

# Emerging European Fund

August 2014

Covering the month of July 2014



Fund Manager: Nicholas Mason

## Key facts<sup>1</sup>

Fund launch date	12 December 2007
Fund size	£26.67m
Legal status	UK authorised ICVC
Yield (Accumulation share class)	
Historic yield <sup>2</sup>	2.38%
Income distribution date	30 September
Accounting period ends	31 July 31 January
Available within an ISA?	Yes

## Market commentary

Sentiment towards emerging European equity markets was soured by the imposition of new sanctions on Russia from the EU and the US. The deteriorating geopolitical environment between Russia and the West also took its toll on equity markets in Hungary, Poland and Czech Republic on increased worries that regional trade in the region could be damaged, with negative implications for company earnings. In a surprise move, Russia's central bank raised its key interest rate by 50 basis points to 8% on concerns about inflation and the possible effect of geopolitical tensions on the rouble. The central bank also warned that further monetary tightening could follow if political shocks prevent inflation from coming down. By contrast, Hungary's central bank trimmed 20 basis points off their benchmark interest rate and said it planned to keep the rate at 2.1% until the end of next year. A narrowing current account deficit and lower interest rates supported the advance in Turkish equity markets.

## Fund strategy

The fund is positioned to benefit from both emerging Europe's growing linkages with its key trading partners as well as from domestic growth within the region. Although our largest country exposure is Russia, we aim to build a more diversified portfolio that will benefit from long-term improvements in the economy and business environment across the whole region. The fund seeks to invest in high quality companies that can deliver higher return on invested capital and that have greater future cash flow generation potential than the market is anticipating. During July we took a position in Turk Tuborg, a beer producer based in Turkey. The company continues to enjoy strong sales growth and operating margins and, in our opinion, is attractively valued. We sold our interest in Teknosa.

## Investment objective

The Invesco Perpetual Emerging European Fund aims to achieve long-term capital growth from investment primarily in shares of companies in Emerging European Countries, and also in Russia. In pursuing this objective, the fund managers may include investments that they consider appropriate which include transferable securities, money market instruments, warrants, collective investment schemes, deposits and other permitted investments and transactions as detailed in Appendix 2 of the most recent Prospectus.

## Performance

% growth

	3 months	6 months	1 year	3 years	5 years	ACR*	10 years	ACR*
Fund (Accumulation share class)	4.24	-3.36	-11.47	-20.55	34.88	6.17	N/A	N/A
Benchmark	3.93	-4.57	-11.53	-26.38	21.80	4.02	N/A	N/A

\*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)	43.94	27.39	-23.48	11.80	-3.11

**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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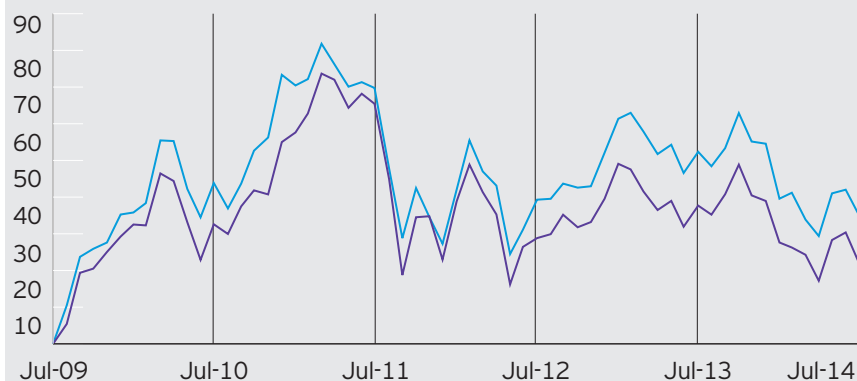
Top 10 holdings <sup>1</sup>	%
Lukoil	9.79
Sberbank	8.24
Gazprom	6.50
Powszechny Zaklad Ubezpieczen	5.18
Mobile Telesystems	4.77
Novatek	4.75
Tatneft	4.27
Surgutneftgaz	3.92
Hikma	3.30
Phosagro	3.01
<b>Total Top 10 Holdings (%)</b>	<b>53.73</b>
<b>Total number of holdings</b>	<b>38</b>

Industry breakdown <sup>1,3</sup>	%
Energy	36.46
Financials	21.51
Materials	11.56
Consumer Discretionary	11.09
Telecommunication Services	7.31
Industrials	3.74
Health Care	3.30
Information Technology	1.42
Utilities	1.19
Consumer Staples	0.54
Cash	1.89
<b>Total</b>	<b>100</b>

Country of investment breakdown <sup>1</sup>	%
Russia	63.88
Poland	17.45
United Kingdom	3.30
Kazakhstan	2.54
Greece	2.03
Austria	1.95
Netherlands	1.88
Turkey	1.82
Turkmenistan	1.72
Hungary	1.54
Cash	1.89
<b>Total</b>	<b>100</b>

## Five year performance

— Invesco Perpetual Emerging European Fund (Accumulation share class)  
— MSCI EM Eastern Europe Index



**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. As there is no suitable IMA peer group for this fund, we are comparing its performance with its benchmark index, MSCI EM Eastern Europe.

- <sup>1</sup> All fund portfolio figures within this leaflet are as at 31 July 2014 (source: Invesco Perpetual).
- <sup>2</sup> The Historic Yield reflects distributions declared over the past twelve months as a percentage of the mid-market price of the fund, as at the date shown. It does not include any entry charge and investors may be subject to tax on their distributions.
- <sup>3</sup> The Industry Classification Benchmark is a joint product of FTSE International Limited and Dow Jones & Company, Inc. and has been licensed for use in our industry sector breakdown.

### 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.

As the fund has a concentrated number of holdings, investors should be prepared to accept higher risks.

As this is an emerging market fund, you should be prepared to accept a higher degree of risk than for a fund with a broader investment mandate as there is potential for a decrease in market liquidity, which may mean that it is not easy to buy or sell securities. There may also be operational difficulties.

The fund may use derivatives (complex instruments) in an attempt to reduce the overall risk of its investments, reduce the costs of investing or generate additional capital or income, although this may not be achieved. The use of such complex instruments may result in greater fluctuations of the value of the fund. The Manager, however, will ensure that the use of derivatives within the fund does not materially alter the overall risk profile of the fund.

### 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

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