

European High Income Fund

August 2014

Covering the month of July 2014



Fund Managers: Paul Causer, Paul Read & Stephanie Butcher

Key facts¹

Stephanie Butcher

citywire AAA

Paul Causer

citywire A

Paul Read

citywire A

Fund launch date 01 May 2008

Fund size £29.41m

Legal status UK authorised ICVC

Yield (Accumulation share class)
Historic yield² 3.06%

Income distribution date Each month end

Accounting period ends 30 April
31 October

Available within an ISA? Yes

Market commentary

Corporate bonds had mixed returns in July while European stocks saw negative returns. 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. Concern over the credit problems in Portuguese group Espirito Santo raised market volatility across corporate bonds and equities and pushed up yields in the high yield market into month-end (although aggregate yields remain near recent lows). According to data from Merrill Lynch, European high yield bonds had a total return for the month of -1.2% (all in sterling terms). The aggregate yield of this market rose 19 basis points to 4.62%. This return compares to -0.6% for euro investment grade bonds and -0.5% for Bunds. The MSCI Europe equity index returned -2.6% (£, total return).

Fund strategy

Corporate bond yields are low by historic standards and we think many areas of the market are quite fully priced. The fund holds a core of high yield bonds that we consider to be default-remote and has a focus on areas of the market we believe still offer value. These include hybrid securities (a type of relatively junior debt in a company's capital structure), in issuers we think have strong balance sheets, and subordinated bank debt. We think yields in parts of the financial sector are relatively attractive. In our view, ongoing structural reform is supporting subordinated bank debt. Our focus is on stocks with strong cashflow generation and the ability to maintain or grow dividends and we see such opportunities across sectors. The fund has a sizable allocation to liquid assets, including cash and very high credit quality government bonds. This positions the fund to react quickly as market opportunities arise.

Investment objective

The Invesco Perpetual European High Income Fund aims to achieve a high level of income together with capital growth over the medium to long term. The Fund seeks to achieve its objective by investing primarily in European government and corporate debt securities (which may be unrated or sub-investment grade) and European 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)	-1.12	1.75	5.31	26.14	62.17	10.15	N/A	N/A
IMA Sector	1.24	3.35	4.03	17.05	41.13	7.13	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)	18.00	20.97	-10.90	23.99	11.85

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 High Income Fund

August 2014

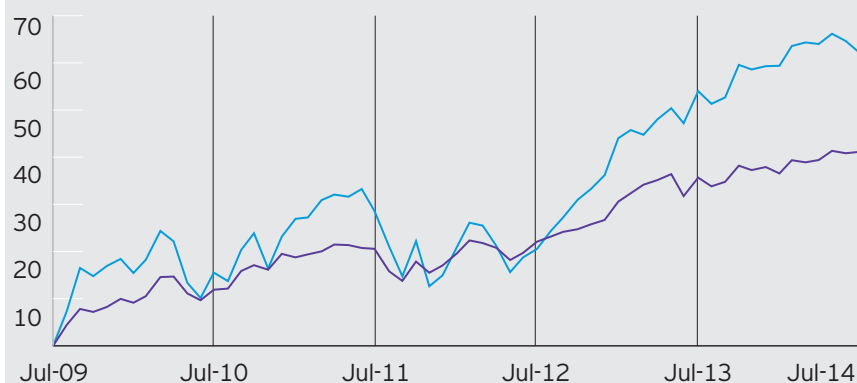
Top 5 bond issuers and equity holdings ¹	%
Bond issuers	
Germany	12.79
France	5.66
Belgium	2.95
EDF	2.26
KPN	1.80
Equity holdings	
Atlantia	1.78
Novartis	1.66
Roche	1.42
UPM	1.26
Recordati	1.25
Total number of holdings	123

Breakdown by credit rating ¹	%
AAA	12.79
AA	8.61
A	3.93
BBB	5.55
BB	12.92
B	9.84
CCC	0.86
Equities	32.58
Not Rated	0.80
Cash	12.12
Total	100

Asset type breakdown ¹	%
Bonds	55.31
Equities	32.58
Cash	12.12
Total	100

Five year performance

— Invesco Perpetual European High Income Fund (Accumulation share class)
— IMA Mixed Investment 20-60% Shares 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.

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.