



Fund Managers: Paul Causer & Paul Read

Key facts¹

Paul Causer	citywire / A
Paul Read	citywire / A
Fund launch date	1 February 2010
Fund size	£356.93m
Legal status	UK authorised ICVC
Yield (Accumulation share class)	
Running yield ²	1.58%
Redemption yield ²	0.67%
Distribution yield ²	1.12%
Underlying yield ²	1.12%
Income distribution dates	30 June 31 December
Accounting period ends	30 April 31 October
Available within an ISA?	Yes

Market commentary

Bond market returns were modestly positive in July, as bonds were supported by the persistence of relatively weak inflation in the major developed economies. But the diverging outlook for growth in the eurozone and the US economies saw government bond yields in these markets moving in different directions. Business confidence and consumption has been relatively weak across Germany and the wider Eurozone, whereas initial second quarter GDP data for the US recorded an annualised growth rate of 4%. According to data from Merrill Lynch, Bunds had a total return of 0.6% (all returns in local currency terms), with Treasuries returning -0.2%. Corporate bonds underperformed. Problems in the Portuguese Espirito Santo group increased volatility into month-end, although aggregate yields for the corporate bond market remain near recent lows. Euro investment grade corporate bonds returned 0.4%. Within investment grade, there was little variance across sectors. However, peripheral eurozone sovereign bonds continued to outperform, with Portuguese bonds returning 0.8% for the month.

Fund strategy

With many areas of the bond market appearing relatively fully valued, we are using the flexibility we have in the fund's mandate to take a relatively defensive position. We hold a number of government bond positions along with a significant allocation to cash and short-dated securities. We still believe that investors are being better rewarded for credit (default) risk than interest rate risk. The modified duration of the portfolio (a measure of its sensitivity to changes in interest rates) is 2.0, significantly lower than the global bond market. This should partially mitigate the negative impact of rises in core government bond yields. In corporate bonds, we think the main area of value is in financials. In particular, aggregate yields on subordinated bank debt still offer value, in our opinion, and this is where our corporate bond investments are concentrated.

Investment objective

The Invesco Perpetual Tactical Bond Fund aims to achieve a high level of return through a combination of income and capital growth over the medium to long term. This will be achieved through a flexible allocation to corporate and government debt securities (which may be unrated or sub-investment grade), transferable securities, collective investment schemes, financial derivative instruments and cash. Financial derivative instruments can be used for investment purposes and for efficient portfolio management. Derivatives may be used to achieve both long and short exposure to credit, interest rates and currencies globally. Depending on market conditions the Fund may invest up to 100% of its net assets in cash, cash equivalents, short term debt securities and money market instruments.

Performance

	% growth							
	3 months	6 months	1 year	3 years	Since 1.2.10	ACR*	10 years	ACR*
Fund (Accumulation share class)	1.29	2.50	5.85	25.32	36.06	7.09	n/a	n/a
IMA Sector	1.14	3.00	5.73	19.08	29.52	5.92	n/a	n/a

* ACR - Annual Compound Return

Standardised rolling 12-month performance

	% growth					
	30.06.09 30.06.10	30.06.10 30.06.11	30.06.11 30.06.12	30.06.12 30.06.13	30.06.13 30.06.14	
Fund (Accumulation share class)	n/a	8.78	0.75	13.46	6.61	

Past performance is not a guide to future returns. Performance figures are shown in sterling on a mid-to-mid basis, inclusive of net reinvested income and net of the ongoing charge and portfolio transaction costs to 31 July 2014. The figures do not reflect the entry charge paid by individual investors. As the fund was launched on 1 February 2010, performance figures are not available for the complete period covered by the table. Chart figures overleaf are as at the end of the relevant month unless otherwise stated. The standardised past performance information is updated on a quarterly basis. Source: Lipper.

