



UK 2 Investment Series

Annual Report

Authorised Corporate Director's Short Report

Issued May 2014

For the year 1 April 2013 to 31 March 2014



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Further Information

This Short Report, which is unaudited, has been prepared in accordance with the Open-Ended Investment Companies Regulations 2001. The Authorised Corporate Director's Long Form Financial Statements, and the Prospectus which contains a written statement of the Terms and Conditions of the Company, can be obtained using the contact details shown on the back cover.

Investment objective change

Effective 7 January 2014, the investment objectives and policies of the Invesco Perpetual Income Fund and Invesco Perpetual UK Strategic Income Fund were amended to make it more transparent to all existing and potential shareholders that the funds currently invest in unlisted securities. The funds currently have the ability to invest up to 10% of their net asset value in unapproved securities, such as unlisted securities (securities not listed on a stock exchange).

The Invesco Perpetual Income Fund and Invesco Perpetual UK Strategic Income Fund currently have holdings significantly below this limit in these types of securities.

Taking fees to capital

Effective 1 February 2014 the company has changed the way fees are charged to the following funds:
Invesco Perpetual Income Fund
Invesco Perpetual UK Strategic Income Fund

The annual management charge of the above funds, which makes up the majority of the ongoing charge, was taken from capital and all other ongoing charges were taken from income, which reduced the amount of income payable to Shareholders. As one of the key objectives of these funds is to provide income, from 1 February 2014 all ongoing charges are taken from capital. This will mean more income will be available for distribution to Shareholders.

New Fee Structure

From 1 April 2014, the Fund Management Fee (FMF) replaced the separate annual management charges, registration fees and fund administration costs. There has been no change to the already existing entry charges or the way in which portfolio transaction costs are charged.

The FMF covers Invesco Perpetual's management of the funds, the fees and expenses for establishing and maintaining the share register with shareholders' details, and costs that must be met to ensure a fund is appropriately governed and administered (including services such as custody, auditing and fund administration). The FMF is equivalent to the ongoing charge. The FMF excludes portfolio transaction costs as these costs cannot be predicted in advance.

Master Fund

Please note that the Invesco Perpetual Income Fund (a sub fund of Invesco Perpetual UK 2 Investment Series) is a master UCITS under the FCA Rules. It is not itself a feeder UCITS and it may not hold units or shares in a feeder UCITS.

Launch of new 'Y' share classes on 31 March 2014

New 'Y' share classes, Accumulation shares and Income shares, were launched at 200p per share for the Invesco Perpetual Income Fund and Invesco Perpetual UK Strategic Income Fund.

Further details can be obtained from the most up to date relevant fund and share class specific Key Investor Information Document(s).

Income Fund

Investment objective

The fund aims to achieve a reasonable 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.

Risk profile

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. Over time, inflation may erode the value of investments. 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. As one of the key objectives of the fund is to provide income, the annual management charge is taken from capital rather than income. This can erode capital and reduce the potential for capital growth. The fund's performance may be adversely affected by variations in the relative strength of world currencies or if Sterling strengthens against those currencies.

Strategy, review and outlook

In the twelve months to 31 March 2014, the fund rose in value by 13.1%, compared to the 8.8% return of the FTSE All-Share Index. This placed the fund in the second quartile of its peer group, the IMA UK Equity Income Sector, which gained by an average of 13.4%.

Fund and sector average performance data source: Lipper, mid-to-mid (excluding the entry charge), in Sterling, with net income reinvested. FTSE All-Share Index data source: Thomson Reuters Datastream, total return, in Sterling.

Past performance is not a guide to future returns.

With the exception of a relatively short period the increase in the value of the UK stock market over the last 12 months was characterised by a steady positive trend with generally diminishing volatility compared to previous years. The exception to this trading pattern was from mid-May to mid-June 2013 when the FTSE All-Share Index fell by about 11%. This hiatus was caused by the realisation that the US Federal Reserve would soon start to reduce the amount of monetary stimulus that it was putting into the economy. As the following months unfolded it then became apparent that this change was to be postponed, mainly due to an expected disruption to the US economy from their self-imposed government shut down. The UK stock market was then able to follow the US stock market with its positive momentum aided then by an increasing number of positive reports on the UK economy. An example of which was the increase in February by the Bank of England in its forecast for 2014 UK GDP growth from 2.8% to 3.4%.

Income Fund

The fund is heavily invested in the pharmaceutical sector, which had a beneficial impact on performance. This sector has been helped by an increasing trend from the regulatory authorities to approve more drugs for public use.

The fund's outperformance of its benchmark index was helped by the holdings in BT Group and AstraZeneca. The former owed its share price rise to the progress it had made with their cost cutting and the investments made in the roll out of broadband service as well as its new TV sports channels.

AstraZeneca's shares performed well due to its prediction that revenue will rebound more quickly than most analysts expect following the acquisition of a stake, from Bristol-Myers Squibb, in a diabetes treatment business. In addition the CEO commented that it now had 11 potential new drugs in late stage development and 27 in phase two development.

