or Net Asset Value (NAV). Fees for NOI-based objectives reach as high as 8.5% while fees for NAV-based objectives reach as high as 1.2% of NAV. Performance based fees are specifically negotiated with individual clients.

Benchmark
The NCREIF Fund Index - Open-end Diversified Core Equity (NFI-ODCE) includes only open-end diversified core strategy funds with at least 95% of their investments in U.S. markets. The NFIODCE was created by NCREIF in May 2005 and is a specialized sub-index with its own set of index criteria. Please refer to the NFI-ODCE detail report at www.NCREIF.org for further information.

Risk Factors and Potential Conflicts of Interest

Prospective investors should carefully consider, among other factors, the matters described below, each of which could have an adverse effect on the value of the Interests in the Fund. As a result of these factors, as well as other risks inherent in any investment or set forth elsewhere in this Memorandum (e.g., "Legal, Tax and Regulatory Matters"), there can be no assurance that the Fund will meet its investment objectives or otherwise be able to successfully carry out its investment program. The Fund's returns will be unpredictable. An investor should only invest in the Fund as part of an overall investment strategy and only if the investor is able to withstand a total loss of its investment. Investors should not construe the performance of earlier investments by Invesco as providing any assurances regarding the future performance of the Fund.

Risk Factors
- General Real Estate Considerations
- Risks Associated with Unspecified Transactions
- Difficulty of Locating Suitable Investments, etc.
- Speculative Nature of Investments
- Leverage
- Possible Lack of Diversification
- Interest Rate Changes May Adversely Affect Value

Tax Risks
- Tax Classification of the Fund
- Challenge by the Internal Revenue Service (the "Service") of the Fund's allocations of income and loss
- Taxable Income from Investment in Interests.
- Penalties
- Risks Relating to Tax-Exempt Investors
- Risks Relating to Non-US Investors
- Changes in Federal Income Tax Law
- State and Local Taxes
- REIT Subsidiaries
- Changes in the Ownership of an Investor Could Cause the Investor's Interest in the Fund to Become Excess Interests
- Tax and Legislative Risks Associated with Real Estate Investment Trusts
- Lack of Liquidity of Investments
- Development Risks
- Potential Environmental Liability
- Inflation Risk
- Third-Party Involvement
- Lack of Limited Partner Control over Fund Policies

Tax Risks (continued)
- Reliance on Fund Personnel
- Absence of Recourse to General Partner
- Recourse to Fund Assets
- No Market for Interests in the Fund
- Projections, Opinions
- Diverse Limited Partners
- Failure of Limited Partners to Make Capital Contributions
- Losses of the Fund may be Uninsured
- Transactions may be Completed on an Expedited Basis
- Absence of Regulatory Oversight
- Investments Longer than Term
- Enhanced Scrutiny and Potential Regulation of the Private Equity Industry and the Financial Services Industry
- Risks Relating to Admission of ERISA Investors to the Fund

Potential Conflicts of Interest
- Client Relationships
- Co-investment Policy
- Allocation of Investment Opportunities
- General Partner Compensation
- Management of the Fund
- Participation in REIT Subsidiary
- Acquisitions or Dispositions of Investments
- Transactions with Affiliates
- Leasing

Invesco Core Real Estate-U.S.A.

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