



## Invesco V.I. Global Real Estate Fund

Semiannual Report to Shareholders ■ June 30, 2011



The Fund provides a complete list of its holdings four times in each fiscal year, at the quarter-ends. For the second and fourth quarters, the lists appear in the Fund's semiannual and annual reports to shareholders. For the first and third quarters, the Fund files the lists with the Securities and Exchange Commission (SEC) on Form N-Q. The Fund's Form N-Q filings are available on the SEC website, [sec.gov](http://sec.gov). Copies of the Fund's Forms N-Q may be reviewed and copied at the SEC Public Reference Room in Washington, D.C. You can obtain information on the operation of the Public Reference Room, including information about duplicating fee charges, by calling 202 551 8090 or 800 732 0330, or by electronic request at the following email address: [publicinfo@sec.gov](mailto:publicinfo@sec.gov). The SEC file numbers for the Fund are 811-07452 and 033-57340. The Fund's most recent portfolio holdings, as filed on Form N-Q, have also been made available to insurance companies issuing variable annuity contracts and variable life insurance policies ("variable products") that invest in the Fund.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available without charge, upon request, from our Client Services department at 800 959 4246 or at [invesco.com/proxyguidelines](http://invesco.com/proxyguidelines). The information is also available on the SEC website, [sec.gov](http://sec.gov).

Information regarding how the Fund voted proxies related to its portfolio securities during the 12 months ended June 30, 2011, is available at [invesco.com/proxysearch](http://invesco.com/proxysearch). The information is also available on the SEC website, [sec.gov](http://sec.gov).

Invesco Advisers, Inc. is an investment adviser; it provides investment advisory services to individual and institutional clients and does not sell securities. Invesco Distributors, Inc. is the U.S. distributor for Invesco Ltd.'s retail mutual funds, exchange-traded funds and institutional money market funds. Both are wholly owned, indirect subsidiaries of Invesco Ltd.

**This report must be accompanied or preceded by a currently effective Fund prospectus and variable product prospectus, which contain more complete information, including sales charges and expenses. Investors should read each carefully before investing.**

Invesco Distributors, Inc.

VIGRE-SAR-1

**NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE**

# Fund Performance

## Performance summary

### Fund vs. Indexes

Cumulative total returns, 12/31/10 to 6/30/11, excluding variable product issuer charges. If variable product issuer charges were included, returns would be lower.

Series I Shares	5.67%
Series II Shares	5.56
MSCI World Index <sup>▼</sup> (Broad Market Index)	5.29
FTSE EPRA/NAREIT Developed Real Estate Index <sup>▼</sup> (Style-Specific Index)	6.07
Lipper VUF Real Estate Funds Category Average <sup>▼</sup> (Peer Group)	8.60

<sup>▼</sup>Lipper Inc.

The **MSCI World Index<sup>SM</sup>** is an unmanaged index considered representative of stocks of developed countries.

The **FTSE EPRA/NAREIT Developed Real Estate Index** is an unmanaged index considered representative of global real estate companies and real estate investment trusts (REITs).

The **Lipper VUF Real Estate Funds Category Average** represents an average of all the variable insurance underlying funds in the Lipper real estate funds category.

The Fund is not managed to track the performance of any particular index, including the index(es) defined here, and consequently, the performance of the Fund may deviate significantly from the performance of the index(es).

A direct investment cannot be made in an index. Unless otherwise indicated, index results include reinvested dividends, and they do not reflect sales charges. Performance of the peer group, if applicable, reflects fund expenses; performance of a market index does not.

## Average Annual Total Returns

As of 6/30/11

### Series I Shares

Inception (3/31/98)	8.71%
10 Years	10.75
5 Years	1.34
1 Year	32.12

### Series II Shares

10 Years	10.49%
5 Years	1.10
1 Year	31.82

Series II shares incepted on April 30, 2004. Performance shown prior to that date is that of Series I shares, restated to reflect the higher 12b-1 fees applicable to Series II. Series I performance reflects any applicable fee waivers or expense reimbursements. The performance of the Fund's Series I and Series II share classes will differ primarily due to different class expenses.

The performance data quoted represent past performance and cannot guarantee comparable future results; current performance may be lower or higher. Please contact your variable product issuer or financial adviser for the most recent month-end variable product performance. Performance figures reflect Fund expenses, reinvested distributions and changes in net asset value. Investment return and principal value will fluctuate so that you may have a gain or loss when you sell shares.

The total annual Fund operating expense ratio set forth in the most recent Fund prospectus as of the date of this report for Series I and Series II

shares was 1.20% and 1.45%, respectively. The expense ratios presented above may vary from the expense ratios presented in other sections of this report that are based on expenses incurred during the period covered by this report.

Invesco V.I. Global Real Estate Fund, a series portfolio of AIM Variable Insurance Funds (Invesco Variable Insurance Funds), is currently offered through insurance companies issuing variable products. You cannot purchase shares of the Fund directly. Performance figures given represent the Fund and are not intended to reflect actual variable product values. They do not reflect sales charges, expenses and fees assessed in connection with a variable product. Sales charges, expenses and fees, which are determined by the variable product issuers, will vary and will lower the total return.

The most recent month-end performance data at the Fund level, excluding variable product charges, is available at 800 451 4246. As mentioned above, for the most recent

month-end performance including variable product charges, please contact your variable product issuer or financial adviser.

Had the adviser not waived fees and/or reimbursed expenses in the past, performance would have been lower.

# Schedule of Investments

June 30, 2011  
(Unaudited)

	Shares	Value
<b>Common Stocks &amp; Other Equity Interests—98.14%</b>		
<b>Australia—8.81%</b>		
CFS Retail Property Trust	995,044	\$ 1,941,471
Dexus Property Group	1,567,882	1,483,528
Goodman Group	2,768,995	2,093,672
GPT Group	376,837	1,280,178
Investa Office Fund	1,694,616	1,174,574
Stockland	1,015,361	3,721,514
Westfield Group	463,175	4,316,014
Westfield Retail Trust	802,938	2,337,283
		18,348,234
<b>Austria—0.52%</b>		
Conwert Immobilien Invest S.E.	64,260	1,087,826
<b>Canada—3.10%</b>		
Boardwalk REIT	19,592	981,022
Canadian REIT	19,600	674,741
Chartwell Seniors Housing REIT	118,300	1,030,402
H&R REIT	42,700	958,138
Primaris Retail REIT	62,000	1,353,277
RioCan REIT	54,500	1,465,916
		6,463,496
<b>China—1.28%</b>		
Agile Property Holdings Ltd.	616,000	963,791
Country Garden Holdings Co.	503,000	222,671
Evergrande Real Estate Group Ltd.	1,435,000	940,567
Shimao Property Holdings Ltd.	424,500	529,131
		2,656,160
<b>Finland—0.67%</b>		
Citycon Oyj	38,837	174,645
Sponda Oyj	208,630	1,213,581
		1,388,226
<b>France—4.63%</b>		
Fonciere des Regions	9,097	963,975
Klepierre	32,732	1,351,548
Mercialys	30,321	1,285,862
Societe Immobiliere de Location pour l'Industrie et le Commerce	6,409	919,928
Unibail-Rodamco S.E.	22,152	5,123,717
		9,645,030

