

High Income Fund

August 2014

Covering the month of July 2014



Fund Manager: Mark Barnett

Key facts¹

Mark Barnett	citywire / AA
Fund launch date	06 February 1988
Fund size	£12,400.07m
Legal status	UK authorised ICVC
Yield (Income share class)	
Historic yield ²	3.39%
Income distribution dates	28 February 31 August
Accounting period ends	31 December 30 June
Available within an ISA?	Yes

Market commentary

Year to date the FTSE All Share index remains broadly unchanged, falling by 0.3% in July. Whilst instability across Middle East is attracting ever more international attention, UK stock market volatility has remained low, arguably reflecting the lack of attractively valued alternative asset classes, and pitifully low deposit rates. Among the key contributors to performance were Capita and Drax Group. In its half year results, Capita announced a 10% increase in interim dividend and some contract wins. Drax's share price, having been hurt by the removal of a government subsidy earlier in the year, bounced on news that the government has been instructed to reconsider its decision. The share price of Glaxo fell on the back of downbeat half year results, which revealed increased competition in the US respiratory market. Nonetheless the company announced a 6% increase in quarterly dividend and the shares currently trade on a net dividend yield of over 5% (Source: Bloomberg).

Fund strategy

Although equity valuations have moved higher over the last year, within the UK company universe there has been a wide divergence of performance both at the company level and at the share price level, such that the fund manager continues to identify pockets of value. Moreover, he sees potential for Mergers and Acquisitions (M&A) activity to accelerate. Year-to-date such activity has been prevalent in the tobacco and healthcare sectors, both sectors which are well represented in the fund's portfolio. With or without the benefit of further M&A activity, long term returns will ultimately be driven by the ability of underlying portfolio companies to grow their earnings and dividends in what remains a competitive landscape. It is precisely such companies, with resilient earnings growth potential, that the fund manager continues to target.

Investment objective

The Invesco Perpetual High Income Fund aims to achieve a high level of income, together with capital growth. The fund intends to invest primarily in UK companies, with the balance invested internationally. In pursuing this objective, the fund managers may include investments that they consider appropriate which include transferable securities, unlisted 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 (Income share class)	1.00	6.93	7.79	45.35	95.00	14.29	198.79	11.57
IMA Sector	-0.94	1.86	6.43	33.85	84.12	12.98	122.56	8.32

*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	30.6.14
Fund (Income share class)	16.18	19.22	7.42	20.65	13.14	

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 cost to 31 July 2014. The figures do not reflect the entry charge paid by individual investors. On the 31 March 2014, the fund moved out of the IMA UK Equity Income sector and into the IMA UK All Companies sector. 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.

High Income Fund

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Top 10 holdings ¹	%
AstraZeneca	5.71
British American Tobacco	5.71
Roche	5.29
GlaxoSmithKline	5.23
Imperial Tobacco	4.99
BAE Systems	4.93
BT	4.71
Reynolds American	4.37
Rolls-Royce	3.71
Capita	3.61
Total Top 10 Holdings (%)	48.26
Total number of holdings	125

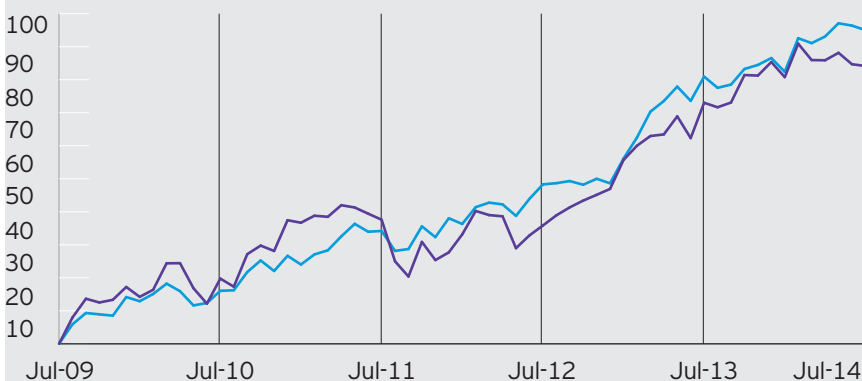
Industry breakdown ^{1,3}	%
Health Care	26.22
Industrials	21.17
Consumer Goods	19.42
Financials	13.15
Utilities	7.59
Telecommunications	5.14
Consumer Services	3.80
Oil & Gas	2.34
Technology	0.89
Basic Materials	0.22
Unit/Investment Trust/Other	0.28
Cash	-0.24
Total	100

Country of investment breakdown ¹	%
United Kingdom	85.01
United States	6.76
Switzerland	5.29
Bermuda	1.31
Ireland	0.93
Luxembourg	0.46
Norway	0.35
Mauritius	0.05
Cayman Islands	0.04
Finland	0.04
Cash	-0.24
Total	100

Market cap breakdown ¹	%
50bn+	24.42
25 - 49.99bn	8.23
10 - 24.99bn	27.27
5 - 9.99bn	8.23
2 - 4.99bn	12.60
1 - 1.99bn	4.28
500 - 999m	5.80
250 - 499m	2.00
100 - 249m	3.03
50 - 99m	1.89
0 - 49m	2.50
Cash	-0.24
Total	100

Five year performance

— Invesco Perpetual High Income Fund (Income share class)
— IMA UK All Companies 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 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. The fund's ongoing charge is charged to capital. This has the effect of increasing the distributions for the year by the amount of the ongoing charge and constraining the fund's capital performance to an equivalent extent.
- ³ 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.

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.

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