In contrast there were negative contributions to the fund's performance from Serco and Centrica. Serco's share price performance was impacted by the company's warning that its 2014 profits would fall sharply. The company cited the scaling back of its largest contract – a five year deal to manage onshore detention centres for the Department of Immigration and Citizenship in Australia. On a more positive note, the company is now eligible to bid for the Defence Infrastructure Organisation (DIO) contract, after the UK government said it was reassured that Serco “had developed a thorough plan for corporate renewal” and that “this plan represents the right direction of travel to meet our expectations as a customer”.

Centrica's share price suffered from the proposal by the Labour Party that, if elected, it would seek to introduce a price freeze on energy bills and by the unusually warm winter in the UK which has lowered demand for energy related products.

The stock market's recent rise has been accompanied by an improving outlook for UK economic growth. However, the uncertainty about the strength of growth in emerging markets, especially China, is not supportive for global growth. However, we believe there are areas within the UK equity market that look attractive. The fund is positioned with a focus on companies which we believe can not only grow revenues and profits, but are also strengthened by management teams that are focused on delivering sustainable, long-term, dividend growth.

Mark Barnett, Fund Manager

Where Mark Barnett has expressed opinions, they are based on current market conditions and are subject to change without notice. These opinions may differ from those of other Invesco Perpetual investment professionals.

After 25 years¹, Neil Woodford – formerly Head of UK Equities and fund manager of the Invesco Perpetual Income Fund – left Invesco Perpetual on 29 April 2014. Fund Manager Mark Barnett took over as Head of UK Equities and fund manager of the Invesco Perpetual Income Fund on 6 March 2014.

¹ As at 31 December 2013
(source: Invesco Perpetual)

Income Fund

Fund facts

Launch date		16 June 1979
Fund size at 31.3.14		£8,234 million
Accounting date		31 March
Ex-dividend date		1 April and 1 October
Distribution payable		31 May and 30 November
ACD's fund management fee	- Trail classes	1.66% per annum
	- No Trail classes	1.16% per annum
	- Z classes	0.91% per annum
	- Y classes	0.86% per annum
Entry charge		5%
Ongoing charges figure (OCF) for the year ended 31.3.14	- Trail classes	1.67%
	- No Trail classes	1.17%
	- Z classes	0.92%
	- Y classes ¹	-
Ongoing charges figure (OCF) for the year ended 31.3.13	- Trail classes	1.68%
	- No Trail classes	1.18%
	- Z classes	0.93%
	- Y classes ¹	-

¹ Share classes launched 31 March 2014.

The OCF represents the annual operating expenses of the fund expressed as a percentage of average net assets for the year – it does not include entry charges. The OCF includes the annual management charge and also the following charges which are deducted directly from the fund: Registration Fee, Depositary Fee, Custody Fee, Audit Fee, FCA Fee, Price Publication Fee, Report production and transaction expenses, less: VAT recoverable where applicable.

Income Fund

KIID Risk and Reward Profiles

	Risk and Reward Numerical Indicator Published in the KIID for the year	
	01.4.13 to 30.9.13	01.10.13 to 31.3.14
Invesco Perpetual Income Fund		
Accumulation shares	6	5
Accumulation shares (No Trail)	6	5
Z Accumulation shares	6	5
Y Accumulation shares ¹	-	5
Income shares	6	5
Income shares (No Trail)	6	5
Z Income shares	6	5
Y Income shares ¹	-	5

¹ Share class launched 31 March 2014

For more information on our funds risk and reward profiles, please refer to the most up to date relevant fund and share class specific Key Investor Information Documents (KIIDs), which are available at www.invescooperpetual.co.uk or by contacting us.

Income Fund

Distributions	01.4.13 to 31.3.14 p	01.4.12 to 31.3.13 p
Accumulation shares		
Paid 30 November 2013	45.3114	42.1544
Payable 31 May 2014	44.6549	39.9041
Total	89.9663	82.0585
Accumulation shares (No Trail)		
Paid 30 November 2013	2.4643	2.2778
Payable 31 May 2014	2.4304	2.1626
Total	4.8947	4.4404
Z Accumulation shares		
Paid 30 November 2013 ¹	4.2815	-
Payable 31 May 2014	4.2463	3.7608
Total	8.5278	3.7608
Y Accumulation shares		
Payable 31 May 2014 ²	3.2204	-
Total	3.2204	-
Income shares		
Paid 30 November 2013	27.2917	26.3193
Payable 31 May 2014	26.4262	24.4288
Total	53.7179	50.7481
Income shares (No Trail)		
Paid 30 November 2013	1.9532	1.8719
Payable 31 May 2014	1.8942	1.7429
Total	3.8474	3.6148
Z Income shares		
Paid 30 November 2013 ¹	4.2290	-
Payable 31 May 2014	4.1046	3.7622
Total	8.3336	3.7622
Y Income shares		
Payable 31 May 2014 ²	3.2204	-
Total	3.2204	-

¹ As the Z Accumulation shares and Z Income shares were issued on 12 November 2012, there is no prior year comparative.

² As the Y Accumulation shares and Y Income shares were issued on 31 March 2014, there is no prior year comparative.

