



# **Invesco Global Real Estate Asia Pacific, Inc.**

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Atlanta, GA 30309-2499**

## **Firm Brochure** (Part 2A of Form ADV)

This brochure provides information about the qualifications and business practices of Invesco Global Real Estate Asia Pacific, Inc. If you have any questions about the contents of this brochure, please contact us at +852.3128.6312 or by email at [cindy\\_tse@invesco.com](mailto:cindy_tse@invesco.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

Additional information about Invesco Global Real Estate Asia Pacific, Inc. is available on the SECs website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Registration does not imply a certain level of skill or training.

March 27, 2013

# Material Changes

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## **Annual Update**

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

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## **Material Changes since the Last Update**

There have been no material updates since the last update of this document on December 3, 2012.

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## **Full Brochure Available Upon Request**

Please contact us by telephone at +852.3128.6312 or by email [cindy\\_tse@invesco.com](mailto:cindy_tse@invesco.com) to receive a complete copy of our Firm Brochure.

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# Management and Advisory Business

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## **Firm Description**

Invesco Global Real Estate Asia Pacific, Inc. was founded in 1999. This brochure includes information relating to Invesco Global Real Estate Asia Pacific, Inc. and subsidiaries along with Invesco Real Estate Korea YH (collectively “Invesco Real Estate Asia Pacific”).

Invesco Real Estate Asia Pacific provides discretionary and non-discretionary real estate investment management, investment advisory and asset management services to a variety of clients, including real estate private funds in the United States and real estate private funds outside of the United States (each a “Private Fund” or collectively “Private Funds”). Real estate private funds outside the United States may not have been subject to the Investment Company Act of 1940 and, therefore; may not have qualified for the exclusions under Section 3(c)(1) and Section 3(c)(7). However, such real estate private funds are included as Private Funds in this brochure.

In addition to Private Funds, our clients include real estate holding companies, real estate investment management companies and insurance companies.

As of December 31, 2012, Invesco Real Estate Asia Pacific managed approximately \$6,003 million in assets for approximately 25 clients. Approximately, \$3,117 million is managed on a discretionary basis and the remaining \$2,886 million is managed on a non-discretionary basis.

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## **Principal Owners**

Invesco Management Group, Inc. is the owner of Invesco Real Estate Asia Pacific. Invesco Management Group, Inc. is the owner of all of the outstanding equity interests of Tower AsiaPac HoldCo L.L.C., which owns all of the outstanding shares of Invesco Global Real Estate Asia Pacific, Inc. Invesco Management Group, Inc. is also the owner of all of the outstanding equity interests of Invesco Korea Real Estate Holdings, LLC, which owns all of the outstanding shares of Invesco Real Estate Korea YH.

Invesco Ltd. is the ultimate parent company of Invesco Real Estate Asia Pacific.

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## **Types of Management and Advisory Services**

### Private Funds

Invesco Real Estate Asia Pacific is engaged in the business of managing Private Funds, some of which are sponsored by Invesco Ltd. or its affiliates. Invesco Real Estate Asia Pacific provides investment management and investment

advisory services to these Private Funds. As part of our investment management business, we may also provide services such as asset management, master lease, acquisition, disposition, real estate design, development, renovation, feasibility review, debt arrangement, in-house legal, fund accounting and related services to the Private Funds or any entity or asset owned by the Private Funds.

### Separate Accounts

Invesco Real Estate Asia Pacific provides real estate investment advice and asset management services to separate account clients including real estate holding companies, real estate investment management companies and insurance companies. In some cases, we are the sub-asset manager. We may also provide services such as acquisition, disposition, renovation, real estate brokerage, fund accounting and related services to the separate account clients or any entity or asset owned by the separate account clients.

## Fees and Compensation

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The fees described in this section are strictly for the provision of investment management, investment advisory, asset management or other property related services and do not include other fees that a client account may incur, such as custodian fees or fees charged by other service providers retained by the accounts. Invesco Real Estate Asia Pacific does not receive, or participate in the sharing of custodian fees or otherwise receive any benefit as a result of custodial arrangements entered into by its client's accounts.

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### **Private Funds**

Fees are billed on a monthly, quarterly, semi-annual or annual basis at the close of the relevant period. In some Private Funds, fees are billed in advance and trued-up at the end of the period.

Generally, fees for investment management and investment advisory services for the opportunity funds are calculated as a percentage of capital commitments during the investment period, and invested capital less capital returned after the investment period. Fees are shown as annual percentages, though paid quarterly, semi-annually or annually. The percentage fee rate ranges from 0.75% to 1.75%. The fee schedule for each investor of a particular Private Fund is published in the Private Fund's documents and may be separately negotiated.

Generally, fees for the income funds and for asset management services are calculated as a percentage of equity in the investment vehicles owned by the Private Funds. Fees are shown as annual percentages, though paid monthly. The percentage fee rate ranges from 0.3% to 1.25%.

Invesco Real Estate Asia Pacific may also be compensated in the form of master lease fees, acquisition fees, disposition fees, development fees and performance-based fees. Master lease fees range from 0.5% to 0.8% of rental income. Acquisition fees range from 0.25% to 0.5% of the purchase price of assets. For one particular Private Fund that is being managed as at the date of this document, disposition fees range from 0.3% to 0.6% of equity in an investment vehicle owned by such Private Fund over a certain distribution threshold amount. For another particular Private Fund, we can also be compensated with development fees up to a maximum of 4% of total costs of construction projects, in addition to our normal investment management fees.

