



Invesco Asset Management Limited

Firm Brochure (Part 2A of Form ADV)

This brochure provides information about the qualifications and business practices of Invesco Asset Management Limited. If you have any questions about the contents of this brochure, please contact a member of our Compliance Department at:

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The information contained in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

Additional information about Invesco Asset Management Limited is available on the SEC's website at: www.adviserinfo.sec.gov

Registration does not imply a certain level of skill or training.

March 30, 2012

Material Changes

Annual Update

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

Material Changes since the Last Update

No material changes have occurred since the previous release of the firm brochure.

Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact a member of our Compliance Department by telephone at: +44 (0) 20 7065 4000 or alternatively email: zoe.richards@invescopetual.co.uk

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Advisory Business

Firm Description

Invesco Asset Management Limited (IAML)

Invesco Asset Management Limited ("IAML") is an indirect wholly owned subsidiary of Invesco Limited ("Invesco Ltd"). Further details on Invesco Ltd can be found below.

The principal activity of IAML is the provision of investment management services on both a discretionary and non-discretionary basis to pension and profit sharing plans, educational institutions, investment companies, insurance companies, individuals and holding companies. IAML also acts as investment advisor for a number of mutual funds on a sub-advised basis.

IAML is authorized and regulated by the Financial Services Authority ("FSA") in the United Kingdom. Additionally, IAML is registered with the United States Securities and Exchange Commission as a registered investment adviser.

Invesco Ltd (Invesco)

Invesco Ltd ("Invesco") is an independent global investment management organization serving retail, institutional and high-net-worth clients around the world and whose sole focus is investment management. With no distractions from competing interests, all global resources and local commitment can be focused on providing clients with the investment expertise and client service they seek.

Specialized investment teams with distinct perspectives deliver diversified investment strategies ranging from major equity and fixed income asset classes to other alternative asset classes including real estate, private equity and commodities. These strategies are managed across investment centers worldwide, each of which focus on distinct asset classes, investment styles or regional expertise and adhere to clearly defined investment philosophies aligned with client expectations.

Through a distinctive combination of independent thought within individual investment centers and collaboration across investment centers, Invesco Ltd provides clients the reach and resources of a global organization and the focus and attention of a boutique firm. Invesco's investment capabilities are diverse and specialized, global in reach yet local in presence. Processes are disciplined yet can be delivered in customized ways.

History

The company was incorporated on 7th March 1969 as Cavalier Securities Limited. The name of the company was changed to Drayton Portfolio Management Limited on 11th October 1973, to Drayton Montagu Portfolio Management Limited on 2nd May 1974, to Montagu Investment Management Limited 29th October 1982, to MIM Limited on 1st August 1985, to Invesco MIM Management Ltd on 1st January 1991 and to Invesco Asset Management Limited on 21st June 1993.

Types of Advisory Services

IAML is an investment management company that manages segregated institutional accounts and other mutual pooled funds on a sub-advised basis.

IAML also provides investment advisory services to structured funds such as Collateralized Loan Obligations "CLOs".

IAML operates a number of different investment centers. These include:

Invesco Perpetual (IP)

Invesco Perpetual ("IP") is a business name of IAML in the United Kingdom. IAML manages assets for institutional investors and mutual funds (both onshore and outside the UK) through a broad product range.

Through a specialist institutional division IP is able to deliver multi-product, style and process solutions to institutions including public bodies, local authorities, corporate bodies, charities and other sophisticated investors.

Located in Henley on Thames the team structure exhibits many typical boutique firm advantages. Small high quality teams, a location away from the main UK investment centers fosters a culture of independent thought in an environment where challenge and discussion are encouraged.

Invesco Global Cash Management London (Global Cash)

Invesco Global Cash Management London ("Global Cash") is a specialist Money Market Fund manager based in the UK since 1994 with funds domiciled in the United States, Canada and Europe.

As a specialist in cash management Global Cash sub-advises on a range of money market pooled investment vehicles which actively invest their assets in a diversified portfolio of high grade, short-term money market instruments.

Invesco Fixed Income London (IFI)

The Invesco Fixed Income London ("IFI") investment management team operates worldwide, with operations in the United States, the United Kingdom, Continental Europe and Australia.

Product offerings cover an array of investor needs including money market funds, global bond funds, European focused funds, and specialty sectors such as broad alpha funds and emerging market funds.

IFI provides a full range of investment solutions for institutional clients including pension funds, insurance companies and sovereign wealth funds worldwide. It also sub-advises on a range of mutual pooled funds on behalf of IAML.

Please note that Global Cash and IFI form part of the same business area but are two distinct units. For the purposes of this document they have been referred to individually.

Invesco Real Estate (IRE)

Invesco Real Estate ("IRE") is the property investment management arm. It operates in the UK as a division of IAML. IRE has been providing full service investment solutions in the US since 1983, in Europe since 1996 and in Asia since 2006. Expertise ranges from fund management and structuring finance, acquisitions and asset management.

Through a network of 14 offices around the globe, IRE is ideally placed to provide a wide range of cross border real estate investment products and services to international institutional clients. Clients include:

- Insurance Companies
- Pension Funds
- Banks
- Asset Managers
- Fund of funds

IRE manages real estate assets on a separate account and a pooled fund basis. The choice of vehicle depends on the investor's requirement and investment goals. IRE currently manages real estate investment solutions for clients via a range of fund strategies investing in the office, retail, industrial and hotel sectors and in all European property markets.

Asset Management

Assets under management for IAML have been calculated as at December 30, 2011 and are detailed below:

	U.S. Dollar Amount
Discretionary:	\$100,413,295,000.83
Non-Discretionary:	\$0.00
Total:	\$100,413,295,000.83

Please Note:

Where necessary the information detailed throughout this brochure has been answered in respect of each investment center:

- Invesco Perpetual (IP)
- Invesco Global Cash Management London (Global Cash)
- Invesco Fixed Income London (IFI)
- Invesco Real Estate (IRE)

Fees and Compensation

The fees described in this section are strictly for the provision of investment advisory services and do not include other fees that a client account may incur, such as custody fees or fees charged by other service providers retained by the accounts. IAML does not receive, or participate in the sharing of custody fees or otherwise receive any benefit as a result of custodial arrangements entered into by its clients' accounts.

Description

Institutional Segregated Accounts

Where IAML manages segregated institutional accounts, management and performance fees are charged. Management fees are negotiated with the client and charged on a monthly basis or quarterly subject to agreement.

Performance fees are charged on an annual basis although subject to agreement can be charged quarterly.

Please refer to the Institutional Segregated Accounts IP fee schedule in [Appendix A](#) from which forms the basis from which negotiations can start.

Sub-Advised Accounts

Where IAML provides investment management services on a sub-advised basis i.e. on behalf of another investment adviser within the Invesco group, IAML will receive 40% of the net management and performance based fees charged (net management fees are fees net of any rebates).

Management fees are paid out of fund assets to the fund's investment adviser (or its affiliates) for managing the fund's investment portfolio. Clients are therefore not invoiced and do not have fees deducted from their accounts.

Fees are not charged in advance of any investment management service being provided.

Invesco Perpetual

Negotiations with the client will centre on the mandate's investment guidelines, client reporting requirements and access to the investment team.

Fees are agreed at the point of completing the Investment Management Agreement for an institutional mandate.

Please note that IP mutual funds do not accept US investors.

Invesco Fixed Income London

For the institutional market in the US, IFI will typically provide global or international bond solutions on a separate account basis. A standard fee schedule for such Global Aggregate strategies (those comprising government bonds and non-government bonds) is detailed below.

0.40% on the first \$50 million

0.30% on the next \$50 million

0.25% for additional amounts thereafter

For institutional separate accounts, fees can be negotiated based on other commercial factors which may include pricing trends observed within the competitive peer group for similar strategies, the strength of the client relationship and potential for asset growth going forward.

Fees are agreed upfront and may be reassessed at the end of the contract period or in exceptional circumstances i.e. where the mandate is at risk due to underperformance, lower fees may be considered.

Further details on fees can be found in the relevant fund prospectus.

Invesco Real Estate

Fees are not standard for IRE and are based on assets under management either calculated based on the net or the gross asset value. Property acquisition, disposal and performance fees may also be charged.

Fund fees vary and are set out clearly in each fund prospectus. Please refer to the relevant fund prospectus for further information.

Fees on separate accounts are negotiated with the client and agreed upfront in the investment management agreement. Negotiations are dependent on a number of variables including:

- size of mandate
- risk return criteria
- return targets
- level of discretion
- scope (geography)

Fees may be reassessed at the end of the mandate or unless there is a change to the mandate or the scope of work.

Potential Conflicts Generated from Varying Fee Structures

IAML does not operate a standard charging structure. IAML undertakes discretionary portfolio management for more than one client or fund and different fee structures e.g. performance related fees and fixed annual management charges may exist for client portfolios, which may potentially affect incentive for allocation of trades and opportunities.

How are Conflicts Addressed

IAML has in place strict allocation procedures to ensure fair allocation of opportunities. This is subject to monitoring. In addition, when carrying out client transactions, IAML will combine orders where this is considered to be in the best interest of the clients as a whole.

Any exceptions e.g. where an account would receive an uneconomical allocation, are justified and clearly documented.

Performance-Based Fees

Invesco Perpetual

Performance fees will be negotiated on a case by case basis with the client and only typically on accounts over \$100m.

Appendix B: Our Conflicts of Interest Policy details how conflicts are identified and managed. The section on Execution / order handling details how we execute trades on behalf of clients to ensure that one client is not favored to the detriment of another.

In addition, fund managers are compensated predominantly based on their three year performance returns. This system is designed specifically to avoid short-term risks being taken to achieve performance goals.

Invesco Global Cash management London

Not applicable.

Invesco Fixed Income London

In new business proposals for institutional mandates, IFI is periodically required to submit a suggested performance fee or acknowledge a client's methodology for performance fees. IFI does not routinely charge performance fees but it is prepared to consider such fee structures on a client by client basis. IFI does not currently charge performance based fees on either pooled funds managed for US retail clients and sub-advised by IFI or on separate accounts for US institutional clients who either contract directly with IAML or on a sub-advised basis.

The way in which IFI's investment process is structured nullifies the potential for conflicts in how the portfolio manager approaches the management of accounts with performance and flat fees. The portfolio design process clearly sets out how each portfolio should be invested with reference to its excess return objective. Position sizes to achieve the desired level of alpha are pre-set by this design process.

The portfolio manager then implements all relevant investment recommendations from the analyst group according to each design. In this way, all accounts can be simultaneously managed as a group and in accordance with their different performance objectives. No preference is given to accounts with performance-based fees versus those with standard flat fee structures.

In instances where full allocation is not possible i.e. the final allocation of bonds may be less than originally put in for, the approach of the credit

portfolio management team is allocate pro-rata across all of the funds that can accept the bonds without breaching the mandate's constraints or guidelines. This allocation process is subject to de minimus limits such as whether the effective position size is an efficiently tradable size. Funds receive the same investment management approach regardless of whether the fund incurs a performance fee or flat fee, as the investment platform only stores each portfolio's investment constraints.

Invesco Real Estate

Dependent on the investment selected and the criteria of the mandate set up, performance fees may be charged. These will be negotiated and agreed in the investment management agreement.

No two strategies are the same therefore conflicts as a result of differing fees are mitigated

Types of Clients

Invesco Perpetual

Clients include: institutional investors including public bodies, local authorities, corporate bodies, charities and other sophisticated investors.

The minimum opening account size that would be considered for a segregated institutional mandate is typically:

- Invesco Perpetual Pan European Equity strategy - \$75m
- Invesco Perpetual Japanese Equity strategy - \$100m
- Invesco Perpetual Asian Equity strategy - \$100m
- Invesco Perpetual Asia Pacific Equity strategy - \$100m
- Invesco Perpetual Global Equity strategy - \$75m
- Invesco Perpetual Global Smaller Companies strategy - \$100m
- Invesco Perpetual Global ex US Smaller Companies strategy (previously known as Invesco Perpetual International Small Cap Equities strategy) - \$100m
- Invesco Perpetual Latin American strategy - \$100m
- Invesco Perpetual Emerging Eastern Europe strategy - \$100m
- Invesco Perpetual Fixed Interest strategy - \$200m
- Invesco Perpetual Global ex US Equity

These limits are however subject to negotiation.

Invesco Global Cash management London

This investment team provides investment management services on a sub-advised basis to a series of Irish domiciled money market funds (mutual funds).

Clients of the underlying fund include: insurance companies, Corporates, Banks, Pension Funds, Asset Management companies, Charities and Educational establishments.

Initial opening balance, minimum account size: US \$150,000; EURO 150,000; Sterling £100,000. There are no minimum balance requirements thereafter.

Invesco Fixed Income London

Clients include: institutional clients including pension funds, insurance companies, mutual funds on a sub-advised basis and sovereign wealth funds.

Initial opening balance, account size for global bond strategies for example is: US \$50 million for institutional clients seeking separate accounts.

Invesco Real Estate

IAML manages funds and segregated accounts on both a direct and sub-advised basis.

Clients include: international institutional clients including insurance companies, pension funds, banks, asset managers and fund of funds.