Income Fund

Price and revenue record by share class

Calendar year	Highest share price p	Lowest share price p	Net revenue per share p
Accumulation shares			
2009	1,673.43	1,264.82	63.3969
2010	1,858.83	1,580.22	70.2801
2011	1,994.93	1,730.37	74.4444
2012	2,186.34	1,971.64	79.8832
2013	2,714.34	2,170.14	85.2155
2014 ¹	2,811.95	2,650.44	44.6549
Accumulation shares (No Trail)			
2009	89.21	67.18	3.3667
2010	99.69	84.51	3.7679
2011	107.54	93.09	3.9977
2012	118.41	106.33	4.3115
2013	147.76	117.57	4.6269
2014 ¹	153.22	144.35	2.4304
Z Accumulation shares			
2012 ²	206.02	196.89	0.0000
2013	257.95	204.57	8.0423
2014 ¹	267.61	252.06	4.2463
Y Accumulation shares			
2014 ³	200.00	200.00	3.2204

¹ to 31 March

² from 12 November

³ share class launched 31 March 2014

Z Accumulation shares and Z Income shares were issued at 200p on 12 November 2012.

Y Accumulation shares and Y Income shares were issued at 200p on 31 March 2014.

Income Fund

Price and revenue record by share class continued

Calendar year	Highest share price p	Lowest share price p	Net revenue per share p
Income shares			
2009	1,156.01	913.23	45.1679
2010	1,231.07	1,070.28	47.9960
2011	1,291.76	1,124.04	48.8076
2012	1,358.37	1,235.51	50.3136
2013	1,606.27	1,328.55	51.7205
2014 ¹	1,664.05	1,568.47	26.4262
Income shares (No Trail)			
2009	81.05	63.76	3.1562
2010	86.90	75.32	3.3864
2011	91.43	79.60	3.4506
2012	96.69	87.86	3.5748
2013	115.10	94.75	3.6961
2014 ¹	119.35	112.45	1.8942
Z Income shares			
2012 ²	206.02	196.89	0.0000
2013	249.35	204.59	7.9912
2014 ¹	258.68	243.66	4.1046
Y Income shares			
2014 ³	200.00	200.00	3.2204

¹ to 31 March

² from 12 November

³ share class launched 31 March 2014

Z Accumulation shares and Z Income shares were issued at 200p on 12 November 2012.

Y Accumulation shares and Y Income shares were issued at 200p on 31 March 2014.

Income Fund

Net asset value	Net asset value per share 31.3.14 p	Net asset value per share 31.3.13 p	Percentage growth %
Accumulation shares	2,774.93	2,451.67	13.2
Accumulation shares (No Trail)	151.25	132.97	13.7
Z Accumulation shares	264.23	231.68	14.0
Y Accumulation shares	199.97	-	-
Income shares	1,615.71	1,476.46	9.4
Income shares (No Trail)	115.93	105.43	10.0
Z Income shares	251.30	227.79	10.3
Y Income shares	196.75	-	-

Net asset value per share calculated on the last business day of the period at bid market value at 4.30pm.

Performance to 31 March 2014	Since 30.9.13 %	Since 31.3.13 %	Since 31.3.11 %	Percentage growth Since 31.3.09 %	Since 31.3.04 %
Income Fund (income shares)	7.32	13.05	49.24	112.22	193.67
FTSE All-Share Index	4.79	8.81	28.82	113.30	128.67
IMA UK Equity Income Sector	7.19	13.41	36.65	117.56	116.69
Fund Ranking	42/95	43/94	9/87	44/76	2/49

Standardised rolling 12 month performance	31.3.09 31.3.10 %	31.3.10 31.3.11 %	31.3.11 31.3.12 %	Percentage growth 31.3.12 31.3.13 %	31.3.13 31.3.14 %
Income Fund (income shares)	32.1	7.6	11.0	19.0	13.1

This standardised past performance information is updated on a quarterly basis. Should you require up to date past performance information, this is available on our website www.invescoperpetual.co.uk or by contacting us.

Fund and sector average performance data source: Lipper, mid-to-mid (excluding the entry charge), in Sterling, with net income reinvested. FTSE All-Share Index data source: Thomson Reuters Datastream, total return, in Sterling.

The value of investments and any income from them will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the full amount invested.

Past performance is not a guide to future returns. Current tax levels and reliefs may change. Depending on individual circumstances, this may affect investment returns.

Income Fund

Portfolio classification	As at 31.3.14 %	As at 31.3.13 %
Investment		
Finland		
Health Care	0.08	0.11
France		
Health Care	2.32	1.91
Jersey		
Financials	0.17	-
Luxembourg		
Industrials	0.63	0.24
Norway		
Industrials	0.46	-
Republic of Ireland		
Health Care	-	1.65
Consumer Services	0.02	0.02
Switzerland		
Health Care	5.34	7.40
United Kingdom		
Oil & Gas	0.97	0.09
Basic Materials	0.04	0.15
Industrials	20.16	19.62
Consumer Goods	15.67	14.98
Health Care	21.49	22.00
Consumer Services	0.33	1.73
Telecommunications	5.38	6.16
Utilities	8.67	7.49
Financials	11.83	8.51
Technology	0.22	0.05
Bonds	-	0.07
United States		
Basic Materials	0.80	0.77
Industrials	0.11	0.09
Consumer Goods	2.73	5.16
Health Care	2.42	1.20
Financials	0.72	0.41
Technology	0.09	0.08
Futures & Derivatives		
Forward Currency Contracts	-	0.05
Total investments	100.65	99.94
Net other (liabilities)/assets	(0.65)	0.06
Net assets	100.00	100.00

For the year ended 31 March 2014 unquoted securities amounted to 6.57% (31 March 2013 - 5.56%) of the Net Asset Value of the Fund.