	Shares	Value
<b>Germany—0.62%</b>		
Deutsche Wohnen AG	24,426	\$ 425,188
GSW Immobilien AG <sup>(a)</sup>	25,523	875,610
		1,300,798
<b>Hong Kong—12.37%</b>		
China Overseas Land & Investment Ltd.	1,252,301	2,709,554
China Resources Land Ltd.	288,000	522,221
Hang Lung Properties Ltd.	806,000	3,338,434
Henderson Land Development Co. Ltd.	60,000	388,206
Hongkong Land Holdings Ltd.	508,000	3,616,960
Hysan Development Co. Ltd.	209,000	1,034,686
Kerry Properties Ltd.	256,900	1,243,234
Link REIT (The)	435,500	1,485,861
Sino Land Co. Ltd.	494,000	798,713
Sun Hung Kai Properties Ltd.	499,000	7,282,429
Wharf Holdings Ltd. (The)	478,000	3,339,025
		25,759,323
<b>Italy—0.37%</b>		
Beni Stabili S.p.A.	756,705	764,531
<b>Japan—8.93%</b>		
AEON Mall Co., Ltd.	14,100	342,293
Frontier Real Estate Investment Corp.	51	450,282
Japan Prime Realty Investment Corp.	250	663,795
Japan Real Estate Investment Corp.	158	1,552,715
Japan Retail Fund Investment Corp.	131	202,253
Kenedix Realty Investment Corp.	93	358,181
Mitsubishi Estate Co. Ltd.	251,000	4,407,085
Mitsui Fudosan Co., Ltd.	246,000	4,241,953
Nippon Building Fund Inc.	143	1,396,422
ORIX JREIT Inc.	144	797,325
Sumitomo Realty & Development Co., Ltd.	129,000	2,884,602
Tokyu Land Corp.	165,000	700,352
United Urban Investment Corp.	526	607,709
		18,604,967
<b>Malta—0.00%</b>		
BGP Holdings PLC <sup>(a)</sup>	3,053,090	0
<b>Netherlands—0.95%</b>		
Corio N.V.	29,923	1,983,668
<b>Singapore—4.08%</b>		
Ascendas REIT	123,000	204,282
CapitaCommercial Trust	699,000	827,241

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

	Shares	Value
<b>Singapore--(continued)</b>		
Capitaland Ltd.	946,000	\$ 2,249,781
CapitaMall Trust	821,550	1,253,016
City Developments Ltd.	43,000	365,558
Global Logistic Properties Ltd. <sup>(a)</sup>	628,000	1,054,872
Keppel Land Ltd.	468,000	1,385,262
Suntec REIT	950,000	1,160,140
		8,500,152
<b>Sweden--0.66%</b>		
Castellum A.B.	91,279	1,368,449
<b>Switzerland--1.23%</b>		
Swiss Prime Site AG <sup>(a)</sup>	29,766	2,554,862
<b>United Kingdom--5.97%</b>		
Big Yellow Group PLC	131,649	650,200
British Land Co. PLC	207,842	2,031,668
Derwent London PLC	52,467	1,537,762
Great Portland Estates PLC	106,649	746,355
Hammerson PLC	216,210	1,670,644
Hansteen Holdings PLC	168,511	236,532
Land Securities Group PLC	197,793	2,706,496
Segro PLC	215,506	1,080,273
Shaftesbury PLC	136,893	1,160,159
Unite Group PLC <sup>(a)</sup>	174,562	609,692
		12,429,781
<b>United States--43.95%</b>		
Acadia Realty Trust	44,641	907,552
Alexandria Real Estate Equities, Inc.	26,526	2,053,643
American Campus Communities, Inc.	9,800	348,096
AvalonBay Communities, Inc.	34,853	4,475,125
Boston Properties, Inc.	36,979	3,925,691
BRE Properties, Inc.	30,921	1,542,339
Brookfield Office Properties, Inc.	177,205	3,423,195
Camden Property Trust	44,682	2,842,669
DiamondRock Hospitality Co.	105,429	1,131,253
Digital Realty Trust, Inc.	36,619	2,262,322
Douglas Emmett, Inc.	65,138	1,295,595
Duke Realty Corp.	75,999	1,064,746

Investment Abbreviations:

REIT – Real Estate Investment Trust

Notes to Schedule of Investments:

<sup>(a)</sup> Non-income producing security.

<sup>(b)</sup> The money market fund and the Fund are affiliated by having the same investment adviser.

	Shares	Value
<b>United States--(continued)</b>		
Equity Residential	61,775	\$ 3,706,500
Essex Property Trust, Inc.	23,888	3,231,807
Extra Space Storage Inc.	40,900	872,397
Federal Realty Investment Trust	12,100	1,030,678
General Growth Properties, Inc.	87,187	1,455,151
HCP, Inc.	85,911	3,152,075
Health Care REIT, Inc.	72,097	3,780,046
Hersha Hospitality Trust	91,236	508,185
Highwoods Properties, Inc.	32,900	1,089,977
Host Hotels & Resorts Inc.	239,224	4,054,847
Kilroy Realty Corp.	29,817	1,177,473
Kimco Realty Corp.	136,700	2,548,088
Macerich Co. (The)	64,640	3,458,240
Mid-America Apartment Communities, Inc.	12,000	809,640
Nationwide Health Properties, Inc.	46,371	1,920,223
Piedmont Office Realty Trust Inc.–Class A	5,000	101,950
Prologis, Inc.	152,720	5,473,485
Public Storage	25,645	2,923,786
Regency Centers Corp.	41,500	1,824,755
Retail Opportunity Investments Corp.	40,279	433,402
Senior Housing Properties Trust	30,500	714,005
Simon Property Group, Inc.	79,484	9,238,425
SL Green Realty Corp.	35,686	2,957,299
Sovran Self Storage, Inc.	18,600	762,600
Starwood Hotels & Resorts Worldwide, Inc.	10,862	608,706
Ventas, Inc.	50,231	2,647,676
Vornado Realty Trust	61,775	5,756,194
		91,509,836
Total Common Stocks & Other Equity Interests (Cost \$166,534,296)		204,365,339
<b>Money Market Funds--1.93%</b>		
Liquid Assets Portfolio–Institutional Class <sup>(b)</sup>	2,012,301	2,012,301
Premier Portfolio–Institutional Class <sup>(b)</sup>	2,012,302	2,012,302
Total Money Market Funds (Cost \$4,024,603)		4,024,603
TOTAL INVESTMENTS–100.07% (Cost \$170,558,899)		208,389,942
OTHER ASSETS LESS LIABILITIES–(0.07)%		(157,349)
NET ASSETS–100.00%		\$208,232,593

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

**Invesco V.I. Global Real Estate Fund**

# Portfolio Composition

*By country, based on Net Assets  
as of June 30, 2011*

United States	43.9%
Hong Kong	12.4
Japan	8.9
Australia	8.8
United Kingdom	6.0
France	4.6
Singapore	4.1
Canada	3.1
Countries each less than 2.0% of portfolio	6.3
Money Market Funds Plus Other Assets Less Liabilities	1.9

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

## Statement of Assets and Liabilities

June 30, 2011  
(Unaudited)

### Assets:

Investments, at value (Cost \$166,534,296)	\$204,365,339
Investments in affiliated money market funds, at value and cost	4,024,603
Total investments, at value (Cost \$170,558,899)	208,389,942
Foreign currencies, at value (Cost \$1,729,128)	1,714,743
Receivable for:	
Investments sold	419,552
Fund shares sold	560,561
Dividends	679,099
Investment for trustee deferred compensation and retirement plans	15,304
Other assets	815
Total assets	211,780,016

### Liabilities:

Payable for:	
Investments purchased	2,494,888
Fund shares reacquired	743,592
Accrued fees to affiliates	250,840
Accrued other operating expenses	30,721
Trustee deferred compensation and retirement plans	27,382
Total liabilities	3,547,423
Net assets applicable to shares outstanding	\$208,232,593

