

Corporate Bond Fund

August 2014

Covering the month of July 2014



Fund Managers: Michael Matthews, Paul Causer & Paul Reed

Key facts¹

Michael Matthews

citywire +

Paul Causer

citywire A

Paul Reed

citywire A

Morningstar OBSR Fund Management Rating



Fund launch date

24 July 1995

Fund size

£5,535.71m

Legal status

UK authorised ICVC

Yield (Accumulation share class)

Running yield²

3.87%

Redemption yield²

2.97%

Distribution yield²

3.72%

Underlying yield²

3.72%

Income distribution dates

30 June
31 December

Accounting period ends

30 April
31 October

Available within an ISA?

Yes

Market commentary

Returns were broadly positive for corporate bonds in July. The persistence of relatively weak inflation in the major developed economies resulted in falling yields, despite further signs of strengthening growth in the UK and US economies. A 0.8% rise in UK GDP in the second quarter saw the economy exceed its pre-recession peak and recent data on employment and business activity point to further expansion. Problems in the Portuguese Espirito Santo group increased volatility, particularly in lower credit quality bonds, but aggregate yields remain near recent lows. According to data from Merrill Lynch, sterling investment grade corporate bonds had a total return for the month of 0.5%. This return compares to 1.1% for Gilts, which rebounded from weakness in June. Lower quality, more credit-sensitive, corporate bonds underperformed the wider market, with BBB rated bonds returning 0.2% compared to 0.8% for AA. European high yield bonds returned -1.2% (in sterling terms), with the aggregate yield rising 19 basis points to 4.62%.

Fund strategy

Corporate bond yields remain very low by historical standards and we believe many areas of the market offer limited value. Our strategy is defensive and we have significant exposure to cash and other highly liquid assets. We think yields in parts of the financial sector are relatively attractive. In our view, ongoing structural reform is supporting subordinated bank debt. We also see some opportunities in junior debt across other sectors. Core government bonds, such as Gilts, offer limited opportunities, we believe. The modified duration of the portfolio (a measure of its sensitivity to changes in interest rates) is 4.0, lower than the general sterling corporate bond market. This should partially mitigate the negative impact of rises in the yields of core government bond.

Investment objective

The Invesco Perpetual Corporate Bond Fund aims to achieve a combination of income and capital growth over the medium to long term. The Fund seeks to achieve its objective by investing primarily in investment grade corporate debt securities. The Fund may also invest in government, unrated and sub-investment grade debt securities, cash, cash equivalents, money market instruments, collective investment schemes, and other transferable securities. Financial derivative instruments can be used for investment purposes and for efficient portfolio management. They may include derivatives on currencies, interest rates and credit and can be used to achieve both long and short positions.

Performance

% growth

	3 months	6 months	1 year	3 years	5 years	ACR*	10 years	ACR*
Fund (Accumulation share class)	0.96	2.56	5.59	22.06	47.90	8.14	76.41	5.84
IMA Sector	1.37	2.67	4.49	17.31	41.13	7.13	50.49	4.17

*ACR - Annual Compound Return

Standardised rolling 12-month performance

% growth

	30.6.09	30.6.10	30.6.11	30.6.12	30.6.13
	30.6.10	30.6.11	30.6.12	30.6.13	30.6.14
Fund (Accumulation share class)	17.72	7.29	0.79	13.09	7.22

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. 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

Corporate Bond Fund

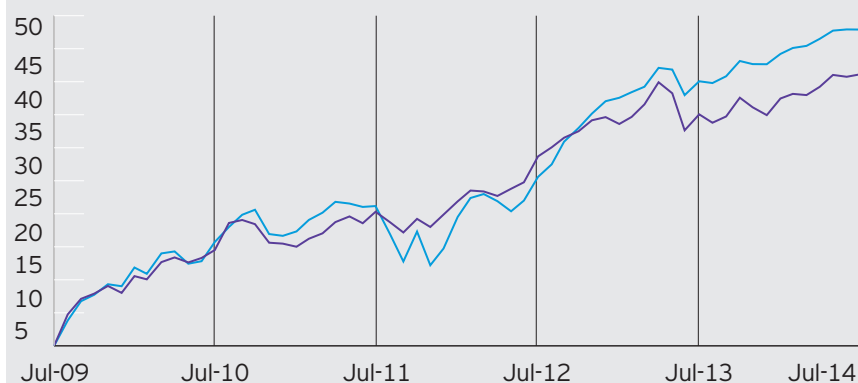
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Top 10 bond issuers ¹	%
EIB	6.15
Lloyds	5.55
RBS	3.50
GE	3.04
Barclays	2.93
HSBC	2.26
RSA	1.77
Siemens	1.57
AXA	1.55
Tesco	1.54
Total Top 10 Holdings (%)	29.87
Total number of holdings	313

Breakdown by credit rating ¹	%
AAA	10.03
AA	4.94
A	15.00
BBB	52.07
BB	8.54
B	1.43
CCC	0.76
Not Rated	1.23
Derivatives	-0.01
Cash	5.99
Total	100

Five year performance

— Invesco Perpetual Corporate Bond Fund (Accumulation share class)
— IMA £ Corporate 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.

The fund has the ability to make 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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