Minimum investment into a fund is typically €5-10m although there is discretion to waive this. The minimum investment for a separate account is not typically below €50-100m.

Methods of Analysis, Investment Strategies and Risk of Loss

Invesco Perpetual

Methods of Analysis & Investment Strategies

Please refer to the IP Product Profiles in [Appendix C](#) for further details.

- Invesco Perpetual Pan European Equity strategy
- Invesco Perpetual Japanese Equity strategy
- Invesco Perpetual Asian Equity strategy
- Invesco Perpetual Asia Pacific Equity strategy
- Invesco Perpetual Global Equity strategy
- Invesco Perpetual Global Smaller Companies strategy
- Invesco Perpetual Fixed Interest strategy
- Invesco Perpetual Emerging Equities strategy (includes Latin America and Eastern Europe)
- Invesco Perpetual Global ex US Smaller Companies strategy (previously known as Invesco Perpetual International Small Cap Equities strategy)
- Invesco Perpetual Global ex US Equity strategy

Risk of Loss

The following risks apply to all Invesco Perpetual (IP) strategies and will be managed by IP and/or its fund managers, unless otherwise stated, on behalf of their investors.

Basis risk is the risk that offsetting investments in a hedging strategy will not experience price changes in entirely opposite directions of each other. Any imperfect correlation between the offsetting investments in such a hedging strategy creates the potential for excess gains or losses and will add risk. Hedging strategies are rarely implemented, except in relation to potential adverse currency movements, usually in relation to a portfolio's base currency, and more often on fixed interest than equity portfolios. However, where they are implemented, basis risk will be managed daily by fund managers with the help of post-trade compliance checking by Invesco's Compliance team of any derivative and forward hedge positions and any related cover. While this risk recognizes that exact matches or correlation of hedges and assets being hedged is not practical, Sentinel (the firm's incident and breach reporting system)

incidents are raised for over hedged positions and dealt with appropriately.

Credit or counterparty risk is the risk of loss if a portfolio's counterparty fails to meet its financial obligations. This is managed daily by fund managers and equity dealers monitoring and selecting reputable brokers through whom to execute trades. In any case where the reputation of a counterparty is in doubt, the use of that counterparty will be stopped by Invesco Perpetual's Head of Operations & Dealing until otherwise decided. The exceptional non DVP (Delivery versus Payment) trades are signed off by senior management and monitored on a quarterly basis. In addition, the selection process for each new counterparty means that checks are conducted by the firm's Finance team to assess their financial standing.

Legal and documentation risk is the risk of not having contractual certainty if issues arise on the assets of the portfolios or with portfolios' counterparties. This is managed by Invesco Perpetual Operations, Legal and Transaction Processing where required, specifically for new counterparty set ups either for cash equities or cash fixed income trading or for Over-the-Counter (OTC) derivatives by ensuring relevant documentation is in place. There is a documented account opening process in place for all counterparties which should mitigate any legal risk. Where OTC instruments are used, then appropriate documentation is reviewed and signed by Invesco's UK Legal team.

Regulatory risk is the risk of loss from not complying with relevant investment management agreements and investment guidelines. If any breaches are discovered, these are raised and resolved through Invesco's Sentinel incident reporting process. If any of these breaches result in losses to investors, these are made good by Invesco Perpetual under the Invesco UK error policy. Details of all applicable investment restrictions are contained within the relevant Portfolio Operating Memorandum (POM).

Market risk is the risk of loss from fluctuations of or volatility in securities prices. This risk is not within the control of fund managers. However, it may be mitigated by investors by holding their investment for the long term and then selling during a stable time in relevant markets.

Valuation risk is the risk of not valuing transactions and positions appropriately. The valuation and pricing department are separate to the

fund management department ensuring appropriate segregation of duties. This specific risk is managed on a daily basis by the Invesco European Pricing team and Invesco's Transaction Processing team through the securities valuation, portfolio valuation, reconciliation and trade confirmation and settlement processes. This is done in accordance with the Invesco Securities Valuation Pricing Policy. It is also monitored by fund managers daily and signed off weekly. It is also monitored by the Invesco European Pricing Committee.

Invesco Global Cash management London

Methods of Analysis & Investment Strategies

The strategy is to provide investors with as high a level of current income as is consistent with the preservation of capital and liquidity by investing in a diversified portfolio of high quality short-term money market instruments. The account sub-advised is managed in a modified barbell structure.

The structure is part cash investments (approximately 30%) and part core investments (approximately 70%). The cash investments provide liquidity as these are held for 1-7 days. The core investments have a maturity between 7 – 397 days and these provide return.

There is a credit approval process, structured to include initial screening, analytical research and the decision process. This is then followed by a daily credit monitoring process to ensure minimal credit risk.

Risk of Loss

Key risks are credit defaults and liquidity risk, however, a fund is managed with safety as the first priority.

The daily credit monitoring will highlight if issuers no longer meet minimal credit requirements and following analysis issuers may be taken off the approved purchase list.

Trading of Securities

The funds tend to invest in short-term money market instruments which are held to maturity.

Please refer to the Global Cash Product Profile in [Appendix D](#) for further details.

Methods of Analysis & Investment Strategies

IFI invests across global fixed income and currency markets employing a full spectrum of analysis techniques from macroeconomic and fundamental analysis, technical analysis to bottom-up credit analysis. Specialist decision-makers are assigned specific top down investment decisions that directly feed through to each portfolio which is permitted to gain exposure to that area. In credit research, individual analysts follow and make recommendations on an assigned list of bond issuers. Again, investment recommendations about the prospects for each issuer and its bonds are reflected in client accounts, which permit the portfolio manager to take positions in non-government debt.

Risk of Loss

IFI does not force its investment team members to pursue one particular investment style or methodology nor does it force decision-makers to adhere to a single "house view". In this respect, we consider our investment approach is well diversified in terms of underlying investment styles but equally, it should be less susceptible should one single market/economic view prove incorrect. Our portfolios are built around an assumption of long term investment skill at the individual decision level. Clearly, the risk, as with any investment approach, is that the level of investment skill is lower than expected. Within the process, investment decision-making is monitored daily with various safeguards built in though the investment technology platform and management oversight functions.

Interest rate risk is typically the most material risk that fixed income investment strategies face. Rising interest rates lead to falls in bond prices. The proportional impact on each investment strategy depends on the level of duration or interest rate sensitivity inherent in the portfolio. Duration risk may be actively managed by selling down longer maturity holdings in favor of short-dated securities or through the use of derivatives such as bond futures or interest rate swaps. Global fixed income strategies may also invest in bonds not issued or guaranteed by governments and as a result, are exposed to credit risk. Credit risk reflects the creditworthiness of the bond issuing entity. Changes in investors' perceptions of credit risk can cause non-government bonds to exhibit greater price volatility than government bonds. Credit risk can be mitigated in numerous ways such as selling down corporate bond exposures and investing in government bonds, allocating more assets to higher credit quality, more defensive issues or by buying protection against default through credit default swaps (CDS). Finally, global fixed income approaches invest in securities denominated in different

currencies, exposing the investor to currency risk if the investment strategy is un-hedged. Currency risks can be eliminated to an extent by using currency forward contracts to lock in current exchange rates for a specific period.

Trading of Securities

Due to our distributed decision-making approach, recommended investment positions can change relatively frequently, resulting in periods of additional turnover. However, we do not believe that our process involves materially higher levels of turnover than other fixed income approaches practiced in the market. Where permitted by client or prospectus guidelines, positions are implemented or adjusted using derivatives (currency forward contracts, futures, interest rate swaps etc.) to minimize transaction costs.

Please refer to the IFI Product Profile in [Appendix E](#) for further details.

Invesco Real Estate

Methods of Analysis & Investment Strategies

IRE implement a variety of different strategies depending on the nature of the mandate, but the common theme is that they are all invested in private (unlisted) European real estate. IRE is research led and the real estate market research provides the basis for the strategic view which is then supplemented by the “on the ground” execution by the local European transaction and asset management teams.

IRE’s investment philosophy is underpinned by two fundamental principles – to maximize the predictability and consistency of investment returns and to control risk at every step of the investment process and portfolio design. This is achieved through a systematic approach that incorporates top-down economic and market research as well as in-depth bottom-up analysis based on the knowledge and skills of our experts in our well-established platform of local offices across Europe.

IRE’s investment mandates are spread across geography, risk return spectrum and sectors. This provides experience and access to most European markets across a range of strategies.

IRE’s experience and resources for managing both direct real estate and deal structuring and financing provides the ability to adopt different strategies depending on the mandate. However, at the core of all investments is the belief that it is the real estate that will ultimately underpin returns and therefore transactions will only be undertaken if the fundamental real estate investment is a sound one.

Risk of Loss

Direct Real Estate

Invesco Real Estate (“IRE”) has several methodologies and systems in place to manage risk and to ensure consistent application of IREs investment philosophy and process.

The first process is our House View. On a semi-annual basis, our investment teams undertake a formal review of our House view and submit this to the investment committee for approval. The House View combines the empirical and anecdotal evidence from our investment disciplines, research, asset management and acquisitions and sets forth where we see the best relative value from both a property type allocation and market selection standpoint – two very key decisions in providing strong relative returns. Portfolio management then incorporates the House View into the clients’/funds’ investment plans and is charged with implementation.

In addition, IRE utilizes a team-oriented investment process. The team includes members from Portfolio Management, Research, Acquisitions, Underwriting, Closing Services, and Asset Management. Each member of the investment team must sign-off on an investment. A potential investment may be vetoed at any time by one member of the team. The investment review process requires unanimous preliminary and final investment committee approval. We believe it is extremely important to provide several independent checks throughout our due diligence of each potential investment, and it is important to provide structural controls within the ownership documents which limit risk exposure.

To further manage and minimize risk within the account, IRE will take the following measures:

- Purchase assets in IREs qualified markets
- Acquire assets that possess institutional-quality physical and locational attributes that provide reasonable assurance of an adequate pool of potential purchasers upon sale of the property
- Structure the investment to maximize the account's control
- Place restrictions on the maximum size of any one investment
- Diversify the strategies employed within the program
- Put all investments through IREs rigorous investment and due diligence process
- Carefully monitor leverage levels and maturities consistent with the risk expectations
- Carefully monitor tenant and industry exposure
- IREs Asset Management resources establish processes throughout the holding period to mitigate risk and maximize value of each investment

The proposed account is also governed by the account documents which include the investment guidelines. The account's portfolio management team reviews compliance to guidelines as part of the quarterly reporting process. Any potential issues related to investment guidelines would be shared with the account's Advisory Committee as well as Compliance. Should a revision be needed, the change would be reflected as an amendment to the account document and all investors would be notified of the change. All account personnel are Invesco employees and subject to Invesco Compliance policies.

For a comprehensive discussion on risk factors of the account, see the 'Risk Factors & Potential Conflicts of Interest' section in the Private Placement Memorandum.

Trading of Securities

It is not possible to trade real estate frequently, assets are typically held on average for 5 years.

Investing in securities involves risk of loss that clients should be prepared to bear.

Disciplinary Information

Legal and Disciplinary

The firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

Other Financial Industry Activities and Affiliations

Financial Industry Activities

IAML is a registered investment adviser with the Securities and Exchange Commission and also authorized and regulated by the Financial Services Authority ("FSA") in the United Kingdom.

IAML does not recommend or select third party investment advisers for our clients nor does it receive compensation directly or indirectly from those advisers.

Affiliations

IAML provides investment advisory services to structured funds such as Collateralized Loan Obligations "CLOs". CLOs invest in public and private debt instruments, primary floating rate corporate loans.

Related to CLOs, IAML's affiliate Invesco Senior Secured Management, Inc. ("ISSM") provides certain administrative and support services, including operational and accounting, to IAML. ISSM is a SEC registered investment adviser.

From November 2012, IAML will enter into a sub-advisory agreement with Invesco National Trust Company (INTC). INTC is the trust company and institutional investment manager for two U.S. collective retirement trusts (CRT). IAML will manage the CRT's.

Invesco Real Estate (the property management arm of Invesco) operates in the UK as a division of IAML and in the US as a division of Invesco Advisers, Inc. A member of the portfolio management team manages assets for US portfolios from the UK (London) office. This portfolio manager is registered with the FSA and approved to manage investments but reports directly to the US. For further information about Invesco Real Estate funds, please refer to filings made with the SEC by Invesco Advisers, Inc.