### Net assets consist of:

Shares of beneficial interest	\$206,866,460
Undistributed net investment income	4,077,733
Undistributed net realized gain (loss)	(40,526,149)
Unrealized appreciation	37,814,549
	\$208,232,593

### Net Assets:

Series I	\$151,693,970
Series II	\$ 56,538,623

### Shares outstanding, \$0.001 par value per share, with an unlimited number of shares authorized:

Series I	10,573,575
Series II	4,024,412
Series I:	
Net asset value per share	\$ 14.35
Series II:	
Net asset value per share	\$ 14.05

## Statement of Operations

For the six months ended June 30, 2011  
(Unaudited)

### Investment income:

Dividends (net of foreign withholding taxes of \$180,024)	\$3,302,307
Dividends from affiliated money market funds	1,246
Total investment income	3,303,553

### Expenses:

Advisory fees	676,219
Administrative services fees	242,735
Custodian fees	47,481
Distribution fees — Series II	56,005
Transfer agent fees	11,690
Trustees' and officers' fees and benefits	10,902
Other	25,756
Total expenses	1,070,788
Less: Fees waived	(1,405)
Net expenses	1,069,383
Net investment income	2,234,170

### Realized and unrealized gain from:

Net realized gain from:	
Investment securities	3,964,222
Foreign currencies	56,648
	4,020,870
Change in net unrealized appreciation (depreciation) of:	
Investment securities	3,596,940
Foreign currencies	(12,073)
	3,584,867
Net realized and unrealized gain	7,605,737
Net increase in net assets resulting from operations	\$9,839,907

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

# Statement of Changes in Net Assets

For the six months ended June 30, 2011 and the year ended December 31, 2010  
(Unaudited)

	June 30, 2011	December 31, 2010
<b>Operations:</b>		
Net investment income	\$ 2,234,170	\$ 4,017,480
Net realized gain	4,020,870	7,130,044
Change in net unrealized appreciation	3,584,867	11,160,840
Net increase in net assets resulting from operations	9,839,907	22,308,364
<b>Distributions to shareholders from net investment income:</b>		
Series I	—	(6,161,371)
Series II	—	(1,036,283)
Total distributions from net investment income	—	(7,197,654)
<b>Share transactions—net:</b>		
Series I	12,796,771	(9,517,933)
Series II	20,119,819	19,873,135
Net increase in net assets resulting from share transactions	32,916,590	10,355,202
Net increase in net assets	42,756,497	25,465,912
<b>Net assets:</b>		
Beginning of period	165,476,096	140,010,184
End of period (includes undistributed net investment income of \$4,077,733 and \$1,843,563, respectively)	\$208,232,593	\$165,476,096

## Notes to Financial Statements

June 30, 2011  
(Unaudited)

### NOTE 1—Significant Accounting Policies

Invesco V.I. Global Real Estate Fund (the “Fund”) is a series portfolio of AIM Variable Insurance Funds (Invesco Variable Insurance Funds) (the “Trust”). The Trust is a Delaware statutory trust registered under the Investment Company Act of 1940, as amended (the “1940 Act”), as an open-end series management investment company consisting of twenty-eight separate portfolios, (each constituting a “Fund”). The assets, liabilities and operations of each portfolio are accounted for separately. Information presented in these financial statements pertains only to the Fund. Matters affecting each Fund or class will be voted on exclusively by the shareholders of such Fund or class. Current Securities and Exchange Commission (“SEC”) guidance, however, requires participating insurance companies offering separate accounts to vote shares proportionally in accordance with the instructions of the contract owners whose investments are funded by shares of each Fund or class.

The Fund’s investment objective is total return through growth of capital and current income.

The Fund currently offers two classes of shares, Series I and Series II, both of which are offered to insurance company separate accounts funding variable annuity contracts and variable life insurance policies (“variable products”).

The following is a summary of the significant accounting policies followed by the Fund in the preparation of its financial statements.

#### A. Security Valuations — Securities, including restricted securities, are valued according to the following policy.

A security listed or traded on an exchange (except convertible bonds) is valued at its last sales price or official closing price as of the close of the customary trading session on the exchange where the security is principally traded, or lacking any sales or official closing price on a particular day, the security may be valued at the closing bid price on that day. Securities traded in the over-the-counter market are valued based on prices furnished by independent pricing services or market makers. When such securities are valued by an independent pricing service they may be considered fair valued. Futures contracts are valued at the final settlement price set by an exchange on which they are principally traded. Listed options are valued at the mean between the last bid and ask prices from the exchange on which they are principally traded. Options not listed on an exchange are valued by an independent source at the mean between the last bid and ask prices. For purposes of determining net asset value per share, futures and option contracts generally are valued 15 minutes after the close of the customary trading session of the New York Stock Exchange (“NYSE”).

Investments in open-end and closed-end registered investment companies that do not trade on an exchange are valued at the end of day net asset value per share. Investments in open-end and closed-end registered investment companies that trade on an exchange are valued at the last sales price or official closing price as of the close of the customary trading session on the exchange where the security is principally traded.

Debt obligations (including convertible bonds) and unlisted equities are fair valued using an evaluated quote provided by an independent pricing service. Evaluated quotes provided by the pricing service may be determined without exclusive reliance on quoted prices, and may reflect appropriate factors such as institution-size trading in similar groups of securities, developments related to specific securities, dividend rate, yield, quality, type of issue, coupon rate, maturity, individual trading characteristics and other market data. Short-term obligations, including commercial paper, having 60 days or less to maturity are recorded at amortized cost which approximates value. Debt securities are subject to interest rate and credit risks. In addition, all debt securities involve some risk of default with respect to interest and/or principal payments.

Foreign securities (including foreign exchange contracts) are converted into U.S. dollar amounts using the applicable exchange rates as of the close of the NYSE. If market quotations are available and reliable for foreign exchange traded equity securities, the securities will be valued at the market quotations. Because trading hours for certain foreign securities end before the close of the NYSE, closing market quotations may become unreliable. If between the time trading ends on a particular security and the close of the customary trading session on the NYSE, events occur that are significant and make the closing price unreliable, the Fund may fair value the security. If the event is likely to have affected the closing price of the security, the security will be valued at fair value in good faith using procedures approved by the Board of Trustees. Adjustments to closing prices to reflect fair value may also be based on a screening process of an independent pricing service to indicate the degree of certainty, based on historical data, that the closing price in the principal market where a foreign security trade is not the current value as of the close of the NYSE. Foreign securities meeting the approved degree of certainty that the price is not reflective of current value will be priced at the indication of fair value from the independent pricing service. Multiple factors may be considered by the independent pricing service in determining adjustments to reflect fair value and may include information relating to sector indices, American Depositary Receipts and domestic and foreign index futures. Foreign securities may have additional risks including exchange rate changes, potential for sharply devalued currencies and high inflation, political and economical upheaval, the relative lack of issuer information, relatively low market liquidity and the potential lack of strict financial and accounting controls and standards.

Securities for which market prices are not provided by any of the above methods may be valued based upon quotes furnished by independent sources. The last bid price may be used to value equity securities. The mean between the last bid and asked prices is used to value debt obligations, including Corporate Loans.

Securities for which market quotations are not readily available or are unreliable are valued at fair value as determined in good faith by or under the supervision of the Trust's officers following procedures approved by the Board of Trustees. Issuer specific events, market trends, bid/ask quotes of brokers and information providers and other market data may be reviewed in the course of making a good faith determination of a security's fair value.

Valuations change in response to many factors including the historical and prospective earnings of the issuer, the value of the issuer's assets, general economic conditions, interest rates, investor perceptions and market liquidity. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value received upon actual sale of those investments.