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### **Separate Accounts**

Fees are billed on a monthly, quarterly or annual basis at the close of the period.

Generally, fees are calculated as a percentage of rental income or on a fixed fee basis. Fees are shown as annual percentages, though paid monthly, quarterly or annually. The percentage fee rate ranges from 1.1% to 5.0% depending on whether the basis is income or asset value.

Invesco Real Estate Asia Pacific may also be compensated in the form of acquisition fees and disposition fees. Acquisition fees and disposition fees are negotiable fees that range from 0.2% to 0.7% of the transaction price.

## **Performance-Based Fees**

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Invesco Real Estate Asia Pacific is often entitled to receive performance-based fees from certain of the Private Funds, which are generated when specific performance hurdles are achieved. Performance-based fees are paid on an aggregate basis covering all property investments held by a particular Private Fund so that the total amount of payment corresponds to: (i) an amount equal to a certain catch-up percentage of the profits, if any, which are in excess of the funded commitment and the preferred return to the investors of the Private Fund, until the fees paid with respect to such amounts equal 20% of the total profits derived from such property investments, and thereafter (ii) in the amount equal to 20% of any additional profit derived from such property investments. The specific performance hurdles in Private Funds existing at the date of this document range from 8% to 10% and the catch-up percentages associated therewith range from 50% to 80%, depending on the Private Fund in question.

In certain Private Funds existing at the date of this document, Invesco Real Estate Asia Pacific may be paid performance-based fees prior to the liquidation of such Private Funds. Upon liquidation of these Private Funds, Invesco Real Estate Asia Pacific is required to restore the performance-based fees to the particular Private Fund, if and to the extent that Invesco Real Estate Asia Pacific

received performance-based fees in excess of the amount that would have been distributable as performance-based fees on an aggregate basis covering all property investments held by the Private Fund.

## Types of Clients

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Invesco Real Estate Asia Pacific provides investment management, investment advisory and asset management services to a variety of clients, including Private Funds, real estate holding companies, real estate investment management companies and insurance companies. In the Private Funds, investors include publicly listed companies, unlisted companies, insurance companies, pension funds, sovereign wealth funds, foundations, trusts, fund-of-fund investment vehicles and personal holding companies.

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### Account Minimums

Our Private Funds usually require a minimum of \$10,000,000. All minimums are negotiable and, in certain circumstances, the minimums may be waived.

Invesco Real Estate Asia Pacific reserves the right to decline business at its discretion.

## Methods of Analysis, Investment Strategies and Risk of Loss

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### Methods of Analysis

Invesco Real Estate Asia Pacific's investments are analyzed and investment decisions will be made using the resources of affiliates in the global real estate practice ("Invesco Real Estate Affiliates") and its Asia Pacific Investment Committee to make investments in line with the objectives of the Private Funds and separate account clients as well as the overall firm philosophies of Invesco Ltd.

The investment system has three interactive phases: Strategic Planning, Operational Execution and Performance Evaluation.

#### 1. Phase I: Strategic Planning

**House View:** Invesco Real Estate Asia Pacific adheres to the belief that the starting point for achieving investment objectives is to develop a collective understanding of the market. To this end, Invesco Real Estate Asia Pacific and Invesco Real Estate Affiliates (collectively "Invesco Real Estate") develop certain reports, called "House Views", which represent the collective understanding of

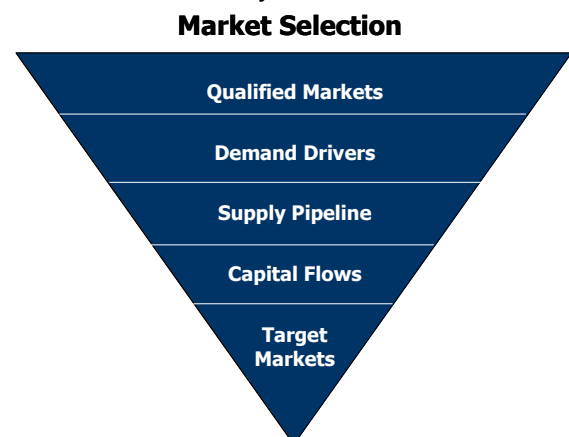
the firm regarding various real estate markets throughout the world. The House Views are the result of combining a top down/quantitative analysis of the various regional markets from the research team and combining them with bottom up input from the Asia Pacific investment professionals of Invesco Real Estate. The resulting document is known as the House View Asia Pacific Market Outlook (the “Asia Pacific House View”), which provides on-the-ground knowledge to challenge and complement the top down view developed by the in-house research team. The Asia Pacific House View represents the firm’s collective belief on how its companies should invest in the relevant Asia Pacific real estate markets in order to achieve the clients’ investment objectives.

The Asia Pacific House View combines empirical and anecdotal evidence from many sources including Invesco Real Estate Asia Pacific’s various investment disciplines and sets forth the apparent best relative value from three perspectives:

- Market (i.e., assess the stage of the cycle of the markets and recommend appropriate strategies for each market);
- Property sector (i.e., target the allocation by property type consistent with the mandate’s model portfolio); and
- Asset (i.e., investment tactics for each market targeted for investment).

The system for developing the Asia Pacific House View is dependent at various stages on the input and participation of all of Invesco Real Estate Asia Pacific’s investment professionals. Members of the Research, Acquisitions and Underwriting, Asset Management, and Portfolio Management groups are involved. This team-based approach ensures clarity in understanding the current opportunities and risks in each Asia Pacific market and provides all teams with the same baseline market assessments upon which to base upon to execute and achieve the objectives of investment mandates. Because the Asia Pacific House View represents the collective findings and expertise of the Asia Pacific real estate investment professionals, the Asia Pacific House View is considered an essential starting point for making well informed investment decisions.