IAML has entered into various advisor/sub-advisor arrangements with the following related investment advisers:

- Invesco Asset Management (Japan) Limited
- Invesco Senior Secured Management, Inc
- Invesco Advisers, Inc
- Invesco Hong Kong Limited
- Invesco Trimark Limited
- Invesco Asset Management Deutschland, GMBH

Certain other registered investment adviser subsidiaries of Invesco Ltd. may from time to time have other arrangements not specified in this filing. For more complete information regarding these related persons, please refer to filings made with the SEC by the following related persons:

Invesco Canada Ltd.	File No.	801- 62166
Invesco Asset Management (Japan) Limited	File No.	801- 52601
Invesco Private Capital, Inc.	File No.	801- 45224
Invesco Senior Secured Management, Inc.	File No.	801- 38119
Invesco Advisers, Inc	File No.	801- 33949

Invesco Hong Kong Limited	File No.	801- 47856
Stein Roe Investment Counsel, Inc.	File No.	801- 57986
Invesco PowerShares Capital Management LLC	File No.	801- 61851
Invesco Asset Management Deutschland, GMBH	File No.	801- 67712
WL Ross & Co. LLC	File No.	801- 67779
Invesco Australia Limited	File No.	801- 68638
Invesco Investment Advisers LLC	File No.	801- 1669
Invesco Distributors, Inc.	File No.	801- 21323
Invesco Insurance Agency, Inc.	Tax ID No.	76- 0457666
Invesco National Trust Company	File No.	N/A
Van Kampen Funds, Inc.	File No.	8-19412
Invesco Global Real Estate Asia Pacific, Inc.	File No.	801 - 74650
IRE (CAYMAN) Limited	File No.	802 - 74648

Conflicts

Trades Executed Via Counterparties

IAML manages the segregated mandates of approved counterparty firms and may, at the same time, use such a firm for the execution of investment trades which will result in the payment of commissions. This could incentivize the favoring of a particular broker or client when trading. Invesco mitigates this by having policies and procedures in place to ensure that best execution is achieved.

Group Funds

Transactions may be undertaken in units or shares of funds within the Group or any company of which Invesco or any other Associate is the manager, operator or adviser. Funds are only purchased on their investments merits or where mandated to do so and are disclosed.

Please refer to the Conflicts of Interest Policy in [Appendix B](#) for further details.

Execution/Client Order Handling

IAML undertakes discretionary portfolio management for more than one client or fund and different fee structures (e.g. performance related fees and fixed annual management charges) may exist for client portfolios,

which may potentially affect incentive for allocation. IAML has in place strict allocation procedures to ensure fair allocation of stocks. This is subject to monitoring. In addition, when carrying out client transactions, IAML will combine orders where this is in the best interest of the clients as a whole. Cases where a client or fund would receive an uneconomical allocation are justified and clearly documented.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics – Overview

The employees of IAML have committed to a Code of Ethics (the Code). The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

The IAML Code of Ethics applies to all employees and certain related parties (covered accounts) and covers the following topics:

- Prohibitions related to material, non-public information;
- Personal securities investing;
- Service as a director and other business opportunities;

This Code also imposes on employees certain personal account dealing restrictions and reporting obligations. Adherence to the Code, both letter and spirit, is a fundamental and absolute condition of employment with IAML.

It is appreciated that no Code of Ethics can address every circumstance that may give rise to a conflict, a potential conflict or an appearance of a conflict of interest. As a consequence, we request that every employee should be alert to any actual, potential or appearance of a conflict of interest with IAML's clients and we ask that they conduct themselves with good judgment. Failure to exercise good judgment, as well as violations of the Code, may result in the imposition of sanctions on an employee, including suspension or dismissal.

Statement of General Principles

A statement of general principles found in the Code denotes that;

As a fiduciary, IAML owes an undivided duty of loyalty to its clients. It is IAML's policy that all employees conduct themselves so as to avoid not only actual conflicts of interest with IAML's clients, but also that they

refrain from conduct which could give rise to the appearance of a conflict of interest that may compromise the trust our clients have placed in us.

The Code is designed to ensure, among other things, that the personal securities transactions of all employees are conducted in accordance with the following general principles:

- A duty at all times to place the interests of IAML's clients first and foremost;
- The requirement that all personal securities transactions be conducted in a manner consistent with the Code and in such a manner as to avoid any actual, potential or appearance of a conflict of interest or any abuse of an employee's position of trust and responsibility; and
- The requirement that employees should not take inappropriate advantage of their positions.

IAML's policy is to avoid conflicts of interest and, where they unavoidably occur, to resolve them in a manner that clearly places our clients' interests first.

No employee should have ownership in or other interest in or employment by any outside concern which does business with IAML. This does not apply to stock or other investments in a publicly held company, *provided* that the stock and other investments do not, in the aggregate, exceed 5% of the outstanding ownership interests of such company. IAML may, following a review of the relevant facts, permit ownership interests which exceed these amounts if management or the Board of Directors, as appropriate, concludes that such ownership interests will not adversely affect Invesco's business interests or the judgment of the affected staff.

Preclearance of Personal Account Trading and Blackout Restrictions

All transactions by employees which are subject to preclearance requirements through Compliance are also subject to certain trading restrictions.

Blackout Restrictions – transactions generally will not be permitted during a specific period before and after a client account trades in the same security or instrument.

Certain employees may generally not buy or sell a security or any instrument within 3 days before or after the day on which any client account trades in the same security or instrument or in a security convertible into or exchangeable for such security or instrument.

Conflicts

Fund Managers' Investments into Funds

Fund Managers can personally invest in the funds that they, or their colleagues, run; this is considered to be a positive thing and encouraged by IAML. However, such investment raises the potential for there to be an incentive for these funds to be managed to meet the personal objectives of the Fund Manager(s) rather than in the best interests of the other investors, and for the Fund Manager to favor the fund he has invested in over other funds he manages. In mitigation, IAML has strict allocation procedures to ensure the fair allocation of stocks, a Chief Investment Officer Challenge process, and a Dilution Policy with the ability to swing the price where necessary. Each of these controls is subject to compliance review.

Personal Account Dealing

An employee or director of IAML engages in personal account dealing, or is otherwise interested in any company whose securities are held or dealt in on the client's behalf, in respect of securities or services and Invesco has a client with an interest which potentially conflicts with such dealing. Invesco operates personal account dealing procedures which details requirements for pre-clearance and/or notification, blackout periods and restrictions, and annual declarations. All such transactions are recorded and monitored. In addition, an annual report is produced by the Head of Compliance, which is submitted to the UK Executive Committee, identifying any violations and, where appropriate, making recommendations for procedural changes.

Business Entertainment and Gifts

Gifts and entertainment (including non-monetary gifts) are received and given that may influence behavior in a way that conflicts with the interests of IAML's clients. IAML has a Gifts, Benefits and Entertainment Policy which details what is acceptable. Only gifts and entertainment which do not impair IAML's duty to act in the best interests of our clients are allowed. Records are maintained and monitoring undertaken of gifts and entertainment both received and given. In addition, IAML will make any disclosures necessary under the UK's Inducements regulations.

Inside Information

A potentially significant conflict that arises on a permanent basis is that some of our employees, to varying degrees, have access to material, non-public information concerning companies which may be price sensitive. We mitigate this by explicit disclosure and approval through strict personal account dealing rules and a Code of Ethics which applies to all employees. In addition, periodic compliance monitoring checks are carried out.

Brokerage Practices

Selecting Brokerage Firms / Best Execution

Generally trading counterparties must have undergone an approval process before IAML can use them.

The decision making process concerning the routing of an order to a counterparty that achieves the best result will be considered by reference to various Execution Factors: price, costs, speed, likelihood of execution and settlement, size and nature of order and any other consideration relevant to its execution. The choice of relevant venue and the means of accessing that venue are assessed by professional, competent traders falling within the Financial Services Authority (FSA) Controlled Function Regime, weighing the main Execution Factors listed above. It is important to understand that the weightings considered, are dynamic and may depend upon several variables and characteristics including the specific security being traded, the order type and market/execution venue conditions.

Subject to the weightings given to the Execution Factors referred to above, IAML considers that the best possible result to the client will be driven by price considerations. Other Execution Factors, particularly size of order and likelihood of execution (both reflections of liquidity) will be considered in so much as they affect price.

Brokerage Fees

Invesco Perpetual

Brokerage fees are paid to the trading counterparties which we deal with for execution and research. Brokerage fees (including the split between execution and research elements) are confirmed on an annual basis. We assess peer research / benchmarking to ensure that our brokerage costs are not significantly different from other asset managers. This determines the reasonableness of broker fees. The overriding control is ensuring that best execution is achieved for our clients.

Commission Sharing Agreements (CSA) are utilized in accordance with the UK Financial Services Authority's (FSA) Conduct of Business Rules (COBS).

CSAs are utilized to pay for third party services restricted to execution and research services. Oversight, independent of the fund management

teams, is provided through the Dealing Commission Committee (DCC) which has its authority delegated from the Invesco Asset Management Ltd (IAML) Board. The DCC will monitor levels of CSA trades on the funds and ensure only allowable services are paid for through CSA commissions.

Invesco Global Cash Management London & Invesco Fixed Income London

There is no transaction fee or commission paid on fixed income or cash management securities. The brokers involved in these transactions charge bid/ask spreads on the securities.

(IFI pays for third party research with cash (hard dollars)).

Invesco Real Estate

Not applicable.

Research and Other Soft Dollar Benefits

Soft Dollar benefits are not permitted in the UK under the rules of the Financial Services Authority (FSA). IAML may receive research and execution services as allowed under Conduct of Business Rules (COBS). The use of client brokerage commissions and the use of brokers is monitored by our internal Dealing Commission Committee and through a quarterly broker review process.

To mitigate the potential for unduly favoring any particular broker IAML will only enter into such arrangements where it believes that the research received will potentially enhance the quality of its service to clients, and there is no commitment on its part to place an agreed or enhanced amount of business with the broker to continue to have access to the research.

Our best execution procedures are our primary driver for broker selection and to manage any potentially perceived conflicts of interest.

Directed Brokerage

Please Note

Client specific instructions are permitted within IAML. By directing brokerage, clients may be unable to achieve most favorable execution of transactions.

There is no client directed brokerage on our equity or global cash accounts.

If a client directs IAML to use a specific broker to execute transactions for its account, it is such client's responsibility to ensure the following:

- all services provided by the designated broker will inure solely to the benefit of the client's account and any beneficiaries of the account, and are proper and permissible expenses of the account, and may properly be provided in consideration for brokerage commissions or other remuneration paid to the designated broker-dealers;
- using the designated brokers in the manner directed is in the best interests of the client's account and any beneficiaries of the account, taking into consideration the services provided by the designated brokers;
- its directions will not conflict with any obligations persons acting for the clients account may have to the account, its beneficiaries or any third parties, including any fiduciary obligations persons acting for the account may have to obtain the most favorable price and execution for the account and its beneficiaries, and;
- persons acting for the client's account have the requisite power and authority to provide the directions on behalf of the account and have obtained all consents, approvals or authorizations from any beneficiaries of the account and third parties that may be required under application law or instruments governing the account.

In addition, it is a directed brokerage client's responsibility to:

- consider information concerning broker's execution capabilities and pricing or other information client considers relevant;

- conclude that broker is capable of providing best execution of transactions for client's account; and
- determine that the rates for commissions and other fees that apply to client's account are appropriate and reasonable, for all transactions in client's account, in relation to the value of broker services received by or made available to client.

Trade Aggregation

Invesco Perpetual and Invesco Fixed Income London

IP and IFI teams are responsible for implementing investment decisions for various portfolios. These portfolios may have differing investment objectives, strategies and/or targeted portfolio characteristics. Accordingly, at any time, investment centers may trade a specific security differently for different portfolios based on unique aspects of a portfolio's objectives, strategies and/or current or anticipated positioning.

Additionally, portfolios may have similar investment objectives, strategies and/or targeted characteristics or may be interested in purchasing or disposing of the same fixed income securities at the same time.

Accordingly, IP and IFI may aggregate orders for fixed income securities for multiple portfolios in an effort to achieve best execution (please note that orders from each team are not combined). All aggregated trades, including financing transactions, shall be allocated among the portfolios in a fair and equitable manner over time.

Generally, when allocating an aggregated trade across multiple portfolios, the investment center will seek to allocate such a trade across the participating portfolios on a pro rata basis. However, IP and IFI may determine that such a pro rata allocation is not appropriate and may consider various factors in connection with allocating any trade across multiple portfolios. These factors include but are not limited to:

- Target portfolio characteristics;
- Investment objectives or strategies;
- Investment restrictions or limitations;
- Risk or investment concentrations;
- The size of the available investment;
- Regulatory restrictions;
- Cash availability;
- Ability to hedge a position;
- Minimum size constraints;
- Liquidity of the security in the market;

- Tax considerations;
- Availability and costs of financing the transactions; and
- Other factors that may be pertinent to the trade.

Any such decision would be documented.

Invesco Global Cash Management London

A number of trades will be placed at one time but amounts are determined with the broker at the time of placing the trade. We do not buy in bulk and allocate later.

Conflicts

Trades Executed Via Counterparties

IAML manages the segregated mandates of clients that may also be approved counterparty firms and may, at the same time, use such a firm for the execution of investment trades which will result in the payment of commissions to pay for research. This could incentivize the favoring of a particular broker or client when trading. Invesco mitigates this by having policies and procedures in place to ensure that best execution is achieved.

Research Material

Subject to compliance with the FSA Rules on the use of dealing commission, IAML acquires research material from third parties which is paid for, in part, by commissions paid to brokers on fund and client account trades. The value of this research is reviewed and payments are only made if we believe that such research has been useful in managing client funds.