**B. Securities Transactions and Investment Income** — Securities transactions are accounted for on a trade date basis. Realized gains or losses on sales are computed on the basis of specific identification of the securities sold. Interest income is recorded on the accrual basis from settlement date. Dividend income (net of withholding tax, if any) is recorded on the ex-dividend date.

The Fund may periodically participate in litigation related to Fund investments. As such, the Fund may receive proceeds from litigation settlements. Any proceeds received are included in the Statement of Operations as realized gain (loss) for investments no longer held and as unrealized gain (loss) for investments still held.

Brokerage commissions and mark ups are considered transaction costs and are recorded as an increase to the cost basis of securities purchased and/or a reduction of proceeds on a sale of securities. Such transaction costs are included in the determination of net realized and unrealized gain (loss) from investment securities reported in the Statement of Operations and the Statement of Changes in Net Assets and the net realized and unrealized gains (losses) on securities per share in the Financial Highlights. Transaction costs are included in the calculation of the Fund's net asset value and, accordingly, they reduce the Fund's total returns. These transaction costs are not considered operating expenses and are not reflected in net investment income reported in the Statement of Operations and Statement of Changes in Net Assets, or the net investment income per share and ratios of expenses and net investment income reported in the Financial Highlights, nor are they limited by any expense limitation arrangements between the Fund and the investment adviser.

The Fund allocates income and realized and unrealized capital gains and losses to a class based on the relative net assets of each class.

The Fund recharacterizes distributions received from REIT investments based on information provided by the REIT into the following categories: ordinary income, long-term and short-term capital gains, and return of capital. If information is not available on a timely basis from the REIT, the recharacterization will be based on available information which may include the previous year's allocation. If new or additional information becomes available from the REIT at a later date, a recharacterization will be made in the following year. The Fund records as dividend income the amount recharacterized as ordinary income and as realized gain the amount recharacterized as capital gain in the Statement of Operations, and the amount recharacterized as return of capital as a reduction to the cost of investments in the Statement of Assets and Liabilities. These recharacterizations are reflected in the accompanying financial statements.

**C. Country Determination** — For the purposes of making investment selection decisions and presentation in the Schedule of Investments, the investment adviser may determine the country in which an issuer is located and/or credit risk exposure based on various factors. These factors include the laws of the country under which the issuer is organized, where the issuer maintains a principal office, the country in which the issuer derives 50% or more of its total revenues and the country that has the primary market for the issuer's securities, as well as other criteria. Among the other criteria that may be evaluated for making this determination are the country in which the issuer maintains 50% or more of its assets, the type of security, financial guarantees and enhancements, the nature of the collateral and the sponsor organization. Country of issuer and/or credit risk exposure has been determined to be the United States of America, unless otherwise noted.

**D. Distributions** — Distributions from income and net realized capital gain, if any, are generally paid to separate accounts of participating insurance companies annually and recorded on ex-dividend date.

**E. Federal Income Taxes** — The Fund intends to comply with the requirements of Subchapter M of the Internal Revenue Code necessary to qualify as a regulated investment company and to distribute substantially all of the Fund’s taxable earnings to shareholders. As such, the Fund will not be subject to federal income taxes on otherwise taxable income (including net realized capital gain) that is distributed to shareholders. Therefore, no provision for federal income taxes is recorded in the financial statements.

The Fund files tax returns in the U.S. Federal jurisdiction and certain other jurisdictions. Generally, the Fund is subject to examinations by such taxing authorities for up to three years after the filing of the return for the tax period.

**F. Expenses** — Fees provided for under the Rule 12b-1 plan of a particular class of the Fund and which are directly attributable to that class are charged to the operations of such class. All other expenses are allocated among the classes based on relative net assets.

**G. Accounting Estimates** — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period including estimates and assumptions related to taxation. Actual results could differ from those estimates by a significant amount. In addition, the Fund monitors for material events or transactions that may occur or become known after the period-end date and before the date the financial statements are released to print.

**H. Indemnifications** — Under the Trust’s organizational documents, each Trustee, officer, employee or other agent of the Trust is indemnified against certain liabilities that may arise out of performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts, including the Fund’s servicing agreements that contain a variety of indemnification clauses. The Fund’s maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. The risk of material loss as a result of such indemnification claims is considered remote.

**I. Other Risks** — The Fund’s investments are concentrated in a comparatively narrow segment of the economy. Consequently, the Fund may tend to be more volatile than other mutual funds, and the value of the Fund’s investments may tend to rise and fall more rapidly.

The Fund concentrates its assets in the real estate industry, an investment in the fund will be closely linked to the performance of the real estate markets. Property values may fall due to increasing vacancies or declining rents resulting from economic, legal, cultural or technological developments.

**J. Foreign Currency Translations** — Foreign currency is valued at the close of the NYSE based on quotations posted by banks and major currency dealers. Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at date of valuation. Purchases and sales of portfolio securities (net of foreign taxes withheld on disposition) and income items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions. The Fund does not separately account for the portion of the results of operations resulting from changes in foreign exchange rates on investments and the fluctuations arising from changes in market prices of securities held. The combined results of changes in foreign exchange rates and the fluctuation of market prices on investments (net of estimated foreign tax withholding) are included with the net realized and unrealized gain or loss from investments in the Statement of Operations. Reported net realized foreign currency gains or losses arise from (1) sales of foreign currencies, (2) currency gains or losses realized between the trade and settlement dates on securities transactions, and (3) the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund’s books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign currency gains and losses arise from changes in the fair values of assets and liabilities, other than investments in securities at fiscal period end, resulting from changes in exchange rates.

The Fund may invest in foreign securities which may be subject to foreign taxes on income, gains on investments or currency repatriation, a portion of which may be recoverable.

**K. Foreign Currency Contracts** — The Fund may enter into foreign currency contracts to manage or minimize currency or exchange rate risk. The Fund may also enter into foreign currency contracts for the purchase or sale of a security denominated in a foreign currency in order to “lock in” the U.S. dollar price of that security. A foreign currency contract is an obligation to purchase or sell a specific currency for an agreed-upon price at a future date. The use of foreign currency contracts does not eliminate fluctuations in the price of the underlying securities the Fund owns or intends to acquire but establishes a rate of exchange in advance. Fluctuations in the value of these contracts are measured by the difference in the contract date and reporting date exchange rates and are recorded as unrealized appreciation (depreciation) until the contracts are closed. When the contracts are closed, realized gains (losses) are recorded. Realized and unrealized gains (losses) on the contracts are included in the Statement of Operations. The primary risks associated with foreign currency contracts include failure of the counterparty to meet the terms of the contract and the value of the foreign currency changing unfavorably. These risks may be in excess of the amounts reflected in the Statement of Assets and Liabilities.

## NOTE 2—Advisory Fees and Other Fees Paid to Affiliates

The Trust has entered into a master investment advisory agreement with Invesco Advisers, Inc. (the “Adviser” or “Invesco”). Under the terms of the investment advisory agreement, the Fund pays an advisory fee to the Adviser based on the annual rate of the Fund’s average daily net assets as follows:

Average Daily Net Assets	Rate
First \$250 million	0.75%
Next \$250 million	0.74%
Next \$500 million	0.73%
Next \$1.5 billion	0.72%
Next \$2.5 billion	0.71%
Next \$2.5 billion	0.70%
Next \$2.5 billion	0.69%
Over \$10 billion	0.68%

Under the terms of a master sub-advisory agreement between the Adviser and each of Invesco Asset Management Deutschland GmbH, Invesco Asset Management Limited, Invesco Asset Management (Japan) Limited, Invesco Australia Limited, Invesco Hong Kong Limited, Invesco Senior Secured Management, Inc. and Invesco Canada Ltd. (formerly Invesco Trimark Ltd.) (collectively, the “Affiliated Sub-Advisers”) the Adviser, not the Fund, may pay 40% of the fees paid to the Adviser to any such Affiliated Sub-Adviser(s) that provide(s) discretionary investment management services to the Fund based on the percentage of assets allocated to such Sub-Adviser(s).