Income Fund

Portfolio Statement Breakdown

as at 31 March 2014

	Percentage of total net assets 31.3.14 %
Quoted securities	94.08
Unquoted securities	6.57
Portfolio of investments	100.65
Net other assets	(0.65)
Net assets	100.00

10 largest investments

As at 31 March 2014:	%	As at 31 March 2013:	%
GlaxoSmithKline	8.61	AstraZeneca	9.19
AstraZeneca	8.45	GlaxoSmithKline	8.51
British American Tobacco	5.54	BT	5.85
Roche Holding	5.34	Roche Holding	5.49
BAE Systems	5.33	Reynolds American	5.16
Imperial Tobacco	5.15	Reckitt Benckiser	4.91
BT	4.80	British American Tobacco	4.83
Capita	4.63	BAE Systems	4.80
Reckitt Benckiser	4.24	Imperial Tobacco	4.48
Rolls-Royce	4.24	Rolls-Royce	4.05

UK Enhanced Index Fund

Investment objective

The fund aims to achieve long term capital growth from investment primarily through a portfolio of investments in UK companies. In pursuing this objective, the fund managers may include other 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.

Risk profile

The value of investments and income will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the full amount invested. Over time, inflation may erode the value of investments. 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. The fund's performance may be adversely affected by variations in the relative strength of world currencies or if Sterling strengthens against those currencies.

Strategy, review and outlook

The fund rose by 10.1% over the twelve months to the end of March 2014, compared to a 8.8% gain in the FTSE All-Share (ex Investment Trusts) Index. This placed the fund in the second quartile of its peer group, the IMA UK All Companies Sector, which ended the period an average of 14.1% higher.

Fund and sector average performance data source: Lipper, mid-to-mid (excluding the entry charge), Sterling, with net income reinvested. FTSE All-Share (ex Investment Trusts) Index data source: Thomson Datastream, total return, in Sterling.

Past performance is not a guide to future returns.

UK equity markets were up over the reporting period as macroeconomic improvements continued. The 2013 GDP growth figure indicated the fastest rate of expansion in three years and can be seen as an evidence for a sustained recovery. In February 2014, the Bank of England raised its 2014 forecast for UK GDP to 3.4% from 2.8%. Furthermore, rising UK investor optimism was observed. This optimism was reflected in the way markets took in their stride the "tapering" of the high level of US monetary stimulus which had been anticipated for months. The Governor of the Bank of England said that any adjustments to interest rates would be gradual and limited.

UK Enhanced Index Fund

The fund's performance is generated through a quantitative bottom-up investment process driven by stock selection and based on four concepts: Earnings Momentum, Price Trend, Management Action and Relative Value. Relative risk is controlled with the help of an optimiser, an analysis tool that recommends trades to maximise portfolio exposure to the selected stocks within pre-determined risk/return parameters. In terms of portfolio construction, we tightly constrain the risk taken in sectors and industries.

Stock selection was the main driver for the fund's outperformance, with our Price Trend and Relative Value factors adding most. In terms of individual stock performance, overweight positions relative to the benchmark in WH Smith, Next and ITV contributed positively. Conversely, underweight positions in Lloyds, Aviva and Vodafone weighed on the fund's performance. We recently added shares of Associated British Foods and African Barrick Gold, one of the largest gold producers in Africa, to the portfolio. Furthermore, we increased our shares in TUI Travel, a tourism company. These decisions were based on attractive scores mainly coming from our Earnings Momentum and Price Trend concepts. Conversely, we sold out of William Hill, a UK-based bookmaker, and reduced our positions in the facility management company Regus and Diageo, an alcoholic beverages company. These stocks showed below average attractiveness, mainly driven by weak Earnings Revision scores.

Our diversified and disciplined approach to stock selection favours companies that, in our view, are attractively valued, have good earnings and price momentum and have management acting in the interest of shareholders. We believe that we can add value through the systematic application of fundamental and behavioural insights. Disciplined portfolio construction and cost effective trading are integral to our investment process, which we believe should help us preserve value added from stock selection and reduce the probability of significant underperformance.

Michael Fraikin, Fund Manager

Where Michael Fraikin has expressed opinions, they are based on current market conditions and are subject to change without notice. These opinions may differ from those of other Invesco Perpetual investment professionals.

UK Enhanced Index Fund

Fund facts

Launch date	16 February 1993
Fund size at 31.3.14	£74.4 million
Accounting date	31 March
Ex-dividend date	1 April and 1 October
Distribution payable	31 May and 30 November
ACD's fund management fee	0.38% per annum
Entry charge	5%
Ongoing charges figure (OCF) for the year ended 31.3.14	0.41%
Ongoing charges figure (OCF) for the year ended 31.3.13	0.42%

The OCF represents the annual operating expenses of the fund expressed as a percentage of average net assets for the year – it does not include entry charges. The OCF includes the annual management charge and also the following charges which are deducted directly from the fund: Registration Fee, Depositary Fee, Custody Fee, Audit Fee, FCA Fee, Price Publication Fee, Report production and transaction expenses, less: VAT recoverable where applicable.