In addition, complimentary or subsidized access to research may be provided to Invesco by brokers. To mitigate the potential for unduly favoring the broker in question, IAML will only enter into such arrangements where it believes that the research will potentially enhance the quality of its service to clients, and there is no commitment on its part to place an agreed or enhanced amount of business with the broker to continue to have access to the research. This will be subject to monitoring.

Review of Accounts

Invesco Perpetual

Client Account Reviews

IAML has in place systems to monitor the investment guidelines and restrictions of all accounts it manages. A check is performed of each fund or mandate on a daily basis and any exceptions are investigated and rectified.

The Chief Investment Officer (CIO) challenge process provides oversight of the fund management processes. The challenge process takes the form of a meeting between the CIO, a senior member of the Performance & Risk Team and the Fund Manager or Investment Team under review. The objective is to review each manager every six months although where particular issues are identified with performance or investment process, these take precedence. The Performance & Risk Team prepare papers for the meeting including; performance, attribution and/or contribution, risk, portfolio positioning and where warranted individual trading patterns. This enables the CIO to have focused meetings with each of the Fund Managers. Minutes of the CIO challenge meetings are taken and retained for internal use only. Any action points or issues are recorded and reviewed at the subsequent meeting.

Client Reporting

Institutional clients may select the level of reporting suited to their individual needs. Reporting would typically be quarterly, but subject to agreement could be more or less frequent.

These reports will typically contain performance data, valuations, commentary on markets and the portfolio. The clients can again, subject to agreement determine the level of reporting they need to suit their requirements. These reports will be provided in written format.

Invesco Global Cash Management London

Client Account Reviews

Global Cash do not review client accounts as we do not manage segregated mandates. IAML (Global Cash) is the sub-adviser of a series of Collective Investment Schemes.

Invesco Fixed Income London

Client Account Reviews

Client accounts are monitored on an ongoing basis by the portfolio manager responsible for implementing the portfolio design.

Formal reviews of all accounts by the investment team take place on a quarterly basis, led by the Head of Global (ex US) Investment Grade Fixed Income and the Head of Global Investment Grade Credit Research.

Client Reporting

For separate accounts for institutional clients, valuation and administration reports are sent out on a monthly basis. Quarterly reports on investment performance and strategy complete the standard reporting suite.

Our monthly valuation and administration report includes, where appropriate:

- Month end net asset value
- Previous month's net asset value
- Country / asset allocation
- Stock holdings
- Transactions over the month
- Performance data
- Performance attribution
- Cash reconciliation
- Income information

The quarterly report will cover, where appropriate:

- Current investment strategy
- Market and portfolio review including outlook and strategy
- Full valuation of portfolio assets
- Asset allocation review
- Reconciliation of cash balances
- Report of income received
- Review of portfolio activity
- Analysis of portfolio performance

Reports for institutional clients are delivered in writing, either by hard copy or electronically.

Invesco Real Estate

Client Account Reviews

At least every six months each fund/mandate is subject to review by the "Fund Strategy Review Committee" (FSRC). The FSRC is a sub-set of the investment committee. For each review the portfolio manager is required to provide a full update of the fund and its proposed future strategy in accordance with a closely defined set of criteria. Prior to the update, the portfolio manager will have had to liaise with the asset management, research and acquisition teams in order to assess the overall fund strategy, individual asset business plans and then develop proposals for the fund's future strategy. The proposals are critically reviewed by the FSRC and if accepted, approved.

Client Reporting

At a minimum, client reports are delivered in writing on a quarterly basis although at times more frequently. The reports contain the profile of the portfolio plus an associated commentary.

Client Referrals and Other Compensation

Incoming Referrals

IAML receives a referral fee from its affiliate, Invesco Advisers, Inc. for introducing IAML clients into the Short Term Investment Trusts. Such fees are paid by Invesco Advisers rather than by the client. These fees typically involve the firm paying a portion of its investment management fee to IAML. Invesco Advisers will not charge the referred client a higher fee to compensate for the fee it pays to the referring party.

For further information please refer to filings made with the SEC by Invesco Advisers, Inc.

Custody

Account Statements

IAML does not have custody of client assets. All assets are held by custodians appointed by the clients, who provide account statements directly to clients.

For segregated institutional accounts, the client selects the custodian where as for mutual funds; each fund has its own custodian/depository.

Investment Discretion

Invesco Perpetual

For institutional clients with segregated managed accounts, IP will typically have full discretion for all buying and selling investment decisions made. The discretionary investment decisions must be made in accordance with the investment objectives and restrictions agreed with the client who can include geographical, asset type, weightings and specific stock restrictions, within the Investment Management Agreement.

On occasion, clients may choose to retain the discretion to exercise the voting rights attached to their share holdings rather than delegating this responsibility to the investment manager.

Invesco Global Cash Management London

The investment objective and policies for each Portfolio, and the investment restrictions and distribution policies in relation thereto, will be formulated in all cases subject to the requirements of the UCITS Regulations by the Board of Directors in consultation with the Manager at the time of creation of each Portfolio and will be disclosed in the relevant prospectus.

Any changes to the investment objective or policies of a Portfolio will be the responsibility of the Board of Directors. The investment objective of a Portfolio may be changed with the approval of the shareholders of the relevant Portfolio by way of Ordinary Resolution. This also includes changes to the investment policies that are material in their nature.

Invesco Fixed Income London

Institutional clients with separately managed accounts may set constraints on portfolio composition that must be adhered to but IFI typically operates with full discretion from the client for all buy and sell decisions within these constraints.

These constraints typically more closely define the exact nature of the investment risks that the client is prepared to be exposed to. Common limitations for fixed income clients include:

- active duration exposures relative to benchmark
- currency risk (whether non-base currency positions are fully hedged, partially hedged or un-hedged)
- credit rating limits

For pooled funds offered to retail investors, IFI will operate with full discretion within the limits set out in the funds prospectuses.

Invesco Real Estate

There are different levels of discretion depending on the nature of the account. Some accounts and pooled funds have full discretion although it is more common for there to be some set constraints on the portfolio dependent on the investor's requirements and investment goal. Such constraints can include:

- size of the building that can be purchased
- markets permitted to buy in

Pooled funds are managed with discretion in line with the limits set out in the fund prospectus.

There are also mandates which are advisory where all decisions need to be ratified by the client.

Voting Client Securities

Invesco Perpetual

Options for Clients on Voting

Clients either give us the full discretion to exercise voting rights on their behalf or retain that discretion to make their own arrangements to exercise voting rights.

Obtaining Information on Voting

Clients with institutional segregated mandates, or investors in our pooled funds, can request voting information from their usual sales contacts. IP will provide the record of votes that will reflect the voting instruction of the relevant fund manager. This may not be the same as votes actually cast as IP is entirely reliant on third parties complying promptly with such instructions to ensure that such votes are cast correctly. Accordingly, the provision of information relating to an instruction does not mean that a vote was actually cast, just that an instruction was given in accordance with a particular view taken.

Please refer to Section 8 of the Invesco Perpetual Policy on Corporate Governance & Stewardship in [Appendix F](#) for further details.

Invesco Global Cash Management London and Invesco Fixed Income London

Short-term money market instruments and other fixed income securities do not attract voting rights.

Conflicts

IAML believes it has a responsibility for making investment decisions that are in the best interests of its clients. As part of the investment management process, IAML may exercise its voting rights where authorized by clients, or in the collective interests of investors in a fund, to vote in respect of the shares/units for which the clients are beneficial owners.

Financial Information

Financial Condition

IAML does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

A balance sheet is not required to be provided because IAML does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.

Business Continuity Plan

General

Invesco Ltd ("Invesco") has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services and key people.

A disruptive event is classified as any event that materially limits the operations of Invesco thereof by denying critical infrastructure or business process. The declaration of a disruptive event is made by designated management on site, at the time, depending on the nature of the event.

Business Continuity is a standing department within Invesco and its personnel are dedicated full-time to Invesco's business continuity goals.

Invesco has established recovery teams that cover all departments within the company. Each team has responsibilities when it comes to business continuity:

- To participate in Business Continuity plan exercises and maintenance procedures.
- To understand and be able to follow the Business Continuity plan in times of disaster.
- For IT Services teams, to provide the technology needed to support a recovery effort.
- Major components of disaster recovery/ business continuity planning include:
 - Incident notification procedures
 - Disaster hotline
 - Recovery Plans
 - Recovery Facilities
 - Backing up IT Systems and Data
 - Recovery Exercises

Information Security Program

Information Security

Invesco Ltd ("Invesco") has a well-defined set of information security policies in place addressing areas including but not limited to:

- Acceptable Use
- Access Control
- Electronic Messaging Systems
- Asset ID and Access Control
- Physical Security
- Employment/Terminations
- Information Security Incident Response
- Third Party Vulnerability Assessments

Policies

These policies are developed, reviewed and approved in accordance with a defined Security Policy Lifecycle to ensure they remain in line with current security related risks and the direction of the business overall.

Invesco has an Information Security function made up of dedicated security professionals with the specific responsibility of overseeing and maintaining all aspects of information security for Invesco globally. Invesco Information Security closely coordinates its efforts with the business/functional units, Information Technology, Legal, Compliance and Human Resources. The information security and privacy programs within Invesco are reviewed regularly by internal and/or external auditors to ensure best practices are in place within the company.

As Invesco is a global company operating in many jurisdictions, our security and privacy programs are regularly reviewed by various regional/local regulatory agencies to verify compliance with relevant regulation and legislation relating to the safeguard of our investors and employee sensitive information.

Glossary of Terms

CLO	Collateralized Loan Obligation
COBS	The Financial Services Authority's, Conduct of Business rules
CSA	Commission Sharing Agreement
DCC	Dealing Commission Committee
FSA	Financial Services Authority, the UK regulator
Global Cash	Invesco Global Cash Management London
IAML	Invesco Asset Management Limited
IFI	Invesco Fixed Income London
Invesco	Invesco Limited
IP	Invesco Perpetual
ISSM	Invesco Senior Secured Management, Inc
SEC	Securities and Exchange Commission, the US regulator
UCITS	Undertakings for Collective Investment in Transferable Securities

Appendices

Appendix A

Invesco Perpetual Fee Schedule

Henley Team Pricing Schedule as at June 2011

	Minimum segregated account size in \$m*	Flat Fees				Performance Fees			
		£0-£30m	£30m-£100m	£100m-£200m	£200m+	£10-£30m	£30m-£100m	£100m-£200m	£200m+
Neil Woodford	200	100bps	90bps	85bps	80bps	50bps + 20%	30bps+20%	By negotiation	By negotiation
UK Large Cap (ex NW)	100	85bps	60bps	50bps	By negotiation	N/A	30bps+15%	By negotiation	By negotiation
UK Small Cap (ex NW)	100	90bps	65bps	55bps	By negotiation	N/A	30bps+15%	By negotiation	By negotiation
All Henley Fixed Income	200	75bps	75bps	65bps	By negotiation	N/A	By negotiation	By negotiation	By negotiation
Global Equities Large Cap	75	75bps	65bps	50bps	By negotiation	50bps+10%	40bps+10%	25bps+10%	By negotiation
Global Equities Small Cap	100	85bps	75bps	60bps	By negotiation	50bps+15%	40bps+15%	25bps+15%	By negotiation
European Equity Large Cap	75	70bps	60bps	50bps	By negotiation	N/A	30bps+10%	20bps+10%	By negotiation
European Equity Small Cap	100	90bps	80bps	70bps	By negotiation	N/A	30bps+15%	20bps+15%	By negotiation
Asia & Pacific Large Cap	100	85bps	70bps	60bps	By negotiation	N/A	40bps+15%	25bps+15%	By negotiation
Emerging Market Equity Large Cap (including Latin America & Eastern European mandates)	100	85bps	70bps	60bps	By negotiation	N/A	40bps+15%	25bps+15%	By negotiation
Japan Large Cap	100	85bps	70bps	60bps	By negotiation	N/A	40bps+15%	25bps+15%	By negotiation
US Large Cap	75	70bps	60bps	50bps	By negotiation	N/A	30bps+10%	20bps+10%	By negotiation

Key:

Assumptions:

Investment restrictions different to the standard UCITS or COLL restrictions are not be encouraged, but will be considered on a case by case basis.

Benchmarks and tracking objectives may be accepted as targets but not commitments

Excessive calls (determined by IP) on fund managers' time are not accepted

New manual process requirements are not accepted (ie should fit into existing manual and automated systems; eg post trade compliance restrictions that cannot be automated should not be accepted)

Exceptions to IP policies are not accepted (mainly for TCF and conflicts reasons; eg directed commission or commission recapture arrangements would be against our Use of Dealing Commission Policy; not using commissions to pay for research and execution services would also be against our Use of Dealing Commission Policy)

Non standard client reporting requirements (formats and timings) are not accepted

Restrictions on fund managers proxy voting and shareholder engagement are not accepted; this should also mean clients accept they will pay for reasonable costs incurred for shareholder engagement undertaken to protect their investments' value

Fund manager capacity (determined by IP) is not compromised

Redemption impacts will be manageable

Indemnities are not given unless agreed to after negotiation and only then if capped

Proposals containing exceptions to any of the above will need to be agreed by Ian Trevers and/or Charles Henderson.