The Adviser has contractually agreed, through at least April 30, 2012, to waive advisory fees and/or reimburse expenses of all shares to the extent necessary to limit total annual fund operating expenses after fee waiver and/or expense reimbursement (excluding certain items discussed below) of Series I shares to 1.30% and Series II shares to 1.45% of average daily net assets. In determining the Adviser’s obligation to waive advisory fees and/or reimburse expenses, the following expenses are not taken into account, and could cause the total annual fund operating expenses after fee waiver and/or expense reimbursement to exceed the numbers reflected above: (1) interest; (2) taxes; (3) dividend expense on short sales; (4) extraordinary or non-routine items; and (5) expenses that the Fund has incurred but did not actually pay because of an expense offset arrangement. Unless the Board of the Trustees and Invesco mutually agree to amend or continue the fee waiver agreement, it will terminate on April 30, 2012. The Adviser did not waive fees and/or reimburse expenses during the period under this expense limitation.

Further, the Adviser has contractually agreed, through at least June 30, 2012, to waive the advisory fee payable by the Fund in an amount equal to 100% of the net advisory fees the Adviser receives from the affiliated money market funds on investments by the Fund of uninvested cash in such affiliated money market funds.

For the six months ended June 30, 2011, the Adviser waived advisory fees of \$1,405.

At the request of the Trustees of the Trust, Invesco Ltd. agreed to reimburse expenses incurred by the Fund in connection with market timing matters in the Invesco Funds, which may include legal, audit, shareholder reporting, communications and trustee expenses. For the six months ended June 30, 2011, Invesco Ltd. did not reimburse any expenses.

The Trust has entered into a master administrative services agreement with Invesco pursuant to which the Fund has agreed to pay Invesco a fee for costs incurred in providing accounting services and fund administrative services to the Fund and to reimburse Invesco for administrative services fees paid to insurance companies that have agreed to provide services to the participants of separate accounts. These administrative services provided by the insurance companies may include, among other things: the printing of prospectuses, financial reports and proxy statements and the delivery of the same to existing participants; the maintenance of master accounts; the facilitation of purchases and redemptions requested by the participants; and the servicing of participants’ accounts. Pursuant to such agreement, for the six months ended June 30, 2011, Invesco was paid \$24,794 for accounting and fund administrative services and reimbursed \$217,941 for services provided by insurance companies.

The Trust has entered into a transfer agency and service agreement with Invesco Investment Services, Inc. (“IIS”) pursuant to which the Fund has agreed to pay IIS a fee for providing transfer agency and shareholder services to the Fund and reimburse IIS for certain expenses incurred by IIS in the course of providing such services. For the six months ended June 30, 2011, expenses incurred under the agreement are shown in the Statement of Operations as transfer agent fees.

The Trust has entered into a master distribution agreement with Invesco Distributors, Inc. (“IDI”) to serve as the distributor for the Fund. The Trust has adopted a plan pursuant to Rule 12b-1 under the 1940 Act with respect to the Fund’s Series II shares (the “Plan”). The Fund, pursuant to the Plan, pays IDI compensation at the annual rate of 0.25% of the Fund’s average daily net assets of Series II shares. Of the Plan payments, up to 0.25% of the average daily net assets of the Series II shares may be paid to insurance companies who furnish continuing personal shareholder services to customers who purchase and own Series II shares of the Fund. For the six months ended June 30, 2011, expenses incurred under the Plan are detailed in the Statement of Operations as distribution fees.

Certain officers and trustees of the Trust are officers and directors of the Adviser, Invesco Ltd., IIS and/or IDI.

### **NOTE 3—Additional Valuation Information**

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, under current market conditions. GAAP establishes a hierarchy that prioritizes the inputs to valuation methods giving the highest priority to readily available unadjusted quoted prices in an active market for identical assets (Level 1) and the lowest priority to significant unobservable inputs (Level 3) generally when market prices are not readily available or are unreliable. Based on the valuation inputs, the securities or other investments are tiered into one of three levels. Changes in valuation methods may result in transfers in or out of an investment’s assigned level:

Level 1 — Prices are determined using quoted prices in an active market for identical assets.

Level 2 — Prices are determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk, yield curves, loss severities, default rates, discount rates, volatilities and others.

Level 3 — Prices are determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Fund’s own assumptions about the factors market participants would use in determining fair value of the securities or instruments and would be based on the best available information.

The following is a summary of the tiered valuation input levels, as of June 30, 2011. The level assigned to the securities valuations may not be an indication of the risk or liquidity associated with investing in those securities. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value received upon actual sale of those investments.

During the six months ended June 30, 2011, there were no significant transfers between investment levels.

	Level 1*	Level 2*	Level 3	Total
Australia	\$ 2,093,672	\$16,254,562	\$—	\$ 18,348,234
Austria	1,087,826	—	—	1,087,826
Canada	6,463,496	—	—	6,463,496
China	—	2,656,160	—	2,656,160
Finland	1,388,226	—	—	1,388,226
France	9,645,030	—	—	9,645,030
Germany	1,300,798	—	—	1,300,798
Hong Kong	5,102,821	20,656,502	—	25,759,323
Italy	764,531	—	—	764,531
Japan	3,307,318	15,297,649	—	18,604,967
Malta	—	—	0	0
Netherlands	1,983,668	—	—	1,983,668
Singapore	1,364,422	7,135,730	—	8,500,152
Sweden	1,368,449	—	—	1,368,449
Switzerland	2,554,862	—	—	2,554,862
United Kingdom	12,429,781	—	—	12,429,781
United States	95,534,439	—	—	95,534,439
Total Investments	\$146,389,339	\$62,000,603	\$ 0	\$208,389,942

\* Transfers occurred between Level 1 and Level 2 due to foreign fair value adjustments.

#### NOTE 4—Trustees’ and Officers’ Fees and Benefits

“Trustees’ and Officers’ Fees and Benefits” include amounts accrued by the Fund to pay remuneration to certain Trustees and Officers of the Fund. Trustees have the option to defer compensation payable by the Fund, and “Trustees’ and Officers’ Fees and Benefits” also include amounts accrued by the Fund to fund such deferred compensation amounts. Those Trustees who defer compensation have the option to select various Invesco Funds in which their deferral accounts shall be deemed to be invested. Finally, certain current Trustees are eligible to participate in a retirement plan that provides for benefits to be paid upon retirement to Trustees over a period of time based on the number of years of service. The Fund may have certain former Trustees who also participate in a retirement plan and receive benefits under such plan. “Trustees’ and Officers’ Fees and Benefits” include amounts accrued by the Fund to fund such retirement benefits. Obligations under the deferred compensation and retirement plans represent unsecured claims against the general assets of the Fund.

During the six months ended June 30, 2011, the Fund paid legal fees of \$746 for services rendered by Kramer, Levin, Naftalis & Frankel LLP as counsel to the Independent Trustees. A partner of that firm is a Trustee of the Trust.

#### NOTE 5—Cash Balances

The Fund is permitted to temporarily carry a negative or overdrawn balance in its account with The State Street Bank and Trust Company, the custodian bank. To compensate the custodian bank for such overdrafts, the overdrawn Fund may either (1) leave funds as a compensating balance in the account so the custodian bank can be compensated by earning the additional interest; or (2) compensate by paying the custodian bank at a rate agreed upon by the custodian bank and Invesco, not to exceed the contractually agreed upon rate.