**Market and Property Sector Selection:** Invesco Real Estate Asia Pacific applies a top-down method to market selection using both its own local team and resources from Invesco Real Estate’s network of information. Invesco Real Estate Asia Pacific’s research group concentrates on top-down issues primarily affecting property sector and market performance at a broad Asia Pacific-wide level; whereas, the investment teams in local offices analyze issues at the national and local level within each of the Asia Pacific markets. Economic outlook is one of the key drivers of market recommendations and Invesco Real Estate Asia Pacific believes the key drivers for real estate at all levels are business and consumer confidence, demographic shifts, employment growth and interest rate levels. Combined or alone, these factors can





affect the relative value for each property sector.

Invesco Real Estate Asia Pacific's research professionals are charged with regularly gathering and assessing trends in the above drivers and combining them with Invesco Real Estate Asia Pacific's general market intelligence to formulate well-founded opinions on the underlying investment potential on a market-by-market basis for each property type within Asia Pacific.

Equally important, the research group is responsible for integrating its top-down market evaluations with the bottom-up expertise of acquisition, asset management and disposition professionals. The collective insights emerging from each of these disciplines contribute to the research process in an effort to develop an in-depth understanding of local markets.

## **2. Phase II: Operational Execution**

The processes and distinguishing characteristics of each of the following operational areas (Acquisitions, Asset Management and Dispositions) are described below.

### **Acquisitions**

**Bottom-up Acquisition/Disposition Process:** Invesco Real Estate Asia Pacific uses a "bottom-up" property selection/disposition process, which complements its "top-down" market selection process, and utilizes the available firm-wide resources of Invesco Real Estate. Once a target market list has been developed, Invesco Real Estate Asia Pacific draws upon its established relationships and those of each of its offices across Asia Pacific to uncover investment opportunities and provide information necessary for the due diligence process.

Invesco Real Estate has been an active investor in institutional-quality real estate since 1992, with approximately \$18 billion invested in core and value-added properties as at December 31, 2012. At the end of December 2010, Invesco Real Estate purchased the Asia Pacific business of AIG Global Real Estate, which had been an active investor in real estate, investing in Asia Pacific core and opportunistic real estate for the Private Funds and separate account clients it managed. Together with the integration of this acquired business and its investment professionals, Invesco Real Estate Asia Pacific possesses the in-depth knowledge of the markets, properties and people necessary to source high-quality investment opportunities.

Three factors distinguish the bottom-up property selection/disposition process.

**Acquisition Team Approach:** Through a team approach, experts from each of the firm's disciplines focus on the various acquisition and closing tasks and help evaluate the risks associated with an investment in order to form the final investment decision. As a result, acquisition professionals are required to focus on sourcing quality investment opportunities. This process allows acquisition professionals to cover markets effectively and build strong relationships, thus increasing access to investment opportunities.

**Credibility:** Because of its screening process, depth of market knowledge and transaction history, Invesco Real Estate has earned a reputation in the investment market as a strong performer and a sophisticated investor in core and value-added properties. Invesco Real Estate, combined with the former Asia Pacific business of AIG Global Real Estate, has built a strong track record in real estate investments in Asia Pacific, which will be enhanced further being part of the overall Invesco Real Estate platform.

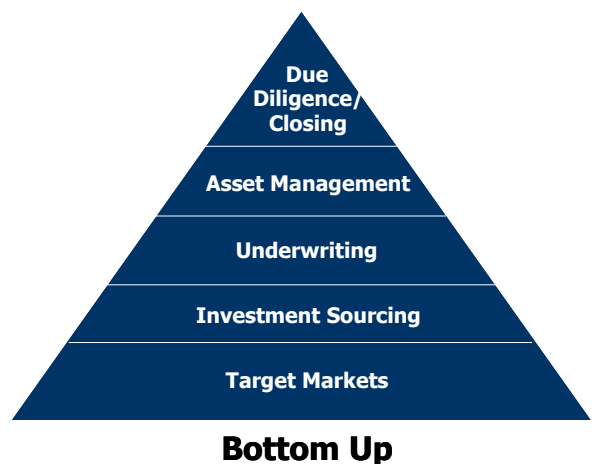
**Region-wide Presence:** In order to source the best investment opportunities, a firm must have people “on the ground” in each major country of the Asia Pacific region. Invesco Real Estate Asia Pacific has achieved this by committing to offices in Tokyo, Hong Kong, Shanghai, Seoul, Singapore, Sydney and Beijing and the number of offices and locations may increase in the future. This is the best way to know the markets, properties and people necessary to source quality investments, and Invesco Real Estate anticipates that it will benefit from the wealth of region-wide knowledge and experience it has amassed.

**Underwriting/Contract Negotiation/Due Diligence:** Before executing a contract, Invesco Real Estate Asia Pacific establishes a transaction team comprised of professionals from Research, Acquisitions and Underwriting, Asset Management, Construction/Development, Portfolio Management, Closing Services and Fund Accounting functions (the “Transaction Team”). This Transaction Team is assisted by a senior Invesco Real Estate Asia Pacific professional to help ensure that underwriting standards are consistently applied across the firm. Members of this team perform their functions independently to provide a system of checks and balances and the opinions and recommendations of each team member are given equal consideration before a final investment decision is made by the Asia Pacific Investment Committee.

