



Fund Manager: Adrian Bignell

Key facts¹

Adrian Bignell	citywire A
Fund launch date	31 December 1984
Fund size	£175.39m
Legal status	UK authorised ICVC
Yield (Accumulation share class)	
Historic yield ²	Nil
Income distribution date	n/a
Accounting period ends	31 July 31 January
Available within an ISA?	Yes

Market commentary

European equity markets have been impacted in July by continued geo-political uncertainties and mixed corporate earnings results. Most continental European stock indices retreated, led by Portugal where Banco Espirito Santo (BES)'s share price collapsed - suffering heavy losses from exposure to its parent company which missed payments on debt obligations - triggering a bailout rescue package. Among industry segments, only technology and healthcare gained ground in July, while all the remaining sectors regressed. The oil & gas sector witnessed the biggest drop in price, amid a new set of economic sanctions against Russia, announced by European and American leaders. But despite prevailing challenges, the macro-environment in Europe is still showing a slow but steady positive momentum, especially in some 'periphery' markets. Latest jobless data showed figures decreasing (albeit modestly) and beating estimates, with very strong employment numbers from Spain. While France and Germany lagged, Purchasing Managers' Index outputs for the rest of Europe recorded the largest monthly increase in business activity since August 2007. Notwithstanding the still low level of inflation, we believe the combination of these factors should set the stage for improving growth in Europe.

Fund strategy

The strategy rests primarily on fundamental analysis and valuation, seeking attractive investment opportunities within Continental Europe's smaller companies' universe. We favour stocks which, in our view, are in a healthy financial position, have sound management and are capable of delivering higher returns on capital, while being undervalued by the market. Among portfolio activity in July, the fund introduced a new position in the Swiss Insurer Helvetia, where we see strong growth potential, especially following the recently announced acquisition of competitor Nationale Suisse. In terms of sector allocation, natural resources form the largest overweight industry in the portfolio, while the most underweight group relative to the benchmark is business providers.

Investment objective

The Invesco Perpetual European Smaller Companies Fund aims to achieve capital growth through a portfolio of investments primarily in smaller European companies, excluding the United Kingdom. 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)	-5.19	2.06	15.24	34.68	98.29	14.67	163.89	10.19
IMA Sector	-5.45	-0.56	5.64	31.89	100.49	14.93	225.34	12.52

*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 (Accumulation share class)	14.74	44.62	-22.81	29.78	32.92	

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

European Smaller Companies Fund

August 2014

Top 10 holdings ¹	%
Leonteq	5.21
Mota-Engil SGPS	3.08
Marine Harvest	3.01
Africa Oil	2.68
MTU Aero Engines	2.45
RIB Software	2.18
Ontex	2.17
Bufab	2.16
AMS	2.06
Scandi Standard	2.00
Total Top 10 Holdings (%)	27.02
Total number of holdings	80

Industry breakdown ^{1,3}	%
Financials	20.26
Business Providers	15.18
Consumer Goods	14.23
Natural Resources	12.54
Technology	12.44
Industrial Goods	9.49
Basic Materials	7.12
Retail Providers	3.16
Unit/Investment Trust/Other	0.31
Cash	5.27
Total	100

Country of investment breakdown ¹	%
Germany	19.49
Norway	10.15
Switzerland	9.74
Sweden	6.68
Denmark	5.97
Spain	5.21
France	4.88
Portugal	4.24
Finland	4.01
United Kingdom	3.88
Belgium	3.78
Canada	3.45
Italy	3.05
Austria	2.47
Other Countries	7.73
Cash	5.27
Total	100

Five year performance

— Invesco Perpetual European Smaller Companies Fund (Accumulation share class)
— IMA European Smaller 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.
- 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.

Smaller company funds are higher risk than funds that can invest in larger company sizes. Market conditions, such as a decrease in market liquidity, may mean that it is not easy to buy or sell securities.

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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