#### NOTE 6—Tax Information

The amount and character of income and gains to be distributed are determined in accordance with income tax regulations, which may differ from generally accepted accounting principles. Reclassifications are made to the Fund’s capital accounts to reflect income and gains available for distribution (or available capital loss carryforward) under income tax regulations. The tax character of distributions paid during the year and the tax components of net assets will be reported at the Fund’s fiscal year-end.

Capital loss carryforward is calculated and reported as of a specific date. Results of transactions and other activity after that date may affect the amount of capital loss carryforward actually available for the Fund to utilize. The ability to utilize capital loss carryforward in the future may be limited under the Internal Revenue Code and related regulations based on the results of future transactions.

The Fund had a capital loss carryforward as of December 31, 2010 which expires as follows:

Expiration	Capital Loss Carryforward*
December 31, 2016	\$14,871,434
December 31, 2017	22,621,345
Total capital loss carryforward	\$37,492,779

\* Capital loss carryforward as of the date listed above is reduced for limitations, if any, to the extent required by the Internal Revenue Code.

#### NOTE 7—Investment Securities

The aggregate amount of investment securities (other than short-term securities, U.S. Treasury obligations and money market funds, if any) purchased and sold by the Fund during the six months ended June 30, 2011 was \$89,725,669 and \$56,092,412, respectively. Cost of investments on a tax basis includes the adjustments for financial reporting purposes as of the most recently completed Federal income tax reporting period-end.

##### Unrealized Appreciation (Depreciation) of Investment Securities on a Tax Basis

Aggregate unrealized appreciation of investment securities	\$26,715,130
Aggregate unrealized (depreciation) of investment securities	(1,714,778)
Net unrealized appreciation of investment securities	\$25,000,352

Cost of investments for tax purposes is \$183,389,590.

#### NOTE 8—Share Information

##### Summary of Share Activity

	Six months ended June 30, 2011 <sup>(a)</sup>		Year ended December 31, 2010	
	Shares	Amount	Shares	Amount
Sold:				
Series I	2,368,617	\$ 33,393,101	3,250,045	\$ 40,832,439
Series II	1,670,078	22,864,837	1,654,806	20,893,454
Issued as reinvestment of dividends:				
Series I	—	—	477,626	6,161,371
Series II	—	—	81,855	1,036,283
Reacquired:				
Series I	(1,474,937)	(20,596,330)	(4,611,903)	(56,511,743)
Series II	(200,440)	(2,745,018)	(169,623)	(2,056,602)
Net increase in share activity	2,363,318	\$ 32,916,590	682,806	\$ 10,355,202

<sup>(a)</sup> There are entities that are record owners of more than 5% of the outstanding shares of the Fund and in the aggregate own 55% of the outstanding shares of the Fund. The Fund and the Fund's principal underwriter or adviser, are parties to participation agreements with these entities whereby these entities sell units of interest in separate accounts funding variable products that are invested in the Fund. The Fund, Invesco and/or Invesco affiliates may make payments to these entities, which are considered to be related to the Fund, for providing services to the Fund, Invesco and/or Invesco affiliates including but not limited to services such as, securities brokerage, third party record keeping and account servicing and administrative services. The Trust has no knowledge as to whether all or any portion of the shares owned of record by these entities are also owned beneficially.

## NOTE 9—Financial Highlights

The following schedule presents financial highlights for a share of the Fund outstanding throughout the periods indicated.

	Net asset value, beginning of period	Net investment income <sup>(a)</sup>	Net gains (losses) on securities (both realized and unrealized)	Total from investment operations	Dividends from net investment income	Distributions from net realized gains	Total distributions	Net asset value, end of period	Total return <sup>(b)</sup>	Net assets, end of period (000s omitted)	Ratio of expenses to average net assets with fee waivers and/or expenses absorbed	Ratio of expenses to average net assets without fee waivers and/or expenses absorbed	Ratio of net investment income to average net assets	Portfolio turnover <sup>(c)</sup>
<b>Series I</b>														
Six months ended														
06/30/11	\$13.58	\$0.18	\$ 0.59	\$ 0.77	\$ —	\$ —	\$ —	\$14.35	5.67%	\$151,694	1.13% <sup>(d)</sup>	1.13% <sup>(d)</sup>	2.53% <sup>(d)</sup>	31%
Year ended 12/31/10	12.14	0.35	1.74	2.09	(0.65)	—	(0.65)	13.58	17.51	131,462	1.20	1.20	2.82	87
Year ended 12/31/09	9.23	0.26	2.65	2.91	—	—	—	12.14	31.53	128,224	1.26	1.26	2.59	72
Year ended 12/31/08	21.88	0.44	(10.35)	(9.91)	(1.08)	(1.66)	(2.74)	9.23	(44.65)	82,582	1.17	1.17	2.51	62
Year ended 12/31/07	28.74	0.38	(1.52)	(1.14)	(1.69)	(4.03)	(5.72)	21.88	(5.54)	143,773	1.13	1.22	1.31	57
Year ended 12/31/06	21.06	0.33	8.61	8.94	(0.28)	(0.98)	(1.26)	28.74	42.60	192,617	1.15	1.30	1.32	84
<b>Series II</b>														
Six months ended														
06/30/11	13.31	0.16	0.58	0.74	—	—	—	14.05	5.56	56,539	1.38 <sup>(d)</sup>	1.38 <sup>(d)</sup>	2.28 <sup>(d)</sup>	31
Year ended 12/31/10	11.93	0.32	1.70	2.02	(0.64)	—	(0.64)	13.31	17.24	34,014	1.45	1.45	2.57	87
Year ended 12/31/09	9.10	0.24	2.59	2.83	—	—	—	11.93	31.10	11,786	1.45	1.51	2.40	72
Year ended 12/31/08	21.66	0.36	(10.19)	(9.83)	(1.07)	(1.66)	(2.73)	9.10	(44.72)	4,203	1.42	1.42	2.26	62
Year ended 12/31/07	28.57	0.29	(1.49)	(1.20)	(1.68)	(4.03)	(5.71)	21.66	(5.76)	2,646	1.38	1.47	1.06	57
Year ended 12/31/06	20.98	0.27	8.58	8.85	(0.28)	(0.98)	(1.26)	28.57	42.30	311	1.40	1.55	1.07	84

<sup>(a)</sup> Calculated using average shares outstanding.

<sup>(b)</sup> Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Total returns are not annualized for periods less than one year and do not reflect charges assessed in connection with a variable product, which if included would reduce total returns.

<sup>(c)</sup> Portfolio turnover is calculated at the fund level and is not annualized for periods less than one year, if applicable.

<sup>(d)</sup> Ratios are annualized and based on average daily net assets (000's omitted) of \$136,644 and \$45,176 for Series I and Series II shares, respectively.

# Calculating your ongoing Fund expenses

## Example

As a shareholder of the Fund, you incur ongoing costs, including management fees; distribution and/or service fees (12b-1); and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with ongoing costs of investing in other mutual funds. The example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period January 1, 2011 through June 30, 2011.

The actual and hypothetical expenses in the examples below do not represent the effect of any fees or other expenses assessed in connection with a variable product; if they did, the expenses shown would be higher while the ending account values shown would be lower.

## Actual expenses

The table below provides information about actual account values and actual expenses. You may use the information in this table, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the table under the heading entitled "Actual Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

## Hypothetical example for comparison purposes

The table below also provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return.

*The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.*

Please note that the expenses shown in the table are meant to highlight your ongoing costs. Therefore, the hypothetical information is useful in comparing ongoing costs, and will not help you determine the relative total costs of owning different funds.