During the formal underwriting phase, Invesco Real Estate Asia Pacific’s underwriting and asset management professionals assist by subjecting the target asset to a comprehensive physical, financial and market analysis. This analysis includes a review of the historical performance and outlook of the subject asset, as well as the investment’s anticipated future returns.

Before making an acquisition decision, the Transaction Team prepares a detailed investment proposal that defines any substantial investment issue.

Based on findings during the due diligence period, the Transaction Team incorporates any necessary adjustments into the original underwriting before final approval is sought. The acquisition proposal is then presented with a recommendation to the Asia Pacific Investment Committee, which will evaluate the proposal for consistency with Invesco’s firm-wide principles and the model



plan developed for the Asia Pacific House View. Invesco Real Estate Asia Pacific believes that this process for presenting risks and returns to the Asia Pacific Investment Committee should benefit the investors of the Private Funds and separate account clients by providing the Asia Pacific Investment Committee with the relevant information to make investment decisions.

#### Asia Pacific Investment Committee

|              |  |
|--------------|--|
| Composition: | Senior investment professionals from Research, Acquisitions and Underwriting, Asset Management, Portfolio Management and Closing Services. |
| Objectives:  | Review potential investment transactions for consistency with the firm's understanding of relevant markets.                                |

**Closing Services:** During the due diligence period, Closing Services professionals together with the other members of the Transaction Team will make sure the required due diligence checks are being undertaken and will conduct an evaluation of risk management issues identified utilizing independent consultants when necessary. Closing Services is also responsible for anticipating and mitigating potential problems and working with other members of the Transaction Team to keep third-party professional legal costs at a minimum. If an acquisition is approved, Closing Services professionals finalize the transaction according to the terms and conditions of the agreement, and will refer any issues arising from the due diligence process to the Asia Pacific Investment Committee to assist them with making any potential price adjustments required.

#### Asset Management

In the structure of Invesco Real Estate Asia Pacific, each professional in the Asset Management team has responsibility for a defined area of the Asia Pacific region. Invesco Real Estate Asia Pacific uses a process of asset management guided by Invesco Real Estate's specific region-wide standards. This process is characterized by three qualities, which Invesco Real Estate Asia Pacific believes are significant competitive advantages.

**Integrated Investment Process:** As part of a team approach, asset management professionals become deeply involved with a potential investment asset from the initial due diligence period. Before a property is purchased, they must sign off on all material issues. Once a property is purchased, the Transaction Team transitions the asset to the internal Asset Management group, which is responsible for executing the business plan. The asset manager provides continuity by remaining actively involved through the disposition phase of the investment lifecycle.

**Business Plan:** The asset manager develops an annually reviewed property-level business plan with the assistance of established contacts at local management and leasing firms to assess market and operational issues. This business plan identifies key strategies necessary to maximize asset value. An

important aspect of this plan is the disposition strategy, which identifies the market and property characteristics expected to generate the optimum sales price.

**Use of Independent Third-Party Property Managers:** Invesco Real Estate Asia Pacific uses independent third-party property managers to provide highly qualified property management expertise. It hires property management firms it considers to be highly qualified in a given market, emphasizes accountability, and actively seeks attractive, competitive fee structures for property management services by competitively bidding the assignments. However, where existing relationships with third parties exist; competitive bidding may not occur for each individual asset. Third-party property managers also often provide an additional source of investment opportunities.

### **Dispositions**

Developing an effective disposition strategy for each property begins with prudent market and property selection. Before acquisition, Invesco Real Estate Asia Pacific formulates a preliminary disposition strategy and a target disposition date based upon expected market and property performance. Annually, and as special conditions warrant, a disciplined hold/sell analysis is performed for each asset as part of the business plan review.

In determining the timing of property dispositions, Invesco Real Estate Asia Pacific evaluates the following:

- The relevant fund return objectives (i.e., the diversification, risk profile and the overall objectives of the Private Funds and separate account clients);
- Market cycles (i.e., macroeconomic conditions and anticipated supply and demand);
- Property considerations (i.e., competitive position, development or leasing status, tenant rollover, loan maturity, physical condition and capital improvement costs); and
- Capital market conditions (i.e., capitalization and discount rates, debt markets and investor demand).

### **3. Phase III: Performance Evaluation**

Just as clients are expected to grade the performance of Invesco Real Estate Asia Pacific, Invesco Real Estate Asia Pacific internally grades the success of the strategy and its implementation. Invesco Real Estate Asia Pacific will constantly evaluate the success of the strategy of the Private Funds and separate account clients through such performance evaluations. Data produced through this exercise is fed back to the research team in order to enhance their analysis for the Asia Pacific House View.

## **Investment Strategies**

Invesco Real Estate Asia Pacific manages Private Funds and separate account clients in three strategies in the Asia Pacific region:

- Opportunistic
- Value added
- Core / Core plus

Invesco Real Estate Asia Pacific invests in and manages real estate assets across several sectors located in the Asia Pacific region for the Private Funds and separate account clients. Some Private Funds cover the whole Asia Pacific region; some Private Funds and separate account clients invest in Japan only.

Invesco Real Estate Asia Pacific focuses on quality assets in quality locations to create long-term performance for its investors. The assets acquired will have the potential to add value through development, active asset management and/or a secure income base.