* Subject to negotiation. Based on a £/\$ exchange rate of 1.5

Appendix B**Invesco Perpetual Conflicts of Interest Policy**

INVESCO UK
CONFLICTS OF INTEREST POLICY
FEBRUARY 2012

CONTENTS

1. Introduction
2. Conflict of interest defined
3. Types of conflict of interest
4. Activities and services carried out which may give rise to conflicts of interest and general mitigation arrangements
5. Specific potential conflicts of interest identified and associated mitigation arrangements
6. Disclosing conflicts of interest
7. Records of conflicts of interest.

1. INTRODUCTION

In the normal course of business, as in any large financial institution, situations resulting in potential or actual conflicts of interests may arise. There is nothing inherently unethical if and when such situations arise, subject to compliance with regulatory and legal requirements. However, the abuse of such situations is clearly improper and Invesco is committed to managing these conflicts of interest to prevent abuse and protect our clients, employees and other counterparties.

Invesco, as a fiduciary, are required to take all reasonable steps to identify, manage, record and, where relevant, disclose actual or potential conflicts of interest between ourselves (including our managers and employees and any person directly or indirectly linked) and our clients and between one client and another and to have in place a policy relating to conflicts of interest. This includes conflicts that may arise where Invesco undertakes a particular activity for both undertakings for collective investment in transferable securities (UCITS) schemes and any other client.

This Policy is applicable to and adopted by the following firms (together "Invesco") in respect of all regulated activities and ancillary activities and services provided to clients:

- Invesco Administration Services Limited
- Invesco Asset Management Limited
- Invesco Fund Managers Limited
- Invesco Global Investment Funds Limited
- Invesco Perpetual Life Limited.

This Policy also takes into account any conflicts between the interests of other companies within the wider Invesco Limited Group of companies (and persons connected thereto) and the duty Invesco owes to a client. Invesco will apply its Conflicts of Interest Policy to all relevant outsourcing and delegation arrangements entered into and in respect of services Invesco may provide to or receive from the wider Invesco Limited Group.

Integrity, fairness, impartiality and primacy of clients' interests occupy a leading place in our ethical rules and values.

This Policy is designed to address conflicts of interest management for Invesco appropriate to the nature, scale and complexity of its business. Specifically it has been prepared in the context of Invesco being a major UK retail fund manager, the manager of collective investment schemes and providing discretionary investment manager services to institutional clients.

Invesco will endeavour to manage any potential conflicts of interest in accordance with the objectives contained in our Treating Customers Fairly policy.

2. CONFLICT OF INTEREST DEFINED

A conflict of interest is a situation where there is a material risk of damage to the interests of a client arising because the interests of:

- Invesco (including its managers, employees and wider Invesco Group companies) and our clients (including UCITS schemes managed) differ; and
- any client (including UCITS schemes managed) and those of another client differ.

An interest is the source of any advantage, direct or indirect, of whatever nature, tangible or intangible, professional, commercial, financial, non-financial or personal. However, it should be noted that it is not enough that Invesco may gain a benefit if there is not also a possible disadvantage to a client, or that one client to whom Invesco owes a duty may make a gain or avoid a loss without there being a concomitant possible loss to another such client.

3. TYPES OF CONFLICT OF INTEREST

When identifying services and activities that may entail a material risk of damage to the interests of a client, Invesco will, as a minimum, take into account the following types of conflict:

- the likelihood of Invesco (including its managers, employees and wider Invesco Limited Group companies) making a financial gain or avoiding a loss at the expense of a client (including UCITS schemes managed);
- whether Invesco (including its managers, employees and wider Invesco Limited Group companies) has an interest in the outcome of a service or an activity provided to, or transaction carried out on behalf of, a client (including UCITS schemes managed) that is distinct from the client's interest in that outcome;
- whether Invesco (including its managers, employees and wider Invesco Limited Group companies) has a financial or other incentive to favour the interest of one client or group of clients over the interests of other clients or UCITS schemes managed;
- whether Invesco (including its managers, employees and wider Invesco Limited Group companies) carries out the same activities performed by our clients; or in the case of activities carried out for UCITS schemes such activities are also carried out for non-UCITS clients; and
- whether there are inducements deriving from sources other than the client (including UCITS schemes managed) in relation to the services provided, in the form of monies, goods or services, other than the standard commission or fee for the services in question.

Having identified generic and specific conflict of interest risks and circumstances, Invesco establishes and implements effective organisational and administrative arrangements that demonstrate all reasonable steps have been taken to prevent such conflicts from constituting or giving rise to a material risk of damage to the interests of clients.

Invesco will try to avoid conflicts of interest and, when they cannot be avoided, seek to ensure that its clients, including UCITS schemes, are fairly treated.

Where a potential conflict arises, Invesco will always seek to ensure that transactions and services are effected on terms that are not materially less favourable to the client than those had the conflict, real or potential, had not existed.

Where internal arrangements maintained by Invesco are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of a client will be prevented, then appropriate disclosure will be made to all relevant parties (see section 6 below).

4. ACTIVITIES AND SERVICES CARRIED OUT WHICH MAY GIVE RISE TO CONFLICTS OF INTEREST AND GENERAL MITIGATION ARRANGEMENTS

Invesco provides and undertakes the following services and activities:

- a management company providing collective portfolio management for UCITS and non-UCITS schemes;
- a common platform firm providing investment management services to UK and international institutional clients;
- holding client assets and client monies;
- marketing of own retail and institutional investment services;
- distribution of own retail and investment products both directly and through third parties;
- the development of investment research solely for use within the business;
- accounting and secretarial services to certain institutional clients such as Investment Trusts;
- the provision of unit linked investment products within a Life company;
- the execution of investment transactions through third-party counterparties;
- the purchase of third party investment research and other permitted services from execution counterparties under commission sharing arrangements;
- the provision of transfer agency services;
- the provision of distribution, investment management and administrative services to Invesco Limited Group companies and their clients;
- exercise of voting rights attaching to portfolio investments and other governance and stewardship activity; and
- the provision and receipt of business entertainment, non-monetary benefits and gifts.

In conducting its business activities, Invesco outsources key functions to third-parties. Key out-sourcing services include: Fund Accounting, Pensions Administration, and Transfer Agency.

Invesco does not deal, make markets, underwrite or otherwise act as principal in securities transactions (save in respect of units/shares in collective investment schemes as a management company); distribute or otherwise disseminate investment research; take deposits; provide investment advice; provide corporate finance services.

As part of its senior management governance framework, Invesco has established organisational and administrative arrangements and internal control systems, which are designed to manage potential conflicts and to prevent material risk of damage to the interests of its clients.

Senior Management of Invesco, with support from the Compliance, Risk, Internal Audit and Legal functions, has responsibility for careful and consistent identification and management of conflicts of interest situations, either actual or potential. Operational business areas are responsible on a more general basis for monitoring their risks.

The procedures and measures to manage conflicts of interest are both general and specific. Those of a general nature pervade the organisation and establish structures and cultures that seek to ensure good business practice. Those that are specific are designed to address the key risks attributable to conflict circumstances identified.

The general arrangements are set out below. The additional specific arrangements to address circumstances identified above are set out in the Conflicts Register maintained by the Compliance departments (see 7 Record of Conflicts below).

General mitigation arrangements

- Organisational arrangements detailing clear roles and responsibilities.
- Documented policies and procedures covering key business areas and processes.
- Segregation of key duties to provide control and oversight of processes.
- Maintenance of a conflicts of interest policy approved by the Board of Invesco UK Limited and which all employees are required to read and confirm their understanding.
- Directors and senior management emphasis on effective conflicts management.
- Confidential whistle-blowing arrangements for anyone concerned that a conflict has arisen that is not being properly addressed.
- Maintenance of codes of conduct and business ethics policies.
- Annual certification by all employees that all conflict circumstances actual and potential that they are aware of have been elevated and addressed.
- Provision of conflicts of interest training to all employees on joining the company and periodically thereafter.
- The use of physical means to protect against the inappropriate exchange of sensitive information between various parts of the business where applicable ("Chinese Walls").
- Active consideration of potential conflicts of interest and their effective management in relation to outsourcing arrangements with third parties (both external firms and other Invesco Group companies), and a requirement that these third parties either have an equivalent conflicts of interest policy or are guided by this policy.
- Active consideration of potential conflicts of interest and their effective management before launching a new fund/product or taking on a new client.
- A requirement on all employees to report all conflicts, potential or otherwise to Compliance.
- Monitoring of potential conflicts of interest and associated mitigations by independent and competent functions.
- Periodic reviews by Internal Audit.

All employees are responsible for identifying and recording the circumstances in which a conflict of interest may arise, or has arisen, as a result of activities carried out by Invesco. This record will be held centrally and subject to monitoring and review by the Compliance Department, executive management and the Board of Invesco UK Limited.

Employees are responsible for identifying and reporting any breaches of the policy to the Head of Compliance.

5. SPECIFIC POTENTIAL CONFLICTS OF INTEREST IDENTIFIED AND ASSOCIATED MITIGATION ARRANGEMENTS

To date, a number of specific sources of potential conflicts of interest have been identified as arising from the services provided and activities undertaken by Invesco UK. These are shown below along with a high-level description of the associated mitigating controls. For ease of understanding and clarity these are grouped into the following key categories: personal conduct and remuneration, the investment management process, and corporate interests.

Personal Conduct and Remuneration

- **Personal Account Dealing**

An employee or director of Invesco engages in personal account dealing, or is otherwise interested in any company whose securities are held or dealt in on the client's behalf, in respect of securities or services and Invesco has a client with an interest which potentially conflicts with such dealing. Invesco operates personal account dealing procedures which details requirements for pre-clearance and/or notification, blackout periods and restrictions, and annual declarations. All such transactions are recorded and monitored. Where violations are identified, these are followed up immediately. In addition, periodic reports are produced by the Head of Compliance, which are submitted to the UK Executive Committee, identifying any violations and, where appropriate, making recommendations for procedural changes.

- **Business Entertainment and Gifts**

Gifts and entertainment (including non-monetary gifts) are received and given that may influence behaviour in a way that conflicts with the interests of Invesco's clients.

Invesco has a Gifts, Benefits and Entertainment Policy which details what is acceptable. Only gifts and entertainment which do not impair Invesco's duty to act in the best interests of our clients are allowed. Records are maintained and monitoring undertaken of gifts and entertainment both received and given. In addition, Invesco will make any disclosures necessary under the Inducements regulations.

- **Remuneration**

Employees are remunerated on the basis of a variety of compensation components including base salary, cash bonuses, stock/fund deferral awards and long-term equity awards. Cash bonuses and deferral awards are variable components of compensation that are intended to motivate and reward individuals for their contribution to the annual results of the company and not to encourage inappropriate risk taking. Invesco Limited has a Compensation Committee that is comprised of at least three members of the Board each of whom is "independent" of the Company. The Committee meets regularly and is responsible for determining the components and level of compensation paid to our executive officers and for ensuring that compensation is aligned to the long-term interests of our clients and shareholders.

- **Outside Interests**

Invesco employees may be officers of companies not associated with the Invesco Limited Group. This association could potentially lead to the employee not acting in the best interests of Invesco or its clients. This is mitigated by the control that all outside associations are pre-cleared by the Compliance Department after ascertaining that no conflict of interest exists or is likely to exist in the future. In addition, there is an annual sign-off within the Invesco Code of Ethics which requires employees to detail any relevant outside interests. Where an employee has an interest in any company which is connected to Invesco, depending on the circumstances, any remuneration derived from that outside interest must be sacrificed by the employee.

Investment Management Process

- **Execution and Client Order Handling**

Invesco undertakes discretionary portfolio management for more than one client or fund and different fee structures (e.g. performance related fees and fixed annual management charges) may exist for client portfolios, which may potentially affect

incentive for allocation. Invesco has in place strict allocation procedures to ensure fair allocation of investment opportunities to all clients. This is subject to monitoring. In addition, when carrying out client transactions, Invesco will arrange to execute orders in due turn but may combine orders where this is believed to be in the best interest of the clients as a whole. If there is insufficient liquidity for either purchases or sales, a pre-formulated allocation policy automatically attributes available liquidity proportionately across all client orders. This is also subject to monitoring. Any exceptions to this policy – e.g. where a client or fund would receive an uneconomical allocation – are justified and clearly documented. In addition, from time to time Invesco may, where permitted by mandate, sell an investment from one client to another. These are recorded and monitored.

- **Group Funds**

Transactions may be undertaken in units or shares of funds within the Group or any company of which Invesco or any other Associate is the manager, operator or adviser. Invesco funds are only purchased on their investments merits or where mandated to do so and are disclosed.

- **Research Material**

Subject to compliance with the FSA Rules on the use of dealing commission and inducements, Invesco acquires research material from third parties which is paid for, in part, by commissions paid to brokers on fund and client account trades. The value of this research is reviewed and payments are only made where it is believed that such research has been useful in managing client funds. In addition, complimentary or subsidised access to research may be provided to Invesco by brokers. To mitigate the potential for unduly favouring the broker in question, Invesco will only enter into such arrangements where it believes that the research will potentially enhance the quality of its service to clients, and there is no commitment on its part to place an agreed or enhanced amount of business with the broker to continue to have access to the research. This is subject to monitoring.