Class	Beginning Account Value (01/01/11)	ACTUAL		HYPOTHETICAL (5% annual return before expenses)		Annualized Expense Ratio
		Ending Account Value (06/30/11) <sup>1</sup>	Expenses Paid During Period <sup>2</sup>	Ending Account Value (06/30/11)	Expenses Paid During Period <sup>2</sup>	
Series I	\$1,000.00	\$1,056.70	\$5.76	\$1,019.19	\$5.66	1.13%
Series II	1,000.00	1,055.60	7.03	1,017.95	6.90	1.38

<sup>1</sup> The actual ending account value is based on the actual total return of the Fund for the period January 1, 2011 through June 30, 2011, after actual expenses and will differ from the hypothetical ending account value which is based on the Fund's expense ratio and a hypothetical annual return of 5% before expenses.

<sup>2</sup> Expenses are equal to the Fund's annualized expense ratio as indicated above multiplied by the average account value over the period, multiplied by 181/365 to reflect the most recent fiscal half year.

# Approval of Investment Advisory and Sub-Advisory Contracts

The Board of Trustees (the Board) of AIM Variable Insurance Funds (Invesco Variable Insurance Funds) is required under the Investment Company Act of 1940, as amended, to approve annually the renewal of the Invesco V.I. Global Real Estate Fund (the Fund) investment advisory agreement with Invesco Advisers, Inc. (Invesco Advisers) and the Master Intergroup Sub-Advisory Contract for Mutual Funds (the sub-advisory contracts) with Invesco Asset Management Deutschland GmbH, Invesco Asset Management Limited, Invesco Asset Management (Japan) Limited, Invesco Australia Limited, Invesco Hong Kong Limited, Invesco Senior Secured Management, Inc. and Invesco Canada Ltd. (collectively, the Affiliated Sub-Advisers). During contract renewal meetings held on June 14-15, 2011, the Board as a whole, and the disinterested or “independent” Trustees, who comprise 80% of the Board, voting separately, approved the continuance of the Fund’s investment advisory agreement and the sub-advisory contracts for another year, effective July 1, 2011. In doing so, the Board considered the process that it follows in reviewing and approving the Fund’s investment advisory agreement and sub-advisory contracts and the information that it is provided. The Board determined that the Fund’s investment advisory agreement and the sub-advisory contracts are in the best interests of the Fund and its shareholders and the compensation to Invesco Advisers and the Affiliated Sub-Advisers under the agreements is fair and reasonable.

## The Board’s Fund Evaluation Process

The Board’s Investments Committee has established three Sub-Committees, each of which is responsible for overseeing the management of a number of the series portfolios of the funds advised by Invesco Advisers (the Invesco Funds). The Sub-Committees meet throughout the year to review the performance of their assigned funds, including reviewing materials prepared under the direction of the independent Senior Officer, an officer of the Invesco Funds who reports directly to the independent Trustees. Over the course of each year, the Sub-Committees meet with portfolio managers for their assigned Invesco Funds and other members of management to review the performance, investment objective(s), policies, strategies and limitations and investment risks of these funds. The Sub-Committees meet regularly and at designated contract renewal meetings each year to conduct a review of the performance, fees, expenses and other matters related to their assigned Invesco Funds. Each Sub-Committee recommends to the Investments Committee, which in turn recommends to the full Board, whether to approve the continuance of each Invesco Fund’s investment advisory agreement and sub-advisory contracts for another year.

During the contract renewal process, the Trustees receive comparative performance and fee data regarding the Invesco Funds prepared by Invesco Advisers and an independent company, Lipper, Inc. (Lipper). The Trustees also receive an independent written evaluation from the Senior Officer. The

Senior Officer’s evaluation is prepared as part of his responsibility to manage the process by which the Invesco Funds’ proposed management fees are negotiated during the annual contract renewal process to ensure they are negotiated in a manner that is at arms’ length and reasonable. The independent Trustees are assisted in their annual evaluation of the Fund’s investment advisory agreement by the Senior Officer and by independent legal counsel. The independent Trustees also discuss the continuance of the investment advisory agreement and sub-advisory contracts in private sessions with the Senior Officer and counsel.

In evaluating the fairness and reasonableness of the Fund’s investment advisory agreement and sub-advisory contracts, the Board considered, among other things, the factors discussed below. The Trustees also considered information provided in connection with fund acquisitions approved by the Trustees to rationalize the Invesco Funds product range following the acquisition of the retail mutual fund business of Morgan Stanley (the Morgan Stanley Transaction). The Trustees recognized that the advisory fees for the Invesco Funds include advisory fees that are the result of years of review and negotiation between the Trustees and Invesco Advisers as well as advisory fees inherited from Morgan Stanley and Van Kampen funds acquired in the Morgan Stanley Transaction. The Trustees’ deliberations and conclusions in a particular year may be based in part on their deliberations and conclusions regarding these same arrangements throughout the year and in prior years. One Trustee may have weighed a particular piece of information differently than another Trustee.

The discussion below serves as the Senior Officer’s independent written evaluation with respect to the Fund’s investment advisory agreement as well as a discussion of the material factors and related conclusions that formed the basis for the Board’s approval of the Fund’s investment advisory agreement and sub-advisory contracts. Unless otherwise stated, this information is current as of June 15, 2011, and may not reflect consideration of factors that became known to the Board after that date, including, for example, changes to the Fund’s performance, advisory fees, expense limitations and/or fee waivers.

## Factors and Conclusions and Summary of Independent Written Fee Evaluation

### A. Nature, Extent and Quality of Services Provided by Invesco Advisers and the Affiliated Sub-Advisers

The Board reviewed the advisory services provided to the Fund by Invesco Advisers under the Fund’s investment advisory agreement, the performance of Invesco Advisers in providing these services, and the credentials and experience of the officers and employees of Invesco Advisers who provide these services, including the Fund’s portfolio manager or managers, with whom the Board met during the year. The Board’s review of the qualifications of

Invesco Advisers to provide advisory services included the Board’s consideration of Invesco Advisers’ performance and investment process oversight, independent credit analysis and investment risk management.

In determining whether to continue the Fund’s investment advisory agreement, the Board considered the prior relationship between Invesco Advisers and the Fund, as well as the Board’s knowledge of Invesco Advisers’ operations, and concluded that it is beneficial to maintain the current relationship, in part, because of such knowledge. The Board also considered services that Invesco Advisers and its affiliates provide to the Invesco Funds such as various back office support functions, equity and fixed income trading operations, internal audit, distribution and legal and compliance. The Board concluded that the nature, extent and quality of the services provided to the Fund by Invesco Advisers are appropriate and satisfactory and the advisory services are provided in accordance with the terms of the Fund’s investment advisory agreement.

The Board reviewed the services provided by the Affiliated Sub-Advisers under the sub-advisory contracts and the credentials and experience of the officers and employees of the Affiliated Sub-Advisers who provide these services. The Board noted that the Affiliated Sub-Advisers have offices and personnel that are located in financial centers around the world. As a result, the Affiliated Sub-Advisers can provide research and investment analysis on the markets and economies of various countries in which the Fund invests and make recommendations on securities of companies located in such countries. The Board concluded that the sub-advisory contracts benefit the Fund and its shareholders by permitting Invesco Advisers to use the resources and talents of the Affiliated Sub-Advisers in managing the Fund. The Board concluded that the nature, extent and quality of the services provided by the Affiliated Sub-Advisers are appropriate and satisfactory and in accordance with the terms of the Fund’s sub-advisory contracts.

### B. Fund Performance

The Board considered Fund performance as a relevant factor in considering whether to approve the investment advisory agreement as well as the sub-advisory contracts for the Fund, as Invesco Asset Management Limited currently manages certain assets of the Fund.