The investment tactics are derived and reviewed in line with a top-down research and bottom-up investment process to ensure market cycles are captured and local investment and asset management strength is utilized. A team-based approach ensures clarity in understanding the current opportunities and risks in the market. Team members include Research, Acquisitions and Underwriting, Asset Management, Portfolio Management, Closing Services and Fund Accounting.

Invesco Real Estate Asia Pacific has several methodologies and systems in place to manage risk and to ensure consistent application of Invesco Real Estate Asia Pacific's philosophy and process.

The first process is our Asia Pacific House View. On a semi-annual basis, our research team leads the formal review of our Asia Pacific House View. The Asia Pacific House View combines the empirical and anecdotal evidence from each of our investment disciplines including research, asset management and acquisitions and sets forth where we see the best relative value from both a property type and market selection standpoint – two very key decisions in providing strong relative returns. Portfolio management then incorporates the Asia Pacific House View into the investment and business plans of the Private Funds and separate account clients, and is in charge of the implementation.

In addition, Invesco Real Estate Asia Pacific utilizes a team-oriented investment process. The team includes members from Research, Acquisitions and Underwriting, Asset Management, Portfolio Management, Closing Services and Fund Accounting. The investment review process requires unanimous preliminary and final investment committee approval. We believe it is extremely important to provide several independent checks throughout our due diligence of

each potential investment, and it is important to provide structural controls within the ownership documents, which limits the risk exposure.

To further manage and minimize risk within the account, Invesco Real Estate Asia Pacific will take the following measures:

- Purchase assets in Invesco Real Estate Asia Pacific's target markets;
- Acquire assets that possess institutional-quality physical and locational attributes that provide reasonable assurance of an adequate pool of potential purchasers upon sale of the property;
- Structure the investment to maximize the account's control;
- Place restrictions on the maximum size of any one investment;
- Diversify the strategies employed within the program;
- Put all investments through Invesco Real Estate Asia Pacific's rigorous investment and due diligence process;
- Carefully monitor leverage levels and maturities consistent with the risk expectations;
- Carefully monitor tenant and industry exposure; and
- Invesco Real Estate Asia Pacific's Asset Management resources establish processes throughout the holding period to mitigate risk and maximize value of each investment.

The Private Funds and separate account clients are governed by the account documents which include the investment criteria and restrictions. The Portfolio Management team monitors the accounts to ensure compliance with the investment objectives. If necessary, Invesco Real Estate Asia Pacific will seek advice from each Private Fund's Advisory Committee or each separate account client to ensure compliance with the investment objectives. All account personnel are Invesco Real Estate Asia Pacific's employees or consultants and subject to Invesco Real Estate Asia Pacific's compliance policies.

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## **Risks of Loss**

Investing in real estate involves risk of loss that client should be prepared to bear. Our investment approach constantly keeps the risk of loss in mind and implements measures to mitigate the risk exposure according to the risk tolerance profile of each Private Fund or separate account client. Our clients may face the following risks:

1. General Real Estate Risks – The investments will be subject to the risks incidental to the ownership and operation of real estate, including risks associated with the general economic climate, local real estate conditions, geographic or market concentration, physical damage or destruction by natural catastrophes or otherwise, the ability of the Private Funds, separate

account clients or third-party borrowers to manage the real properties, government regulations and fluctuations in interest rates. With respect to investments in the form of real property, the Private Funds and separate account clients will incur the burdens of ownership of real property, which include the paying of expenses and taxes, maintaining such property and any improvements thereon, and ultimately disposing of such property. These costs may be higher than expected, negatively affecting an investments' profitability. Rental yields may be lower than anticipated and any delays in or failure to collect rents would negatively affect the income generated by the investments.

2. Development and Construction Risks - The development and construction of real estate assets is subject to timing, budgeting and other risks that may adversely affect the operating results. The Private Fund or separate account client may acquire newly-developed and redeveloped properties as suitable investment opportunities arise, taking into consideration general economic conditions. Any renovation, redevelopment, development and related construction activities could subject the Private Fund or separate account client to a number of risks, including risks associated with:

- Construction delays or cost overruns that may increase project costs;
- Receipt of zoning, occupancy and other required governmental permits and authorizations;
- Development costs incurred for projects that are not pursued to completion;
- Acts of God such as earthquakes, hurricanes, floods or fires that could adversely impact a project;
- Ability to raise capital;
- Risks related to marketing; and
- Governmental restrictions on the nature or size of a project.

Project construction contains a high element of risk both in terms of costs and completion. Whilst significant investigation will be undertaken by the investment manager and any investment advisors or sub-advisors to frame the construction budget, a number of factors will influence the final outcome. These factors include but are not limited to increase in labor costs, increase in material costs, prolonged adverse weather, extended construction timeframes, industrial disputes, ground conditions, government regulations, government delays in issuing relevant licenses, design changes required to meet changing environmental conditions and engineering costs fluctuation. The inability to complete an investment project on time or within budget may adversely affect the investment results of the Private Funds or separate account clients.

Any of these factors may lead to delays in the completion of a project and result in costs exceeding those originally budgeted. Construction delays can

also result in the loss of revenues. The failure to complete a project according to its original planned specifications or schedule may give rise to potential liabilities, and returns may be lower than originally expected.

Although the key personnel of the investment manager are experienced real estate market participants, there is no assurance that they are able to substantially reduce the adverse effect of the abovementioned factors.