- **Portfolio Activity**

High turnover of clients' portfolios could generate higher levels of commission for Invesco. Portfolio activity levels are monitored and commission sharing agreements are negotiated with business partners independently of fund managers. Both fund managers and dealers have a fiduciary responsibility to obtain best possible results for clients when executing orders. The dealers have the ultimate decision for placing deals on behalf of clients with a particular broker to ensure that best execution obligations are met. Fund managers may select a broker but dealers are permitted, at their discretion, to follow the fund managers' direction only if this meets the overriding requirements of best execution. The dealing team is segregated from the fund managers such that the managers cannot exert any undue influence. Portfolio turnover is monitored to ensure excessive commission is not being generated.

- **Inside Information**

A potentially significant conflict that arises on a permanent basis is that some of our employees, to varying degrees, have access to material, non-public information concerning companies which may be price sensitive. Where employees become aware of any inside information (and become "insiders"), the securities in question are placed on the Restricted List. Employees are not allowed to trade in respect of any securities on the Restricted List. There is an explicit disclosure and approval process enforced through strict personal account dealing rules and a code of ethics which applies to all employees. Any employees who are on both sides of a Chinese Wall due to their oversight responsibilities are subject to additional clearance requirements on personal account dealing. In addition, periodic compliance checks are carried out.

- **Holdings in Brokers**

Invesco funds may invest in the securities of brokers whom Invesco also use to execute orders. These trades generate commissions for the broker concerned, which ultimately contribute to the broker's income. This could incentivise the direction of trades. In addition there could be an incentive for Invesco to support and involve itself in all initial public offerings sponsored by the broker, and for the broker to seek to influence Invesco's decision making in its capacity as a shareholder of the affected companies. Both fund managers and dealers have a fiduciary responsibility to obtain best possible results for clients when executing orders. The dealers have the ultimate decision for placing deals on behalf of clients with a particular broker to ensure that best execution obligations are met. Fund managers may select a broker

but dealers are permitted, at their discretion, to follow the fund managers' direction only if this meets the overriding requirements of best execution. The dealing team is segregated from the fund managers such that the managers cannot exert any undue influence. Invesco has policies and procedures in place to ensure that best execution is achieved. These policies and procedures are subject to monitoring. In addition, Invesco's involvement in new issues and unquoted companies is subject to consideration by the Chief Investment Officer or delegate.

- **Fund Managers' Investments Into Funds**

Fund Managers can personally invest in the funds that they, or their colleagues, run; this is considered to be a positive thing and is encouraged by Invesco. However, such investment raises the potential for there to be an incentive for these funds to be managed to meet the personal objectives of the fund manager(s) rather than in the best interests of the other investors, and for the fund manager to favour the fund he has invested in over other funds he manages. In mitigation, Invesco has strict allocation procedures to ensure the fair allocation of stocks, a Chief Investment Officer Challenge process, and a Dilution Policy with the ability to swing the price where necessary. Each of these controls is subject to compliance review.

- **Trades Executed Via Counterparties**

Invesco manages the segregated mandates of approved counterparty firms and may, at the same time, use such a firm for the execution of investment trades which will result in the payment of commissions. This could incentivise the favouring of a particular broker or client when trading. Both fund managers and dealers have a fiduciary responsibility to obtain best possible results for clients when executing orders. The dealers have the ultimate decision for placing deals on behalf of clients with a particular broker to ensure that best execution obligations are met. Fund managers may select a broker but dealers are permitted, at their discretion, to follow the fund managers' direction only if this meets the overriding requirements of best execution. The dealing team is segregated from the fund managers such that the managers cannot exert any undue influence. Invesco has policies and procedures in place to ensure that best execution is achieved. These policies and procedures are subject to monitoring.

- **Valuation of Securities**

A proportion of fund managers' remuneration is based on the performance of their funds. If fund managers were able to apply a value to individual securities a potential conflict of interest could arise. To mitigate this, the valuation of securities within portfolios is carried out by a department independent of the investment management area. This segregation of duties prevents fund managers from influencing the valuation of securities within portfolios. In addition, Invesco operates a pricing committee which has responsibility for pricing certain securities. This pricing committee does not contain any fund managers. This control mitigates the potential conflict which could exist if the investment managers were solely responsible for security valuation.

- **Voting Rights**

Invesco believes it has a responsibility for making investment decisions that are in the best interests of its clients. As part of the investment management process, Invesco may exercise its voting rights where authorised by clients, or in the collective interests of investors in a fund, to vote in respect of the shares/units for which the clients are beneficial owners.

Corporate Interests

- **Withdrawal of Seed Money**

Where Invesco provides Seed Money to facilitate the initial setting up of a fund, this Seed Money can subsequently be withdrawn once the fund is established. Where Invesco chooses to withdraw its Seed Money from a fund, this could potentially conflict with the interests of the remaining investors in that fund. Invesco operates a Dilution Committee which, whenever Seed Money is withdrawn, will carry out a review and decide whether a dilution levy needs to be applied to mitigate the cost of selling the underlying securities.

- **Fees**

Transactions may be in relation to an investment in respect of which Invesco may benefit from a commission, fee, mark-up or mark-down payable otherwise than by the client, and Invesco may also be remunerated by the counterparty to any such

transaction. Fees for our services are determined in advance and stipulated in contracts and acknowledgement letters and disclosed where necessary.

- **Allocation of costs**

Fund prospectuses and regulations may allow certain infrequent ad hoc costs, outside of normal operating costs, to be charged to the funds. There may be an incentive for the investment manager to charge excessive amounts of these ad hoc infrequent costs to the funds rather than pay for them directly. All ad hoc costs are reviewed on a case by case basis by both the Compliance and Legal departments to ensure they meet the requirements of both regulation and the prospectus. In addition, fund board approval is sought to ensure equitable treatment of clients.

6. DISCLOSING CONFLICTS OF INTEREST

Where internal arrangements maintained by Invesco are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of a client will be prevented, then:

- the general nature and/or sources of the conflict will be disclosed to the relevant client(s) before undertaking relevant investment business for the client(s);
- in respect of a UCITS scheme Invesco manages or of its unitholders, this will be promptly reported to the Invesco UK Board to take any necessary decision to ensure Invesco acts in the best interests of the UCITS scheme and its unitholders. Any such decision, and the reasons for it, will be reported to the unit holders of the UCITS scheme.

Disclosures made will include sufficient detail, taking into account the nature of the client to enable that client to take an informed decision with respect to the service in the context of which the conflict of interest arises. Disclosures will be made in an appropriate durable medium such as the Report and Accounts, the Prospectus, letters, e-mail, etc.

The disclosure of a conflict of interest to a client does not exempt Invesco from maintaining and operating effective organisational and administrative arrangements with a view to taking all reasonable steps to prevent conflicts of interest from constituting or giving rise to a material risk of damage to the interests of its clients.

7. RECORD OF CONFLICTS

This policy document will be reviewed when necessary, and at least annually, by the Invesco UK Limited Board to ensure it remains current based upon the scope of Invesco's activities, its operating structure, strategic plans, applicable regulatory changes and the nature of its clients.

A register of conflicts will be maintained detailing the nature of the conflict, how it gives rise to a material risk of disadvantage to clients, the mitigating action proposed, how this complies with the conflicts of interest policy, and assurance procedures undertaken to confirm effective implementation. Responsibility for maintaining this register rests with Compliance.

A report will be produced by the Head of Compliance detailing all new conflicts recorded and propose changes to previously identified conflicts for submission to the Invesco UK Board each quarter.

Appendix C

Invesco Perpetual Product Profiles

- Invesco Perpetual Pan European Equity strategy
- Invesco Perpetual Japanese Equity strategy
- Invesco Perpetual Asian Equity strategy
- Invesco Perpetual Asia Pacific Equity strategy
- Invesco Perpetual Global Equity strategy
- Invesco Perpetual Global Smaller Companies strategy
- Invesco Perpetual Fixed Interest strategy
- Invesco Perpetual Emerging Equities strategy (includes Latin America and Eastern Europe)
- Invesco Perpetual Global ex US Smaller Companies strategy (previously known as Invesco Perpetual International Small Cap Equities strategy)
- Invesco Perpetual Global ex US Equity strategy



Strategy profile
Pan European Equities
Invesco Perpetual

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03	Corporate overview
05	Investment team & assets under management
07	Investment philosophy & process
09	Asset allocation
10	Research
13	Portfolio construction
14	Risk management
19	Strategy overview
20	Appendix 1 – Biographies
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Corporate overview

Invesco Ltd.

Invesco Ltd. is one of the world's leading independent global investment management organizations serving retail, institutional and high-net-worth clients around the world. Our sole focus is investment management; with no distractions from competing interests, all our global resources and local commitment are focused on providing clients with the investment expertise and client service they seek.

To achieve our mission of helping investors worldwide build their financial security, Invesco Ltd. draws on the strength of its global resources.

With US\$625.3 billion (£402.1 billion/EUR481.5 billion)¹ in assets under management, specialized investment teams with distinct perspectives deliver diversified investment strategies ranging from major equity and fixed income asset classes to other alternative asset classes including real estate, private equity and commodities. These strategies are managed across investment centers worldwide, each of which focuses on distinct asset classes, investment styles or regional expertise and adheres to clearly defined investment philosophies aligned with client expectations.

To further strengthen our investment culture, we also maintain an active Investors Forum that consists of senior investment professionals from each investment centre. Co-Chaired by Senior Managing Directors, Bob Yerbury and Karen Dunn Kelley, the role of the Investors Forum is primarily to foster, promote and grow investment excellence across the organisation.

Our distinctive combination of independent thought within individual investment centers and collaboration across investment centers provides clients the reach and resources of a global organization and the focus and attention of a boutique firm: our investment capabilities are both diverse and specialized; we are global in reach yet local in presence and our processes are disciplined yet can be delivered in customized ways. All of which distinctively positions Invesco Ltd. to keep pace with clients' evolving investment needs worldwide.

Invesco Perpetual

Invesco Perpetual is a business name of Invesco Asset Management Limited (IAML) and forms part of Invesco Ltd.

With US\$88.3 billion (£56.8 billion/EUR68.0 billion)² in assets under management² and located in Henley on Thames (Henley), our investment team structure exhibits many of the advantages of a boutique firm structure, albeit part of a larger organization: small high-quality teams; the location of the team away from the main UK investment centers, fostering a culture of independent thought in an environment where challenge and discussion are encouraged, and thrive; the recognition of personal skill as a source of value; the 'world under one roof' – constant team-wide macroeconomic debate; typically roles of portfolio manager and analyst are combined.

Our highly experienced investment team consists of 43 investment professionals with an average 17 years' investment experience³. We believe that a focused and highly-experienced team provides the best means of maximizing value that we can generate for our clients by continuing to adopt a long-term, active approach to investment.

All data as at 31 December 2011 unless otherwise noted.

¹ Source: Invesco Ltd.

Invesco Ltd. AuM includes all assets under advisement, distributed and overseen by Invesco Ltd. and its affiliate Invesco Powershares which has an agreement with Deutsche Bank to provide certain marketing services for the Powershares DB products. Neither firm is affiliated with Deutsche Bank.

² Total assets managed by Invesco Perpetual's Henley-based investment centre.

³ Henley-based Invesco Perpetual portfolio managers and analysts only.

Our business

Investment firms can make claims regarding the benefits of their approach and organisation structure, whether that be an investment team that is centrally located, against one that is locally located, those that are aligned geographically versus those that are aligned by industry sector. Whilst there are pros and cons to each approach, IAML does not believe that this is an important factor in delivering long-term investment outperformance.

Invesco Perpetual's business is built on the following tenets:

Consistency:

Perpetual was founded in 1973 with the aim of being an autonomous global investment management team and today, as part of the larger Invesco group, we remain passionately focused on that original aim. Today, from our office in Henley, Oxfordshire, we invest across 40 stock markets, over 500 companies globally and travel extensively to meet companies and their management.

Stability:

Turnover within our investment team is low, and the stability of the team is a factor in helping us in our aim to deliver long-term sustainable outperformance. We believe that the unique location of our team in Henley, away from the main UK investment centres, between London and Oxford, assists in providing a balance between work, family and community that forms the basis of the team's stability.

