Distribution Fund

August 2014

Covering the month of July 2014

Fund Managers: Paul Causer, Paul Read & Ciaran Mallon

Key facts[1]

Paul Causer	citywire A
Ciaran Mallon	citywire A
Paul Read	citywire A
Morningstar OBSR Fund Management Rating	Bronze
Fund launch date	26 January 2004
Fund size	£3,059.65m
Legal status	UK authorised ICVC
Yield (Accumulation share class) Running yield[2] Redemption yield[2] Distribution yield[2] Underlying yield[2]	 3.98% 2.13% 4.05% 2.51%
Income distribution date	Each month end
Accounting period ends	30 April 31 October
Available within an ISA?	Yes

Market commentary

Corporate bonds saw modestly positive returns in July while the UK stock market gave back some of their recent gains. Bonds were supported by the persistence of relatively weak inflation in the major developed economies but this was offset by 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. Volatility picked up in the high yield bond market, with the Portuguese Espirito Santo group a focus of concern, 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 compares to 1.1% for Gilts. European high yield bonds returned -1.2% (in sterling terms), with the aggregate yield rising 19 basis points to 4.62%.The FTSE All Stocks index of UK equities returned -0.3% (£, total return). Technology and consumer services were among the weaker sectors.

Fund strategy

Corporate bond yields remain 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 remain relatively attractive as banks continue to work to strengthen their capital structures. We also see some opportunities in junior debt across other sectors. We believe core government bonds, such as Gilts, offer limited value. In equity markets, we are seeking companies with strong fundamentals and with sensible management whose interests are aligned with shareholders. We see more risk in the UK stock market as it has risen. However, there are stocks that we believe look attractively valued, particularly for income generation.

Investment objective

The Invesco Perpetual Distribution 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 corporate and government debt securities globally (which may be unrated or sub-investment grade) and equities. The Fund may also invest in 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, credit and equities 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)	1.14	3.18	5.61	31.90	71.17	11.35	117.18	8.06
IMA Sector	1.24	3.35	4.03	17.05	41.13	7.13	62.95	5.00

*ACR - Annual Compound Return

Standardised rolling 12-month performance — **% growth**

	30.6.09 30.6.10	30.6.10 30.6.11	30.6.11 30.6.12	30.6.12 30.6.13	30.6.13 30.6.14
Fund (Accumulation share class)	22.98	12.31	2.95	18.23	8.35

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

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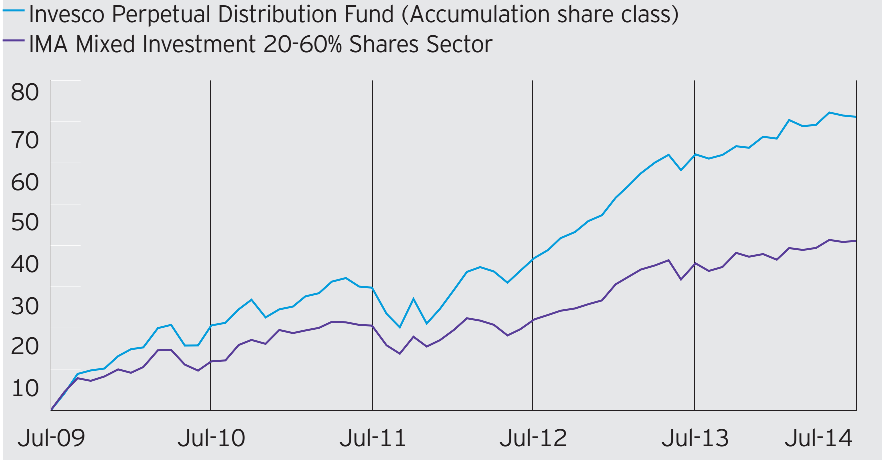
Top 5 bond issuers and equity holdings[1]	%
Bond issuers	
Lloyds	3.53
Spain	3.25
RBS	2.98
Portugal	2.31
Barclays	1.84
Equity holdings	
Imperial Tobacco	1.49
British American Tobacco	1.44
Co-operative Bank	1.43
AstraZeneca	1.15
Whitbread	1.11
Total number of holdings	**342**

Breakdown by credit rating[1]	%
AAA	1.88
AA	2.04
A	1.72
BBB	17.28
BB	20.48
B	7.46
CCC	1.76
D	0.21
Equities	33.80
Not Rated	2.90
Derivatives	-0.85
Cash	11.31
Total	**100**

Asset type breakdown[1]	%
Fixed Interest	55.73
Equities	33.80
Derivatives	-0.85
Cash	11.31
Total	**100**

Five year performance



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 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 running yield for this fund is gross of the ongoing charge, which is charged to capital.

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 redemption yield is net of the ongoing charge.

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). The distribution yield for this fund is gross of the ongoing charge, which is charged to capital.

The underlying yield is calculated in the same way as the distribution yield, but is always net of the ongoing charge. The underlying yield for this fund is, therefore, lower than the distribution yield by the amount of the ongoing charge.

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.

Contact information

Broker Services
Telephone 0800 028 2121
adviserenquiry@invescoperpetual.co.uk

Investor Services
Telephone 0800 085 8677
enquiry@invescoperpetual.co.uk
www.invescoperpetual.co.uk

Invesco Perpetual is a business name of Invesco Fund Managers Limited and Invesco Asset Management Limited
Perpetual Park, Perpetual Park Drive,
Henley-on-Thames, Oxfordshire RG9 1HH,UK
Authorised and regulated by the
Financial Conduct Authority.