3. Defects Relating to Properties - Investment properties may have design, construction, environmental or other defects or problems that may require additional capital expenditures, special repair or maintenance expenses or damages or other obligations to third parties, despite the due diligence investigations prior to the acquisitions. The engineering and other reports that the mandate may rely upon as part of its investigations of these properties may be subject to inaccuracies or deficiencies, as defects may be difficult to ascertain with certainty due to the limitations inherent in the scope of the inspections and the techniques used therein.
4. Property Ownership Risks – The mandate, based on its inquiries and investigations, may acquire valid ownership of all of its real estate free and clear of all liens and encumbrances, other than security for borrowings and other liens and encumbrances that may be accepted or granted by the Private Funds or separate account clients when acquiring real estate. Moreover, because the rights and obligations attached to some of the properties of the Private Funds and separate account clients may be complicated, in part because of the manner in which the Private Funds and separate account clients acquire and hold real estate, there is a risk that the ownership rights of the Private Funds and separate account clients in some of the properties may be limited or affected by rights held by third parties.
5. Joint Venture Partner Risk - The mandate may carry out some of its investments through joint ventures or in collaboration with other third parties. Such joint venture arrangements or collaboration involve a number of risks, including:
  - Disputes with such joint venture partners in connection with the performance of the Private Funds and separate account clients or their obligations under the relevant project or joint venture agreements;
  - Disputes as to the scope of each party's responsibilities under these arrangements;
  - Financial difficulties encountered by such joint venture partners affecting their ability to perform their obligations under the relevant project or joint venture agreements with the Private Funds and separate account clients; and/or
  - Conflicts between the policies or objectives adopted by the joint venture partners and those adopted by the Private Funds and separate account clients.



The occurrence of any of these events could have a material adverse effect on the investment, financial condition, results of operations and prospects of the Private Funds and separate account clients.

Before entering into any joint venture arrangement, for the purpose of any specific investment, Invesco Real Estate Asia Pacific will conduct a thorough due diligence on the potential joint venture partner to ascertain its legal, financial and reputational status. Invesco Real Estate Asia Pacific will also make sure that the joint venture will be structured and carried out in such a way that the interests of the Private Funds and separate account clients and the interests of the joint venture partners are fully aligned, so that any potential risks attributable to the joint venture partners are mitigated.

6. Currency Risk - Invesco Real Estate Asia Pacific may use hedging instruments and techniques in its discretion, where it believes this to be in the best interest of the Private Funds and separate account clients, to protect the Private Funds and separate account clients against changes in currency exchange rates and/or changes in interest rates. However, Invesco Real Estate Asia Pacific will not enter into hedging transactions for speculative purposes.
7. Environmental Considerations - As is the case with any holder of real estate investments, Private Funds and separate account clients could face substantial risk of loss from claims based on environmental problems associated with the investments. The poor enforcement of environmental regulation in certain Asia Pacific countries, among others, has led to widespread pollution of air, water and ground resources. The legislative framework for environmental liability has not been fully established or implemented. However, certain Asia Pacific countries, including Mainland China, are generally putting more focus on environmental protection. The clients may be exposed to substantial risk of loss from environmental claims arising from investments made in companies with undisclosed or unknown environmental problems or with inadequate reserves, as well as from occupational safety issues and concerns. Under various laws, ordinances and regulations, an owner of assets may be liable for the costs of removal or remediation of certain hazardous or toxic substances on or in such property. Such laws often impose such liability without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. The cost of any required remediation and the owner's liability, therefore, as to any property are generally not limited under such laws and could exceed the value of the property and/or the aggregate assets of the owner. The presence of such substances, or the failure to properly remediate contamination from such substances, may adversely affect the value of the investment and the ability to sell it. Environmental claims with respect to a specific investment may exceed the value of such investment, and under certain circumstances, subject the other assets of the Private Funds and separate account clients to such liabilities.

8. Asset valuations - Valuations of current income and disposition proceeds with respect to investments will be determined by Invesco Real Estate Asia Pacific acting as the general partner or investment manager of the Private Funds and separate account clients, and will be final and conclusive to all Partners. If distributions are made in assets other than cash, the amount of any such distribution will be accounted for at the fair market value of such assets, as determined by an expert in accordance with the procedures set forth in the partnership agreements or management contracts.
9. Availability of Insurance against Certain Catastrophic Losses - Certain losses resulting from catastrophic causes, such as wars, earthquakes, typhoons, terrorist attacks or other similar events, may be either uninsurable or, only insurable at such high rates that to maintain such coverage would cause an adverse impact on the related investments. In general, losses related to terrorism are becoming harder and more expensive to insure against. Some insurers are excluding terrorism coverage from their all-risk policies. As a result, investments may not be insured against terrorism. If a major uninsured loss occurs, the value of the investment held by the Private Funds and separate account clients may be significantly affected.
10. Illiquidity of Investments - The Private Funds and separate account clients may invest in residential and commercial real estate. Depending on market conditions, these investments may be difficult to liquidate or the Private Funds and separate account clients may be unable to do so at a profit. In addition, in certain circumstances, governmental or regulatory approvals may be required for the Private Funds and separate account clients to dispose of an investment or the Private Funds and separate account clients may be prohibited by contract or for legal or regulatory reasons from selling an investment for a period of time.

## Disciplinary Information

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Not Applicable.

## Other Financial Industry Activities and Affiliations

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### Financial Industry Activities

Invesco Real Estate Asia Pacific is a registered investment adviser with the Securities and Exchange Commission. The Japan branch of Invesco Global Real Estate Asia Pacific, Inc. is registered with the Financial Services Agency in Tokyo, Japan.