UK Enhanced Index Fund

KIID Risk and Reward Profiles	Risk and Reward Numerical Indicator Published in the KIID for the year 01.4.13 to 31.3.14
<hr/>	
Invesco Perpetual UK Enhanced Index Fund	
Accumulation shares (No Trail)	6
Income shares (No Trail)	6

For more information on our funds risk and reward profiles, please refer to the most up to date relevant fund and share class specific Key Investor Information Documents (KIIDs), which are available at www.invescoperpetual.co.uk or by contacting us.

UK Enhanced Index Fund

Distributions	01.4.13 to 31.3.14 p	01.4.12 to 31.3.13 p
Accumulation shares (No Trail)		
Paid 30 November 2013	6.5182	5.3171
Payable 31 May 2014	4.7466	4.7713
Total	11.2648	10.0884
Income shares (No Trail)		
Paid 30 November 2013	4.4133	3.7169
Payable 31 May 2014	3.1541	3.2756
Total	7.5674	6.9925

Price and revenue record by share class	Highest share price p	Lowest share price p	Net revenue per share p
Calendar year			
Accumulation shares (No Trail)			
2009	241.95	152.07	7.7879
2010	274.92	219.74	7.2348
2011	288.45	236.25	8.0304
2012	309.80	263.00	10.4041
2013	374.05	312.51	11.2895
2014 ¹	387.61	360.83	4.7466
Income shares (No Trail)			
2009	182.84	119.87	6.0563
2010	201.93	163.68	5.4309
2011	209.06	168.15	5.8559
2012	212.69	183.86	7.3377
2013	248.57	214.55	7.6889
2014 ¹	257.59	239.79	3.1541

¹ to 31 March

UK Enhanced Index Fund

Net asset value	Net asset value per share 31.3.14 p	Net asset value per share 31.3.13 p	Percentage growth %
Accumulation shares (No Trail)	378.10	342.75	10.3
Income shares (No Trail)	248.12	232.04	6.9

Net asset value per share calculated on the last business day of the period at bid market value at 4.30pm.

Performance to 31 March 2014	Since 30.9.13 %	Since 31.3.13 %	Since 31.3.11 %	Percentage growth Since 31.3.09 %	Since 31.3.04 %
UK Enhanced Index Fund (accumulation shares (No Trail))	7.52	10.08	36.83	124.94	129.26
FTSE All-Share (ex Investment Trusts) Index	4.78	8.84	28.96	113.26	128.14
FTSE All-Share Index	4.79	8.81	28.82	113.30	128.67
IMA UK All Companies Sector	7.43	14.12	34.30	125.65	121.34
Fund Ranking	96/261	172/258	101/248	103/233	66/163

Standardised rolling 12 month performance	31.3.09 31.3.10 %	31.3.10 31.3.11 %	31.3.11 31.3.12 %	Percentage growth 31.3.12 31.3.13 %	31.3.13 31.3.14 %
UK Enhanced Index Fund (accumulation shares (No Trail))	52.4	7.9	3.4	20.2	10.1

This standardised past performance information is updated on a quarterly basis. Should you require up to date past performance information, this is available on our website www.invescopetpetual.co.uk or by contacting us.

Fund and sector average performance data source: Lipper, mid-to-mid (excluding the entry charge), in Sterling, with net income reinvested. FTSE All-Share (ex Investment Trusts) Index and FTSE All-Share Index data source: Thomson Reuters Datastream, total return, in Sterling.

The value of investments and any income from them will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the full amount invested.

Past performance is not a guide to future returns. Current tax levels and reliefs may change. Depending on individual circumstances, this may affect investment returns.

UK Enhanced Index Fund

Portfolio classification		
	As at 31.3.14 %	As at 31.3.13 %
Investment		
Switzerland		
Basic Materials	0.37	-
United Kingdom		
Oil & Gas	15.67	16.24
Basic Materials	8.32	10.33
Industrials	10.74	8.61
Consumer Goods	12.03	14.11
Health Care	7.67	7.25
Consumer Services	11.83	10.53
Telecommunications	5.14	5.79
Utilities	2.75	2.92
Financials	20.29	19.46
Technology	3.17	1.92
Futures & Derivatives		
Futures	-	(0.02)
Total investments	97.98	97.14
Net other assets	2.02	2.86
Net assets	100.00	100.00

10 largest investments

As at 31 March 2014:		As at 31 March 2013:	
	%		%
Royal Dutch Shell	8.46	Royal Dutch Shell	8.39
BP	5.21	HSBC	6.17
HSBC	5.15	BP	4.98
British American Tobacco	4.31	British American Tobacco	4.79
AstraZeneca	3.20	Vodafone	3.88
BHP Billiton	3.00	GlaxoSmithKline	3.66
BT	2.82	AstraZeneca	3.59
GlaxoSmithKline	2.50	Diageo	3.39
Rio Tinto	2.41	Rio Tinto	3.23
BAE Systems	2.16	BHP Billiton	2.81

UK Strategic Income Fund

Investment objective

The fund aims to produce an above average income with capital growth primarily through a portfolio of investments in UK companies. In pursuing this objective, the fund managers may include other 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.