Tactical Bond Fund

August 2014

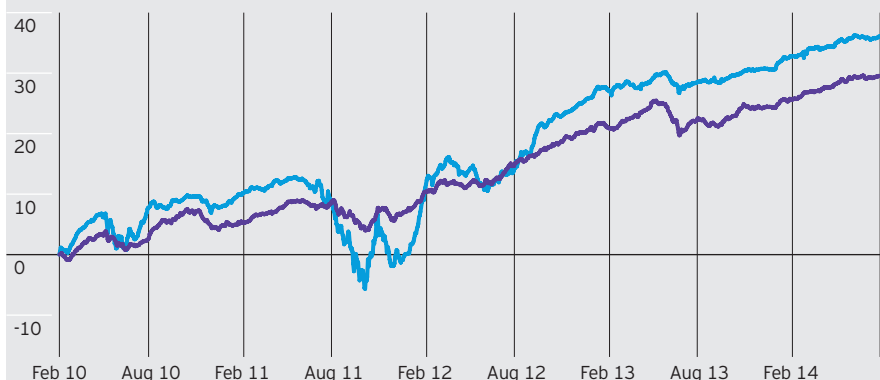
Top 10 bond issuers ¹	%
US	14.82
Portugal	10.87
Spain	8.90
Germany	7.99
Lloyds	4.60
RBS	4.39
UK	4.24
BBVA	4.01
Barclays	3.15
Co-Op	2.86
Total Top 10 bond issuers (%)	65.84
Total number of holdings	49

Credit rating breakdown ¹	%
AAA	24.47
AA	4.24
BBB	20.62
BB	25.28
B	4.21
CCC	2.86
Derivatives	-0.72
Cash	19.05
Total	100

Currency exposure breakdown ¹	%
UK Sterling	92.46
US Dollar	7.58
Japanese Yen	0.02
Euro	-0.06
Total	100

Five year performance

— Invesco Perpetual Tactical Bond Fund (Accumulation Share Class)
— IMA £ Strategic Bond Sector



Past performance is not a guide to future returns. The chart shown above should be viewed in conjunction with the 'Standardised rolling 12-month performance' table overleaf.

¹ All fund portfolio figures within this leaflet are as at 31 July 2014 (source: Invesco Perpetual).

² The yields shown are expressed as % per annum of current NAV of the fund. They are estimates for the next 12 months, assuming that the fund's portfolio remains unchanged and there are no defaults or deferrals of coupon payments or capital repayments. They are not guaranteed. They are shown net of the ongoing charge and do not reflect the entry charge of the fund. Investors may be subject to tax on distributions. Cash income is estimated coupons from bonds and, where applicable, estimated dividends from equities. The running yield estimates expected cash income into the fund from coupons of current bond holdings and, where applicable, dividends from current equity holdings.

The redemption yield estimates the annualised total return: in addition to expected cash income, it includes the amortised annual value of unrealised capital gains/losses of current bond holdings, calculated with reference to their current market price and expected redemption value. The distribution yield estimates the cash distribution to the shareholders: in addition to expected cash income, it includes the amortised annual value of unrealised capital gains/losses of current bond holdings, calculated with reference to their historic purchase price and expected redemption value (known as 'effective yield from purchase price' method). For this fund the distribution yield is the same as the underlying yield.

Where, in the Manager's judgement, there is significant uncertainty that a bond holding will be redeemed at par, the amortised capital component for that holding is retained in the fund's capital and not distributed. This has the effect of reducing the estimated redemption, distribution and underlying yields and the actual distribution rate.

Investment risks

The value of investments and any income will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the full amount invested.

The securities that the fund invests in may not always make interest and other payments nor is the solvency of the issuers guaranteed. Market conditions, such as a decrease in market liquidity, may mean that it is not easy to buy or sell securities.

These risks increase where the fund invests in high yield bonds and where we use derivatives.

As the fund can rapidly change its holdings across the fixed income and debt spectrum and cash, this can increase its risk profile.

The fund has the ability to make significant use of financial derivatives (complex instruments) which may result in the fund being leveraged and can result in large fluctuations in the value of the fund. Leverage on certain types of transactions including derivatives may impair the fund's liquidity, cause it to liquidate positions at unfavourable times or otherwise cause the fund not to achieve its intended objective. Leverage occurs when the economic exposure created by the use of derivatives is greater than the amount invested resulting in the fund being exposed to a greater loss than the initial investment.

The fund may be exposed to counterparty risk should an entity with which the fund does business become insolvent resulting in financial loss.

Important information

Where Invesco Perpetual has expressed views and opinions, these may change.

For more information on our funds and available share classes, please refer to the most up to date relevant fund and share class-specific Key Investor Information Documents, the Supplementary Information Document, the ICVC ISA Key Features and Terms & Conditions, the latest Annual or Interim Short Reports and the latest Prospectus. This information is available using the contact details shown.

Invesco Perpetual's ISAs are managed by Invesco Asset Management Limited.

Telephone calls may be recorded.

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