Invesco Real Estate Asia Pacific has no arrangements with affiliated entities that operate as a broker-dealer, investment company, other investment adviser, futures commission merchant, commodity pool operator or commodity trading adviser, banking or thrift institution, insurance company or agency and any entity that creates or packages limited partnerships.

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### **Limited Partnerships and Similar Arrangements**

Invesco Global Real Estate Asia Pacific, Inc., through its holdings of all of the authorized and issued common shares of certain Japanese entities, acts as the Japanese operating company to tokumei kumiai arrangements in Japan. The holding of such common shares is equivalent to an economic interest in each tokumei kumiai arrangement.

An affiliate of Invesco Real Estate Asia Pacific is the general partner to certain limited partnerships that makes up two of the Private Funds. Certain affiliates of Invesco Real Estate Asia Pacific have received a portion of the partnership interest made available in these offerings.

Certain affiliates of Invesco Real Estate Asia Pacific act as the general partner in several limited partnerships in which clients have been solicited to invest. In some cases, the general partner is entitled to receive an incentive allocation from the partnerships. Certain of these limited partnerships are focused on private equity investing and make investments in leveraged buyouts, venture capital opportunities, research and development ventures, real estate and other businesses. Other such partnerships have been formed to act as "fund-of-fund" investment vehicles for hedge fund and private equity investments. Others invest in real estate investment trusts and fixed income instruments.

From time-to-time, related persons of Invesco Real Estate Asia Pacific may advise clients to invest in partnerships where another related person of the firm is an adviser. Invesco Real Estate Asia Pacific has related persons that are SEC-registered investment advisers and are either general partners in an investment-related limited partnership ("LPs") or are managers of an investment-related limited liability company ("LLCs"). Information regarding those LPs or LLCs is available in Section 7.B. of Schedule D of Part I of the Form ADVs for the related persons that are SEC-registered advisers.

Certain other registered investment adviser subsidiaries of Invesco Ltd. may from time-to-time have other arrangements not specified in this filing. For more complete information regarding these related persons, please refer to filings made with the SEC by the following related persons:

|  |                    |
|--|--------------------|
| Invesco Advisers, Inc.                     | File No. 801-33949 |
| Invesco Asset Management (Japan) Limited   | File No. 801-52601 |
| Invesco Asset Management Deutschland, GMBH | File No. 801-67712 |
| Invesco Asset Management Limited           | File No. 801-50197 |

|  |                     |
|--|---------------------|
| Invesco Australia Limited                  | File No. 801-68638  |
| Invesco Canada Ltd.                        | File No. 801-62166  |
| Invesco Capital Markets, Inc.              | File No. 8-19412    |
| Invesco Distributors, Inc.                 | File No. 8-21323    |
| Invesco Hong Kong Limited                  | File No. 801-47856  |
| Invesco Insurance Agency, Inc.             | File No. 76-0457666 |
| Invesco Investment Advisers LLC            | File No. 801-1669   |
| Invesco National Trust Company             | File No. –          |
| Invesco PowerShares Capital Management LLC | File No. 801-61851  |
| Invesco Private Capital, Inc.              | File No. 801-45224  |
| Invesco Senior Secured Management, Inc.    | File No. 801-38119  |
| IRE (Cayman) Limited                       | File No. 802-74648  |
| Stein Roe Investment Counsel, Inc.         | File No. 801-57986  |
| WL Ross & Co. LLC                          | File No. 801-67779  |

## Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

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### Code of Ethics

The employees of Invesco Real Estate Asia Pacific have committed to a Code of Conduct as well as additional location specific Code of Ethics policies governing personal trading. These policies are designed to promote high ethical and professional standards, and to prevent conflicts of interest. The firm will provide a copy of the Code of Conduct to any client upon request.

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### Participation or Interest in Client Transactions

To align our interest with our Private Fund investors, Invesco Real Estate Asia Pacific has invested along-side our investors in our existing Private Funds, and would expect to continue to do so in any future Private Funds that we may offer. Certain clients of Invesco Real Estate Asia Pacific may co-invest in a particular real estate project. Typically, Invesco Real Estate Asia Pacific does not participate in the transaction except as an investment manager. It is also possible that Invesco Ltd. and affiliates may invest their own capital in Private Funds offered by Invesco Real Estate Asia Pacific.

Invesco Real Estate Asia Pacific provides investment advice on direct real estate properties to their clients. We do not invest in publicly traded securities nor do we operate a proprietary trading account.

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## **Potential Conflicts of Interest**

**Investment Advisory Relationships:** In addition to providing advice and recommendations to Private Funds with respect to origination, investigation, structuring, finance, acquisition, monitoring and/or dispositions of investments; Invesco Real Estate Asia Pacific, its affiliates and their respective directors, managers, members, shareholders, officers, agents and employees may act as manager, advisor or sponsor for other clients, accounts and collective investment vehicles and may give advice, and take actions, with respect to any of those clients, accounts and pooled investment vehicles that may differ from the advice given, or the timing or nature of action taken, with respect to another client or Private Fund. It is, therefore, possible that any of the foregoing may, in the course of business, result in potential conflicts of interests.

**Co-Investment Policy:** If the size of any investment opportunity exceeds the amount that the general partner determines, in its sole discretion, is appropriate to be invested by the Private Funds, the general partner may, but shall not be obligated to, make such investment opportunity available to third parties, including other clients of its affiliates, third-party sponsors and other investors. Such co-investors may or may not pay fees or allocate carried interest to the general partner or its affiliates in respect of such investment.