Risk profile

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. Over time, inflation may erode the value of investments. As one of the key objectives of the fund is to provide income, the annual charge is taken from capital rather than income. This can erode capital and reduce the potential for capital growth. 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. The fund's performance may be adversely affected by variations in the relative strength of world currencies or if Sterling strengthens against those currencies.

Strategy, review and outlook

The fund rose in value by 18.3% during the twelve months to the end of March 2014 compared to the 8.8% return of the FTSE All-Share Index. This placed the fund in the first quartile of its peer group, the IMA UK Equity Income Sector, which rose by an average of 13.4%.

Fund and sector average performance data source: Lipper, mid-to-mid (excluding the entry charge), in Sterling, with net income reinvested. FTSE All-Share Index data source: Thomson Reuters Datastream, total return, in Sterling.

Past performance is not a guide to future returns.

With the exception of a relatively short period the increase in the value of the UK stock market over the last 12 months was characterised by a steady positive trend with generally diminishing volatility compared to previous years. The exception to this trading pattern was from mid-May to mid-June 2013 when the FTSE All-Share Index fell by about 11%. This hiatus was caused by the realisation that the US Federal Reserve would soon start to reduce the amount of monetary stimulus that it was putting into the economy. As the following months unfolded it then became apparent that this change was to be postponed, mainly due to an expected disruption to the US economy from their self-imposed government shut down. The UK stock market was then able to follow the US stock market with its positive momentum aided then by an increasing number of positive reports on the UK economy. An example of which was the increase in February by the Bank of England in its forecast for 2014 UK GDP growth from 2.8% to 3.4%.

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The fund's outperformance of its benchmark index was helped by the holdings in BT Group, Thomas Cook and AstraZeneca. The first owed its share price rise to the progress it had made with its cost cutting and the investments made in the roll out of broadband service as well as its new TV sports channels.

The performance of the shares of Thomas Cook was in part due to its good results, confirming the company's on-going recovery. In the statement the management spoke about their confidence in meeting its targets for long term profitable growth. Subsequent to this the company updated investors by saying that by the end of March 2014 50% of its 2014 summer holidays had been sold. AstraZeneca's shares performed well due to its prediction that revenue will rebound more quickly than most analysts expect following the acquisition of a stake, from Bristol-Myers Squibb, in a diabetes treatment business. In addition the CEO commented that it now had 11 potential new drugs in late stage development and 27 in phase two development.

In contrast to the above mentioned companies there was a negative impact on the fund's performance from Ladbroke's and Serco. Ladbroke's share price suffered from some disappointing results it reported in the period under review as well as the proposal by the Chancellor in the Budget to raise the duty on fixed odds betting terminals. Serco's share price performance was impacted by the company's warning that its 2014 profits would fall sharply. The company cited the scaling back of its largest contract – a five year deal to manage onshore detention centres for the Department of Immigration and Citizenship in Australia.

The stock market's recent rise has been accompanied by an improving outlook for UK economic growth. However, the uncertainty about the strength of growth in emerging markets, especially China, is not supportive for global growth. However, we believe there are areas within the UK equity market that look attractive. The fund is positioned with a focus on companies which we believe can not only grow revenues and profits, but are also strengthened by management teams that are focused on delivering sustainable, long-term, dividend growth.

Mark Barnett, Fund Manager

Where Mark Barnett has expressed opinions, they are based on current market conditions and are subject to change without notice. These opinions may differ from those of other Invesco Perpetual investment professionals.

UK Strategic Income Fund

Fund facts

Launch date		25 June 1971
Fund size at 31.3.14		£434 million
Accounting date		31 March
Ex-dividend date		1 April and 1 October
Distribution payable		31 May and 30 November
ACD's fund management fee	- Trail classes	1.67% per annum
	- No Trail classes	1.17% per annum
	- Z classes	0.92% per annum
	- Y classes	0.87% per annum
Entry charge		5%
Ongoing charges figure (OCF) for the year ended 31.3.14	- Trail classes	1.69%
	- No Trail classes	1.19%
	- Z classes	0.94%
	- Y classes ¹	-
Ongoing charges figure (OCF) for the year ended 31.3.13	- Trail classes	1.70%
	- No Trail classes	1.20%
	- Z classes	0.95%
	- Y classes ¹	-

¹ Share classes launched 31 March 2014

The OCF represents the annual operating expenses of the fund expressed as a percentage of average net assets for the year – it does not include entry charges. The OCF includes the annual management charge and also the following charges which are deducted directly from the fund: Registration Fee, Depositary Fee, Custody Fee, Audit Fee, FCA Fee, Price Publication Fee, Report production and transaction expenses, less: VAT recoverable where applicable.

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KIID Risk and Reward Profiles

	Risk and Reward Numerical Indicator Published in the KIID for the period	
	01.4.13 to 28.2.14	01.3.14 to 31.3.14
Invesco Perpetual UK Strategic Income Fund		
Accumulation shares	6	5
Accumulation shares (No Trail)	6	5
Z Accumulation shares	6	5
Y Accumulation shares ¹	-	5
Income shares	6	5
Income shares (No Trail)	6	5
Z Income shares	6	5
Y Income shares ¹	-	5

¹ Share class launched 31 March 2014

For more information on our funds risk and reward profiles, please refer to the most up to date relevant fund and share class specific Key Investor Information Documents (KIIDs), which are available at www.invescooperpetual.co.uk or by contacting us.