Culture:

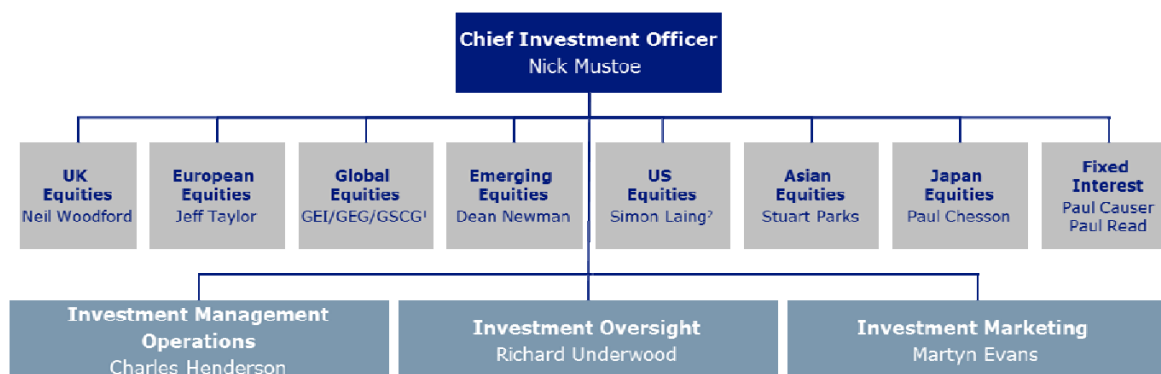
Another factor is the investment culture of the firm. We believe that investment management must be undertaken in an environment where the investment team are focused on longer-term performance and where portfolio managers are given the opportunity to stand by their convictions. Adopting this approach, however, means we may endure periods of underperformance.

We have always fostered a culture of accountability, with performance being the single largest contributor to a portfolio manager's remuneration. With that accountability comes greater responsibility, and our portfolio managers are aided in this by a robust risk management process.

Investment team & assets under management

Investment teams

IAML's Henley-based investment team is structured as follows:



¹ Global Equity Income team/Global Equity Group/Global Smaller Companies Group.

² With effect from 9 January 2012.

Pan European equities

The management of Pan European equity mandates is an integrated responsibility between the European and UK equities teams based in the Henley investment centre.

Within the teams, the portfolio manager of each (sub-) portfolio determines, and has sole responsibility for, the investments in his portfolio. However, given the team structure and the collaborative approach to investment analysis, it is not uncommon to see significant overlap across our equity portfolios.

The portfolio managers involved in the management of Pan European equity mandates are set out below. Full biographies may be found in **Appendix 1**.

Large cap managers

Name	Role	Years' tenure	Years' industry experience
Jeff Taylor	Head of European Equities	15	26
John Surplice	European Equity Portfolio Manager	16	16
Stephanie Butcher	European Equity Portfolio Manager	8	18
Martin Walker	UK Equity Portfolio Manager	12	15
Stephen Anness	UK Equity Portfolio Manager	9	9

Small cap managers

Name	Role	Years' tenure	Years' industry experience
Adrian Bignell	European Small Cap Equity Portfolio Manager	8	17
Erik Esselink	European Small Cap Equity Portfolio Manager	4	12
Richard Smith	UK Small Cap Equity Portfolio Manager	10	38
Jonathan Brown	UK Small Cap Equity Portfolio Manager	11	14

These portfolio managers are supported by the following:

Name	Role	Years' tenure	Years' industry experience
Neil Woodford	Head of Investment/UK Equity Portfolio Manager	24	30
Mark Barnett	UK Equity Portfolio Manager	15	19
Ciaran Mallon	UK Equity Portfolio Manager	7	17
Stephen Lamacraft	UK Equity Portfolio Manager	4	8
Saku Saha	UK Equities Trainee Analyst	2	2
Matthew Perowne	European Equities Trainee Analyst	2	2

Assets under management

As at 31 December 2011, assets under management for Pan European equity strategies totalled to US\$719.45 million (£462.92 million/Euro 554.21 million) and can be categorized as follows:

	Value (US\$m)	Value (£m)	Value (EURm)
Pan European Large Cap strategy	644.81	414.89	496.71
Pan European Small Cap strategy	74.64	48.03	57.50
Total Pan Europe	719.45	462.92	554.21

Investment philosophy & process

Investment philosophy

At the core of IAML's Henley-based investment center's investment philosophy is a belief in active investment management. Fundamental principles drive a genuinely unconstrained investment approach, which aims to deliver attractive total returns over the long-term.

We believe that investors' behavioural biases repeatedly give rise to short-term market inefficiencies. To a large extent, these inefficiencies derive from three interlinked sources:

- Markets often overreact by placing undue focus on near-term issues
- Market expectations are often overly influenced by the extrapolation of current trends
- Markets respond to momentum and other technical drivers as well as to fundamentals

By exploiting these market inefficiencies through careful fundamental analysis and a strong emphasis on valuation, we aim to deliver consistent, long-term outperformance under most market conditions.

Investment process

Our Pan European Equities team has an active, pragmatic and flexible investment approach: the investment process has no inherent style bias favouring particular sectors, stocks or market caps. With no inherent bias towards particular sectors, stocks, styles or market capitalisation ranges, our portfolio managers are provided with the freedom to position their portfolios in response to underlying market conditions and the availability of investment opportunities.

Our approach has the following principal components:

Active

We are conviction investors, actively managing portfolios and investing where we believe the best returns are to be found irrespective of the benchmark.

Top-down and bottom-up fundamental analysis

We combine detailed top-down and bottom-up fundamental analysis, both for new idea generation and the ongoing evaluation of existing holdings. Bottom-up analysis is the main focus for both and is expected to be the largest contributor to alpha generation within portfolios. Notwithstanding this, understanding the macro background provides a critical component of the bottom-up research process, providing the context against which this research takes place. It may also influence portfolio construction, at the country and sector levels, particularly at inflection points in the market or economic cycle. In our fundamental analysis we incorporate internal proprietary research, selected externally sourced research and extensive company contact.

Valuation

We are valuation driven. Valuation determines whether a stock is an attractive investment or not. Our focus is on identifying those companies whose current and future prospects are not reflected in their valuations and where there is a catalyst for this mis-valuation to be recognised by the market.

Pragmatic and flexible

There is no inbuilt country, sector, stock, market cap or style bias within our approach. Exposure to these factors within portfolios is purely a function of where we believe the best opportunities are in the market place at any particular point in time. Consequently they may change significantly over time.

Interaction

The team leverages off the expertise of the other investment teams based in Henley, gaining an insight into trends in other equity markets and asset classes and how these might impact the fundamentals of Pan European equity markets at both a macro and micro level.

The aim of the investment process is to find companies whose outlook or growth prospects are not reflected in their valuations. To identify these companies we combine top-down and bottom-up research. These are then subjected to detailed fundamental analysis and valuation. The output from this analysis is then used to construct and review portfolios with the aim of maximising exposure to the most attractively valued ideas within the risk parameters of each individual portfolio.

The process is diagrammatically shown below:



Asset allocation

Asset allocation for the Pan European equity portfolios, both large and small cap, is coordinated at a monthly investment preferences meeting. This forum has responsibility for determining the asset allocation to be adopted for all multi-asset, multi-regional portfolios managed by the investment centre in Henley to ensure consistency between products. The meeting is attended by senior representatives of all the investment teams concerned and representatives of all the products for which active asset allocation decisions are made.

The current state and future expectations for each asset class/market are discussed during the meeting and on the basis of this discussion an asset allocation split is decided upon for the various products. This is then circulated to all members of the investment department.

Once this asset allocation has been agreed, all Pan European equity mandates are managed on a carve-out basis by the two regional sub-teams, one covering Continental Europe and the other covering the UK. Each sub portfolio team is responsible for the stock and sector weights for their region. The approach is team based within each sub-portfolio, with individual accountability through nominated lead and support managers.

Research

The Pan European equity research effort is structured to maximise our ability to identify and analyse the stocks that have potential to add the most value to our clients' portfolio. To achieve this we combine the role of portfolio manager and analyst. This approach leverages off the experience of the portfolio managers in the analytic role, leads to a strong sense of ownership of the stocks held in portfolios and provides a detailed understanding that enhances an individual's effectiveness as a portfolio manager.

All members of the team have a generalist rather than specialist research role. By adopting a generalist approach to research responsibilities the team avoids the drawbacks of over specialisation and the subsequent loss of perspective on the overall market that this might encourage. It also allows us to leverage off our top-down macro work and allocate the research resource to where we believe the best investment opportunities lie, whilst at the same time ensuring that no area of the market is left uncovered. However, within the team there clearly will be individuals who have particular expertise in certain sectors or stocks in the market, which we look to leverage off.

Top-down research

Significant time is dedicated to the understanding and forecasting of current and future macroeconomic conditions. In particular, how this might impact the relative attractiveness of individual sectors and the impact it may have on stocks at the micro level. This recognises the fact that the influence of the changing macro environment on individual sector/company fundamentals will vary through the course of the economic cycle and that this needs to be reflected in portfolios and the bottom-up research emphasis.

Understanding of the macroeconomic environment is primarily undertaken through:

- Analysis of a broad range of leading global, regional and country level economic indicators
- Reviewing the analysis and expectations of external economists and strategists
- Company meetings

Bottom-up research

The bottom-up research focus is driven by the combination of the output of the top-down macro analysis with internally and externally generated stock ideas. These are derived from:

- Team generated analysis
- An extensive programme of company meetings and visits
- Corporate news flow
- Network of selected external research providers
- Regular review of relative price movements

At a stock level the research emphasis is on a detailed understanding of a company's key historical and future business drivers, such as demand for products, pricing power, changes in market share, cashflow and management strategy. The main sources of this information are:

- Company meetings
- Corporate announcements and reporting material
- Research reports produced by external analysts

Meeting company management is the most important part of this information gathering process. From such meetings:

- We believe we can garner an improved understanding of the near- and longer-term prospects of a company and the quality of its management.
- It also gives us a forum to challenge their assumptions and predictions in person as well as ensuring that management understands our priorities as a shareholder.

- Provides us with valuable information regarding the state of the broader economy and the businesses of a company's suppliers, customers and competitors. This analysis is then considered in conjunction with a stock's current and prospective valuation, enabling us to determine whether or not the stock is attractively valued.
- Determine where there are sizable differences between consensus expectations and what the company expects to realistically achieve

This information is then considered in respect of a stock's current and prospective valuation, from which it can be determined whether the stock is attractively valued or not.

Valuation

When valuing a company we use the valuation technique that we believe most appropriate for the individual stock or the sector that it is in. These may include:

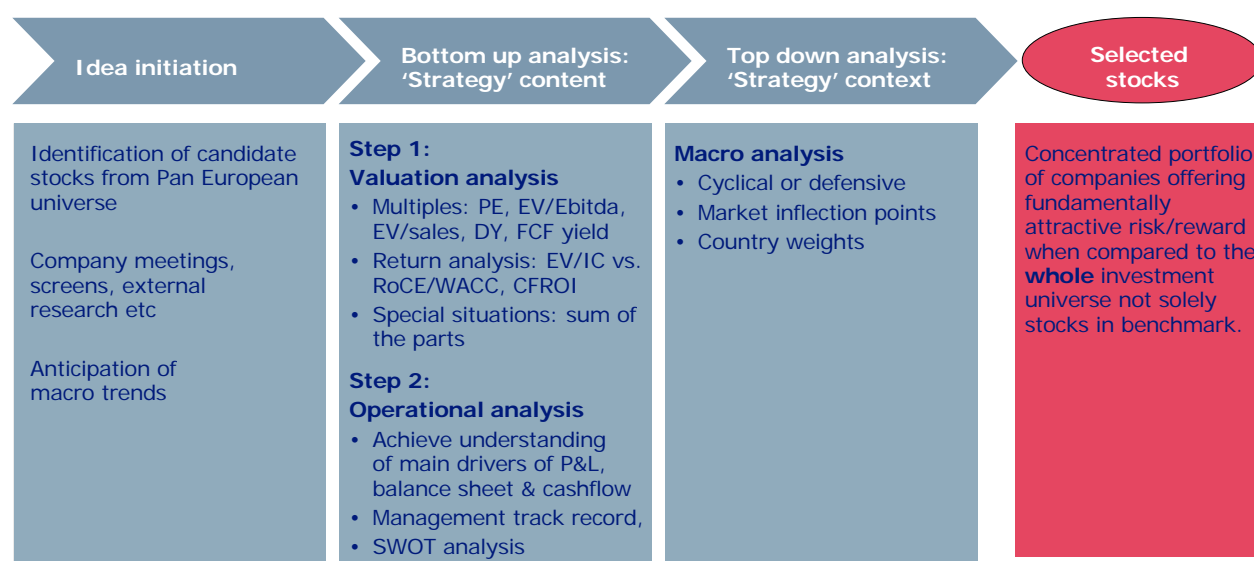
- Earnings growth/momentum
- PE
- P/BV vs ROE
- Dividend yield
- CFROI
- ROIC/WACC
- Enterprise value/capital employed
- EV/EBITDA
- Cashflow/free cashflow
- Sum of parts

As part of the valuation process, we selectively utilise valuation models generated by external analysts in order to fully understand the assumptions that they are incorporating into their valuation conclusions and as a structure into which we can input our own scenarios.

From our valuation work we derive a price expectation, both on an absolute basis and relative to the market, which provides an indication as to the degree of upside/downside that might be expected from a stock over a reasonable time horizon.

This expectation is then communicated and discussed with the rest of the team, either verbally or electronically, with a recommendation as to whether the stock is a potential candidate for purchase or not and the reasons behind this decision.

The diagram below shows the stock selection process from idea generation to final selection:



External research

In addition to original research, our portfolio managers devote considerable resource to the assessment of research produced by external organisations, including that of brokerage houses, independent research firms and technical analysts. We believe that the resulting relationships with a small number of leading firms, based on mutual respect, enhances the quality of the investment dialogue. We are then able to compare our own research with consensus expectations, identifying gaps where the market is over-pessimistic and over-optimistic. We then position the portfolio to take advantage of companies whose stock performance we believe will exceed market expectation.