The Board compared the Fund’s performance during the past one, three and five calendar years to the performance of funds in the Lipper performance universe and against the Lipper VA Underlying Funds – Real Estate Funds Index. The Board noted that performance of Series I shares of the Fund was in the fourth quintile of the performance universe for the one year period, the fifth quintile for the three year period and the third quintile for the five year period (the first quintile being the best performing funds and the fifth quintile being the worst performing funds). The Board noted that performance of Series I shares of the Fund was

below the performance of the Index for the one and three year periods and above the performance of the Index for the five year period. Invesco Advisers advised the Board that short and intermediate term performance had been challenged due to the quality bias of the Fund. Although the independent written evaluation of the Fund's Senior Officer only considered Fund performance through the most recent calendar year, the Trustees also reviewed more recent Fund performance and this review did not change their conclusions.

#### **C. Advisory and Sub-Advisory Fees and Fee Waivers**

The Board compared the Fund's contractual advisory fee rate to the contractual advisory fee rates of funds in the Fund's Lipper expense group at a common asset level. The Board noted that the contractual advisory fee for Series I shares of the Fund was below the median contractual advisory fee rate of funds in the expense group. The Board also reviewed the methodology used by Lipper in providing expense group information, which includes using audited financial data from the most recent annual report of each fund in the expense group that was publicly available as of the end of the past calendar year and including only one fund per investment adviser. The Board noted that comparative data is as of varying dates, which may affect the comparability of data during times of market volatility.

The Board also compared the Fund's effective fee rate (the advisory fee after advisory fee waivers and before expense limitations/waivers) to the advisory fee rates of other mutual funds advised by Invesco Advisers and its affiliates with investment strategies comparable to those of the Fund. The Board noted that the Fund's effective fee rate was above the effective fee rate of one mutual fund advised by Invesco Advisers and below the total account fee of a mutual fund subadvised by Invesco Advisers. The Board also noted that Invesco Advisers sub-advises an off-shore fund with comparable investment strategies, but did not consider that to be an apt comparison as the management fee includes more than advisory fees.

The Board also considered the fees charged by Invesco Advisers and the Affiliated Sub-Advisers to other client accounts with investment strategies comparable to those of the Fund. The Board noted that Invesco Advisers or the Affiliated Sub-Advisers may charge lower fees to large institutional clients solely for investment management services. Invesco Advisers reviewed with the Board the significantly greater scope of services it provides to the Invesco Funds relative to other client accounts. These additional services include provision of administrative services, officers and office space, oversight of service providers, preparation of annual registration statement updates and financial information and regulatory compliance under the Investment Company Act of 1940, as amended. Invesco Advisers also reviewed generally the higher frequency of shareholder purchases and redemptions in the Invesco Funds relative to the flow of assets for other client accounts. Invesco Advisers advised the Board that advance notice of redemptions is often provided to Invesco Advisers by institutional clients.

The Board did note that sub-advisory fees charged by the Affiliated Sub-Advisers to manage the Invesco Funds and to manage other client accounts were often more comparable. The Board concluded that the aggregate services provided to the Invesco Funds were sufficiently different from those provided to institutional clients, and the Board did not place significant weight on these fee comparisons.

The Board noted that Invesco Advisers has contractually agreed to waive fees and/or limit expenses of the Fund through at least April 30, 2012 in an amount necessary to limit total annual operating expenses to a specified percentage of average daily net assets for each class of the Fund. The Board noted that at the current expense ratio for the Fund, this expense waiver does not have any impact.

The Board also considered the services provided by the Affiliated Sub-Advisers pursuant to the sub-advisory contracts, as well as the allocation of fees between Invesco Advisers and the Affiliated Sub-Advisers pursuant to the sub-advisory contracts. The Board noted that Invesco Advisers provides services to sub-advised Invesco Funds, including oversight of the Affiliated Sub-Advisers as well as the additional services described above other than day-to-day portfolio management. The Board also noted that the sub-advisory fees have no direct effect on the Fund or its shareholders, as they are paid by Invesco Advisers to the Affiliated Sub-Advisers.

Based upon the information and considerations described above, the Board concluded that the Fund's advisory and sub-advisory fees are fair and reasonable.

#### **D. Economies of Scale and Breakpoints**

The Board considered the extent to which there are economies of scale in the provision of advisory services to the Fund. The Board also considered whether the Fund benefits from economies of scale through contractual breakpoints in the Fund's advisory fee schedule. The Board also noted that the Fund shares directly in economies of scale through lower fees charged by third party service providers based on the combined size of the Invesco Funds and other clients advised by Invesco Advisers.

#### **E. Profitability and Financial Resources**

The Board reviewed information from Invesco Advisers concerning the costs of the advisory and other services that Invesco Advisers and its affiliates provide to the Fund and the profitability of Invesco Advisers and its affiliates in providing these services. The Board reviewed with Invesco Advisers the methodology used to prepare the profitability information. The Board considered the profitability of Invesco Advisers in connection with managing the Fund and the Invesco Funds. The Board noted that Invesco Advisers continues to operate at a net profit from services Invesco Advisers and its subsidiaries provide to the Fund and the Invesco Funds. The Board concluded that the level of profits realized by Invesco Advisers and its affiliates from providing services to the Fund is not excessive given the nature, quality and extent of the services provided to the Invesco Funds. The Board considered

whether Invesco Advisers and each Affiliated Sub-Adviser are financially sound and have the resources necessary to perform their obligations under the investment advisory agreement and sub-advisory contracts. The Board concluded that Invesco Advisers and each Affiliated Sub-Adviser have the financial resources necessary to fulfill these obligations.

#### **F. Collateral Benefits to Invesco Advisers and its Affiliates**

The Board considered various other benefits received by Invesco Advisers and its affiliates from the relationship with the Fund, including the fees received for their provision of administrative, transfer agency and distribution services to the Fund. The Board considered the performance of Invesco Advisers and its affiliates in providing these services and the organizational structure employed to provide these services. The Board also considered that these services are provided to the Fund pursuant to written contracts that are reviewed and approved on an annual basis by the Board; that the services are required for the operation of the Fund; that Invesco Advisers and its affiliates can provide services, the nature and quality of which are at least equal to those provided by others offering the same or similar services; and that the fees for such services are fair and reasonable in light of the usual and customary charges by others for services of the same nature and quality.

The Board considered the benefits realized by Invesco Advisers and the Affiliated Sub-Advisers as a result of portfolio brokerage transactions executed through "soft dollar" arrangements. The Board noted that soft dollar arrangements shift the payment obligation for research and execution services from Invesco Advisers and the Affiliated Sub-Advisers to the Invesco Funds and therefore may reduce Invesco Advisers' and the Affiliated Sub-Advisers' expenses. The Board concluded that the soft dollar arrangements are appropriate. The Board also concluded that, based on their review and representations made by the Chief Compliance Officer of the Invesco Funds, these arrangements are consistent with regulatory requirements.

The Board considered that the Fund's uninvested cash and cash collateral from any securities lending arrangements may be invested in money market funds advised by Invesco Advisers pursuant to procedures approved by the Board. The Board noted that Invesco Advisers receives advisory fees from these affiliated money market funds attributable to such investments, although Invesco Advisers has contractually agreed to waive through varying periods the advisory fees payable by the Invesco Funds. The waiver is in an amount equal to 100% of the net advisory fee Invesco Advisers receives from the affiliated money market funds with respect to the Fund's investment in the affiliated money market funds of uninvested cash, but not cash collateral. The Board concluded that the Fund's investment of uninvested cash and cash collateral from any securities lending arrangements in the affiliated money market funds is in the best interests of the Fund and its shareholders.