UK Strategic Income Fund

Distributions	01.4.13 to 31.3.14 p	01.4.12 to 31.3.13 p
Accumulation shares		
Paid 30 November 2013	2.6621	2.3822
Payable 31 May 2014	2.8468	2.2833
Total	5.5089	4.6655
Accumulation shares (No Trail)		
Paid 30 November 2013	10.4479	9.3048
Payable 31 May 2014	11.2077	8.9436
Total	21.6556	18.2484
Z Accumulation shares		
Paid 30 November 2013 ¹	4.6164	-
Payable 31 May 2014	4.9608	3.9527
Total	9.5772	3.9527
Y Accumulation shares		
Payable 31 May 2014 ²	3.4706	-
Total	3.4706	-
Income shares		
Paid 30 November 2013	2.1363	1.9851
Payable 31 May 2014	2.2464	1.8637
Total	4.3827	3.8488
Income shares (No Trail)		
Paid 30 November 2013	8.3857	7.7514
Payable 31 May 2014	8.8368	7.3014
Total	17.2225	15.0528
Z Income shares		
Paid 30 November 2013 ¹	4.5421	-
Payable 31 May 2014	4.7921	3.9488
Total	9.3342	3.9488
Y Income shares		
Payable 31 May 2014 ²	3.4706	-
Total	3.4706	-

¹ As the Z Accumulation shares and Z Income shares were issued on 12 November 2012, there is no prior year comparative.

² As the Y Accumulation shares and Y Income shares were issued on 31 March 2014, there is no prior year comparative.

UK Strategic Income Fund

Price and revenue record by share class

Calendar year	Highest share price p	Lowest share price p	Net revenue per share p
Accumulation shares			
2009	90.19	67.16	3.2632
2010	102.63	86.56	3.3792
2011	110.73	96.39	3.9242
2012	120.27	104.69	4.1838
2013	158.59	120.40	4.9454
2014 ¹	166.19	155.06	2.8468
Accumulation shares (No Trail)			
2009	347.85	258.13	12.5553
2010	397.85	334.51	13.0524
2011	430.45	374.86	15.2360
2012	470.86	408.11	16.3256
2013	624.08	471.51	19.3915
2014 ¹	654.57	610.48	11.2077
Z Accumulation shares			
2012 ²	207.76	197.51	0.0000
2013	276.15	208.08	8.5691
2014 ¹	289.78	270.20	4.9608
Y Accumulation shares			
2014 ³	200.00	200.00	3.4706

¹ to 31 March

² from 12 November

³ share class launched 31 March 2014

Z Accumulation shares and Z Income shares were issued at 200p on 12 November 2012.

Y Accumulation shares and Y Income shares were issued at 200p on 31 March 2014.

UK Strategic Income Fund

Price and revenue record by share class continued

Calendar year	Highest share price p	Lowest share price p	Net revenue per share p
Income shares			
2009	82.41	64.01	3.0730
2010	90.39	77.86	3.0582
2011	95.94	83.30	3.4253
2012	98.14	87.54	3.5108
2013	125.02	98.24	4.0000
2014 ¹	131.01	122.23	2.2464
Income shares (No Trail)			
2009	317.98	246.02	11.8258
2010	350.45	301.04	11.8161
2011	372.95	324.47	13.2964
2012	384.25	341.88	13.6971
2013	492.00	384.78	15.6871
2014 ¹	516.04	481.28	8.8368
Z Income shares			
2012 ²	207.76	197.51	0.0000
2013	266.79	208.08	8.4909
2014 ¹	279.95	261.04	4.7921
Y Income shares			
2014 ³	200.00	200.00	3.4706

¹ to 31 March

² from 12 November

³ share class launched 31 March 2014

Z Accumulation shares and Z Income shares were issued at 200p on 12 November 2012.

Y Accumulation shares and Y Income shares were issued at 200p on 31 March 2014.

UK Strategic Income Fund

Net asset value	Net asset value per share 31.3.14 p	Net asset value per share 31.3.13 p	Percentage growth %
Accumulation shares	163.27	138.58	17.8
Accumulation shares (No Trail)	643.29	543.30	18.4
Z Accumulation shares	284.84	239.96	18.7
Y Accumulation shares	200.16	-	-
Income shares	126.46	111.22	13.7
Income shares (No Trail)	498.31	436.06	14.3
Z Income shares	270.39	236.01	14.6
Y Income shares	196.68	-	-

Net asset value per share calculated on the last business day of the period at bid market value at 4.30pm.

Performance to 31 March 2014	Since 30.9.13 %	Since 31.3.13 %	Since 31.3.11 %	Percentage growth Since 31.3.09 %	Since 31.3.04 %
UK Strategic Income Fund (income shares (No Trail))	10.00	18.33	60.81	139.21	195.24
FTSE All-Share Index	4.79	8.81	28.82	113.30	128.67
IMA UK Equity Income Sector	7.19	13.41	36.65	117.56	116.69
Fund Ranking	13/95	15/94	4/87	12/76	1/49

Standardised rolling 12 month performance	31.3.09 31.3.10 %	31.3.10 31.3.11 %	31.3.11 31.3.12 %	Percentage growth 31.3.12 31.3.13 %	31.3.13 31.3.14 %
UK Strategic Income Fund (income shares (No Trail))	33.4	11.5	6.9	27.1	18.3

This standardised past performance information is updated on a quarterly basis. Should you require up to date past performance information, this is available on our website www.invescoperpetual.co.uk or by contacting us.