**Allocation of Investment Opportunities:** The general partner, the investment manager and their affiliates advise and manage, and in the future will continue to advise and manage, other investors having investment guidelines substantially the same in whole or in part as those of the Private Fund. The general partner, the investment manager, and their affiliates will allocate investment opportunities among such investors on an equitable basis in its good faith discretion, based on the applicable investment guidelines of such investors, portfolio diversification requirements and other appropriate factors.

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## **Personal Trading**

All Invesco Real Estate Asia Pacific's employees are required to adhere to the Personal Share Dealing Policy where it is stated that the employees of Invesco Real Estate Asia Pacific, depending on the office they belong, must obtain pre-clearance from the Head of Compliance; or obtain pre-clearance from the local Chief Investment Officer and submit the completed form to the Head of Compliance prior to entering an order for a securities transaction for all personal brokerage accounts, company and other institutional accounts in which they have a direct or indirect beneficial ownership interest and/or accounts owned by relatives who live in the same household ("Relative Account").

As a basic rule, an employee should not buy or sell for such accounts in which he/she has a direct or indirect beneficial ownership interest and/or permit any person with a Relative Account to buy or sell a security or any instrument that is: (a) on the same day that any client is trading the security; (b) where he/she knows that the sale or purchase of securities are being considered for a client account; or (c) where the employee is a portfolio manager and within seven (7) calendar days before or after one trading day that any client account trades in the same security or instrument or in a security convertible into or exchangeable for such security or instrument (including options) on transactions.

The personal trading rules are reviewed by our Compliance Department to ensure that personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment.

## Brokerage Practices

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Not Applicable.

## Review of Accounts

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### Private Funds

Investors of Private Funds receive reports not less frequently than quarterly containing information and updates regarding the performance of the particular Private Fund. The quarterly reports include a Portfolio Report, a Property Management Report, a Financial Quarterly Report with Supplements, Unaudited Financial Statements, an Individual Statement of Capital Accounts and an Individual Statement of Net Asset Values. Certain Private Funds also receive a Quarterly Market Report. In addition to the quarterly reports, certain reports are provided to the investors on an annual basis. The annual reports include Audited Financial Statements, Financial Highlights and Annual Appraisals. Certain Private Funds also receive a Business Plan. Additional reports may be provided on a periodic or non-routine basis upon the request of the investor.

### Separate Accounts

Separate account clients receive reports monthly or quarterly containing information and updates regarding the performance of the properties. The monthly and quarterly reports include a Property Management Report and, for those that we provide fund accounting services, Unaudited Financial Statements. In addition to the monthly and quarterly reports, certain reports are provided to the separate account clients on an annual basis. The annual reports include a Business Plan and, for those that we provide fund accounting services, Audited Financial Statements.

## Client Referrals and Other Compensation

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Invesco Real Estate Asia Pacific may effect transactions with other parties on the sale of trust beneficial interests for a brokerage fee. We may also effect introductions with construction companies for a commission fee.

Certain other registered investment adviser subsidiaries of Invesco Ltd. may from time-to-time receive additional compensation from non-clients. For more complete information please refer to the filings made with the SEC by those related persons.

Certain other registered investment adviser subsidiaries of Invesco Ltd. may from time-to-time provide compensation for client referrals. For more complete information please refer to filings made with the SEC by those related persons.

## Custody

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Invesco Real Estate Asia Pacific and its affiliates act as both general partner and investment adviser to limited partnerships, and discretionary investment manager for tokumei kumiai arrangements. Therefore, Invesco Real Estate Asia Pacific is deemed to have custody of client assets for these pooled investment vehicles. As a result, the financial statements of the pooled investment vehicles have been audited in accordance with auditing standards generally accepted in the U.S., or in the case of certain pooled investment vehicles located in Japan, audited in accordance with auditing standards generally accepted in Japan, and such audited financial statements are distributed to the investors within 120 days of year end. Other Invesco Real Estate Affiliates may also act in a similar capacity in comparable structures, and therefore may be deemed to have custody of client assets. These other investment centers typically distribute audited financial statements within 120 days of year end.

The Direct Investment arm of Invesco Advisers Real Estate Investment Center arranges payment of certain expenses for property investments as stipulated in client agreements. Therefore, Invesco Advisers Real Estate Investment Center is deemed to have custody of those client funds. Private funds are held by a qualified custodian under the property's name or under Invesco Advisers as agent or trustee for the client. The qualified custodians send account statements directly to the clients or to clients' independent representatives at least quarterly. Invesco Advisers will notify clients of any changes in a custodian's name and address when a custodial account is opened, and following any changes. Clients should compare the statements received from the custodian with those they receive directly from Invesco Advisers.

## Investment Discretion

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Invesco Real Estate Asia Pacific has discretionary authority to identify, source, analyze and make investment decisions for the Private Funds. Invesco Real Estate Asia Pacific is entrusted to make investment decisions and to solicit investments on behalf of the Private Funds on a discretionary basis based upon investment management agreements and investment policies. Such investment decisions should be based upon market and value analysis of the properties. This discretion includes, but is not limited to, the ability to negotiate any provisions of agreements and the authority to manage money.

Invesco Real Estate Asia Pacific is also entrusted to provide services as fund manager and asset manager on a discretionary basis in order to maximize the long-term profits arising from the properties of certain Private Funds.

## Voting Client Services

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Not Applicable.

## Financial Information

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Invesco Real Estate Asia Pacific does not have any financial impairment that will preclude it from meeting contractual commitments to clients.