Fund and sector average performance data source: Lipper, mid-to-mid (excluding the entry charge), in Sterling, with net income reinvested. FTSE All-Share Index data source: Thomson Reuters Datastream, total return, in Sterling.

The value of investments and any income from them will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the full amount invested.

Past performance is not a guide to future returns. Current tax levels and reliefs may change. Depending on individual circumstances, this may affect investment returns.

UK Strategic Income Fund

Portfolio classification	As at 31.3.14 %	As at 31.3.13 %
Investment		
Guernsey		
Financials	1.91	1.36
Israel		
Health Care	-	0.01
Macau		
Financials	1.08	-
Sweden		
Health Care	-	0.19
Switzerland		
Health Care	7.31	8.92
United Kingdom		
Oil & Gas	2.02	-
Basic Materials	0.03	0.01
Industrials	16.93	13.60
Consumer Goods	11.69	12.10
Health Care	11.10	12.73
Consumer Services	9.68	12.68
Telecommunications	6.60	9.66
Utilities	5.57	4.88
Financials	20.43	16.61
Technology	0.26	0.27
Bonds	-	0.13
United States		
Basic Materials	0.02	0.18
Consumer Goods	3.19	4.24
Health Care	1.04	1.45
Total investments	98.86	99.02
Net other assets	1.14	0.98
Net assets	100.00	100.00

For the year ended 31 March 2014 unquoted securities amounted to 3.11% (31 March 2013 - 1.93%) of the Net Asset Value of the fund.

UK Strategic Income Fund

Portfolio Statement Breakdown

as at 31 March 2014

	Percentage of total net assets 31.3.14 %
Quoted securities	95.75
Unquoted securities	3.11
Portfolio of investments	98.86
Net other assets	1.14
Net assets	100.00

10 largest investments

As at 31 March 2014:	%	As at 31 March 2013:	%
British American Tobacco	4.90	BT	6.06
BT	3.98	Imperial Tobacco	4.69
Imperial Tobacco	3.97	AstraZeneca	4.64
Roche Holding	3.85	Novartis	4.62
Novartis	3.46	Roche Holding	4.30
AstraZeneca	3.25	Reynolds American	4.24
Reynolds American	3.19	BAE Systems	4.01
BAE Systems	3.19	British American Tobacco	3.96
GlaxoSmithKline	2.91	Thomas Cook	3.50
SSE	2.69	GlaxoSmithKline	3.40

Authorised Corporate Director

Invesco Fund Managers Limited

Registered Office: Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire RG9 1HH, UK

Registered in England No. 898166

The Company is an investment company with variable capital under Regulation 12 of the Open-Ended Investment Companies Regulations 2001 and is a wider-range investment for the purposes of the Trustee Investment Act 2000.

The Authorised Corporate Director's investment adviser is:

Invesco Asset Management Limited, Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire RG9 1HH, UK

Registered in England No. 949417

Invesco Asset Management Limited and Invesco Fund Managers Limited are authorised and regulated by the Financial Conduct Authority.

Registrar

Invesco Administration Services Limited

Registered Office: Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire RG9 1HH, UK

For registration enquiries please call free on 0800 085 8571 or write to us at:

Invesco Perpetual, PO Box 11150, Chelmsford CM99 2DL, UK

Depository

Citibank International plc

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Authorised and regulated by the Financial Conduct Authority.

Independent Auditors

PricewaterhouseCoopers LLP

7 More London Riverside, London SE1 2RT, UK

Further information

General enquiries

Investor Services Team 0800 085 8677
Broker Services Team 0800 028 2121
International calls +44 (0)1491 417000

Lines are open 8.30am to 6pm, Monday to Friday, excluding UK Bank Holidays.

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Post:
Invesco Perpetual, PO Box 11150, Chelmsford CM99 2DL, UK

To invest

ISA Dealing Line 0800 917 7581
ICVC Dealing Line 0800 085 8571

Clients must confirm that they have been provided with the most up to date relevant fund and share class specific Key Investor Information Document(s) prior to investing.

We will record telephone calls to our Dealing Line.

Valuations

Automated Valuation Service 0800 028 4050
Lines are open 24 hours a day.

Further information on our products, including the most up to date relevant fund and share class specific Key Investor Information Document(s) and the Supplementary Information Document, is available using the contact details above.

The Prospectus, which contains a written statement of the terms and conditions of the Company, can be obtained from the ACD, as can copies of Interim and Annual Reports. Please call our Literature Request Line on 0800 085 8677 (for clients) and 0800 028 2121 (for intermediaries) or log onto our website (www.invescopperpetual.co.uk).

Telephone calls may be recorded.

Invesco Perpetual is a business name of Invesco Fund Managers Limited
Authorised and regulated by the Financial Conduct Authority, FCA Registered No. 119298
Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire RG9 1HH, UK
Registered in England No. 898166
Registered address: Perpetual Park, Perpetual Park Drive, Henley-on-Thames,
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