This combination of in-house analysis with the use of well-placed and well-informed contacts within the broking community provides the portfolio managers with the necessary basis for understanding their markets at all levels, allowing for a synthesis of 'top down' and 'bottom-up' investment analysis.

Portfolio management is a judgemental business and the major scope to add value is in the interpretation that our portfolio management teams place on the available information. The experience of portfolio managers in this respect is critical and key to the Pan European Equities team's success.

Portfolio construction

The aim of the portfolio construction process is to maximise exposure to the most attractive countries/sectors/stocks within the investment parameters of the portfolio. Portfolio construction is based on a combination of the outputs from our top-down and bottom-up research. The former will influence the country/sector allocation, the latter the stock selection within those countries/sectors. We would normally expect the bottom-up input to be the main contributor to the portfolio construction process, although there will clearly be times, such as inflection points in economic or market cycles, when the influence of the top-down input is likely to be greater. This process will result in potentially very significant over or underweight positions in individual countries/sectors versus the benchmark.

Stock weights are influenced by the following:

- Our conviction on the perceived degree of under valuation of the stock
- The need to ensure that the stock idea has the maximum impact on the portfolio's performance within the risk parameters of that portfolio
- The weighting of the stock's sector in the benchmark

Portfolios with similar mandates are managed with a high degree of consistency, subject to constraints, such as liquidity and cashflow management.

Portfolio constraints

There are no rigid country, sector or stock limits set in the portfolio construction process, unless required by the investment mandate.

For the management of Pan European portfolios, the allocation between Continental Europe and the UK is actively managed through a formal monthly asset allocation process.

Buy and sell discipline

Our portfolio managers actively monitor their portfolios on an ongoing basis, making investment decisions based on the output of the investment process and any investment parameters. Our buy/sell decision-making process is driven by qualitative analysis. Consequently, such decisions are at the portfolio manager's discretion, normally following discussion and consultation with other members of the team.

Stocks will be purchased if they demonstrate sufficient share price appreciation potential and their inclusion is within any permitted investment parameters. Stocks will be considered for sale if they approach or reach their price expectation or if there is a fundamental change that negatively impacts their outlook or valuation.

Risk management

Each investment team, as a part of Invesco Ltd., employs a multi-faceted approach to oversight and risk management. In the first instance, each investment team has embedded risk controls within its investment management discipline, including review and oversight processes tailored to its philosophy and objectives. Details of this as it pertains to Invesco Perpetual are provided from **page 16, Investment risk and Invesco Perpetual's Investment Oversight team.**

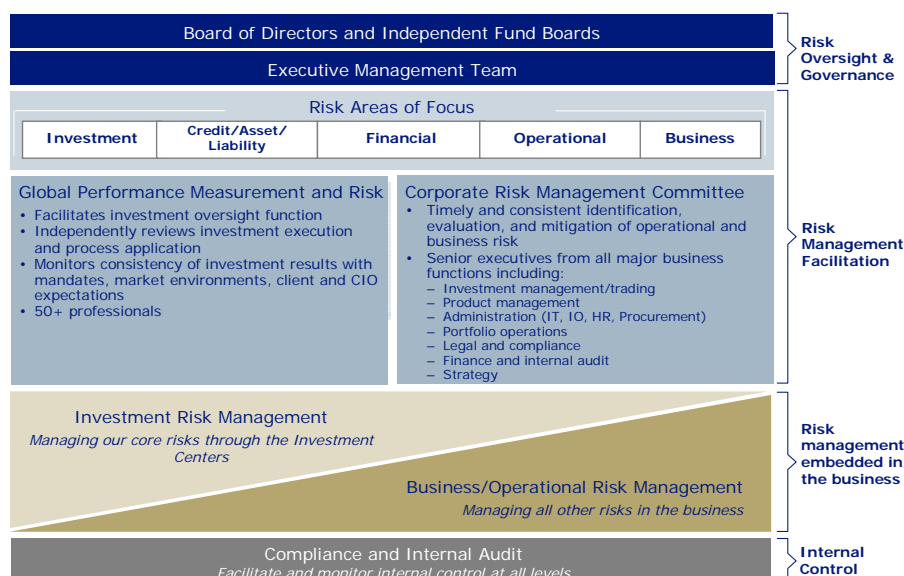
These investment teams' processes are bolstered and overseen by multi-dimensional independent controls. These controls include the Global Performance Measurement and Risk (GPMR) team with over 60 professionals dedicated to performance and risk activities. Invesco Ltd.'s GPMR team, independent from portfolio management teams, are charged with providing comprehensive reporting that facilitates better understanding of performance quality and risk. This team provides regular reviews of the performance and risk attributes of the various investment team disciplines to senior management.

Invesco Ltd.'s senior management oversight structures also include:

- Reporting lines running from investment team CIOs who have day-to-day responsibility for investment team risk controls up to the Invesco Ltd. Senior Managing Director having management responsibility for the investment team.
- Quarterly and monthly reviews are performed based upon investment performance and risk analytics of each investment discipline produced by the GPMR. These reviews are conducted by the Chief Executive Officer (CEO) and those Senior Managing Directors who manage the investment teams.
- Review of operational controls and related corporate exposures by the Invesco Ltd. Corporate Risk Management Committee.
- Regular review of investment matters by the Invesco Ltd. Board of Directors, including quarterly reporting on investment performance data produced by the GPMR and related reviews by the CEO and Senior Managing Directors, as well as presentations (on a rotating basis) by investment team CIOs and other senior investment professionals.
- Additional reviews and support from Invesco Ltd.'s Compliance and Internal Audit functions.

These layers of controls are designed to provide enhanced transparency, reporting and risk assessment from and to the investment teams.

An effective foundation for a sound risk culture



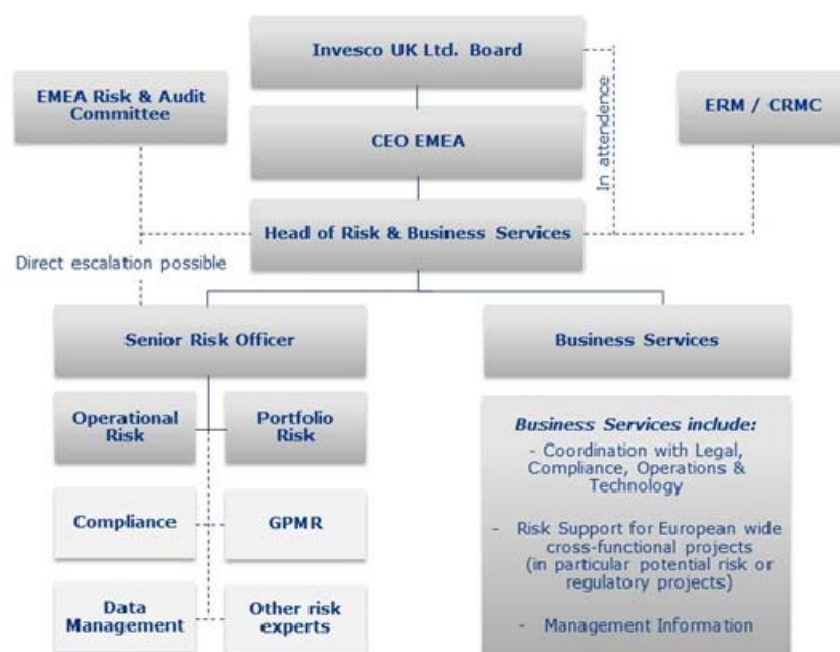
Invesco Ltd.'s Corporate Risk Management Committee consists of senior executives representing all of the company's major business functions including investment management, trading, information technology, portfolio operations, legal and compliance, finance and internal audit. The Committee exists to facilitate the timely and consistent top down identification, evaluation, monitoring and mitigation of operational and business risk on a consolidated basis. Relevant areas of focus have included operational controls regarding new investments (including matters such as the pricing and settlement of swaps and similar derivatives).

Augmenting this effort are strong internal audit and compliance teams. The Internal Audit team works closely with business units to improve the integrity, consistency and control of all operations. This team designs and leads audits of operations, compliance and financial reporting functions, and ensures appropriate implementation of Sarbanes-Oxley and other regulatory requirements. The Compliance team works with the business to establish and maintain policies and procedures designed to prevent, detect and correct violations of applicable laws and regulations and client investment guidelines. Portfolios are subject to daily compliance review. Compliance routinely monitors existing practices, policies and procedures, and reviews written policies and procedures at least annually. Reports on all exceptions, errors and other information are provided to senior management regularly or as necessary.

Independent risk function in Europe

Sybillé Hofmann, Head of Risk & Business Services - Europe, leads the firm's independent risk function (IRF) in Europe and has a team of risk specialists reporting to her who facilitate the risk monitoring process, covering both operational as well as portfolio risk, including credit, market and liquidity risk, for UCITS funds, a pooled vehicle structure that coordinates the distribution and management of unit trusts amongst countries within the European Union. Sybillé reports directly to James Robertson, Senior Managing Director of Invesco Ltd. and Head of Invesco in the UK and in Continental Europe.

Please refer to the diagram below which illustrates the framework in which the IRF in Europe functions:



Source: Invesco.

For illustration purposes only.

EMEA: Europe, the Middle East and Africa.

ERM: Enterprise Risk Management.

CRMC: Corporate Risk Management Committee.

The IRF is responsible for risk management policies and procedures which identify and mitigate risks relating to the firm's European business activities, processes and systems.

The role of risk includes ensuring compliance with the agreed risk profile and a defined risk alert system as well as regulatory limits, and adequate management reporting.

The IRF cooperates closely with other risk experts within the firm, in particular:

- **GPMR** focuses on the production of Value at Risk (VaR). Output from this measure is shared with the business, as well as the IRF for analysis and where, relevant, investigation.
- **Compliance** is responsible for monitoring all investment restrictions and risk alerts where set. Daily reports are produced and analysed; breaches of regulatory limits are immediately logged and allocated for resolution. Risk alerts trigger a discussion as to the reason and sensibility of the underlying investment and may not trigger any changes in the investments. Compliance also monitors general compliance with rules and regulations and escalates any risk findings to the IRF.
- **Data management** is responsible for security pricing or the oversight of it if completed by third party administrations. This includes OTC derivative pricing. Data management reports on stale pricing, pricing volatility and any other pricing matters.

The IRF is a key participant in the European New Instrument Committee (for the implementation of new instruments) as well as the European Pricing Committee (for the purpose of valuing securities for which market quotations are not readily available or other securities for which fair value needs to be determined).

Operational risk support the European functions and entities in setting risk appetite and risk tolerance levels where appropriate and monitoring linked Key Risk Indicators. An important part of the role is an independent challenge process in order to identify, assess and quantify risks in line with the set risk appetite.

The IRF also provides formal and informal reports to the firm's management on various topics, including capital adequacy or incidents. The IRF is also responsible for providing risk advice and facilitating the risk awareness culture across the business.

Although this document is not profiling UCITS, many of the risk controls that apply to these vehicles would also benefit the management of the underlying investment strategy within other investment vehicles.

Investment risk and Invesco Perpetual's Investment Oversight team

Invesco Perpetual's essential belief is that fund management is a skill and the inherent risks taken in managing money are those made by the fund managers themselves. One of the key tasks of the Henley-based Investment Oversight team, who report directly to Invesco Perpetual's CIO, is to facilitate the CIO challenge process. As described in greater detail overleaf, this process is implemented via challenge meetings that are attended by the CIO, the Head of Investment Oversight and the fund manager and seeks to check that the individuals managing money are doing so in a way that adds value to our clients. The objective is to review each fund manager bi-annually, although where particular issues are identified with performance or the investment process, these take precedence.

Risk management is an integral component of our investment process and is the product of the following factors:

Fund manager understanding

Fund managers effectively control stock-specific risk by ensuring that portfolios are always appropriately diversified. In-depth, continual analysis of the fundamentals of all holdings gives fund managers a comprehensive understanding of the financial risks associated with any particular stock.

Although we are always aware of the relative risk we are running – where relative risk is defined as the holding of investment positions that differ from the structure of the benchmark – we do not set out to manage the relative risk characteristics of our funds. A portfolio's relative risk characteristics will simply be a function of the investment decisions and absolute risk judgements that were made while constructing the portfolio.

Trading systems

All quantifiable portfolio investment parameters are entered into the internal portfolio management system which, subject to certain limitations, is designed to prevent inadmissible trades and to issue warnings to fund managers if a trade is likely to result in a parameter breach.

Continuous monitoring

At the total portfolio level, monthly performance, attribution and risk reports are produced by the Investment Oversight team, ensuring that fund managers adhere to their investment objectives, guidelines and parameters. There is also a culture of challenge and debate between fund managers regarding portfolio construction and risk.

CIO challenge process

The CIO challenge process is implemented via challenge meetings that are attended by the CIO, the Head of Investment Oversight and the fund manager. The CIO challenge process has four main aims:

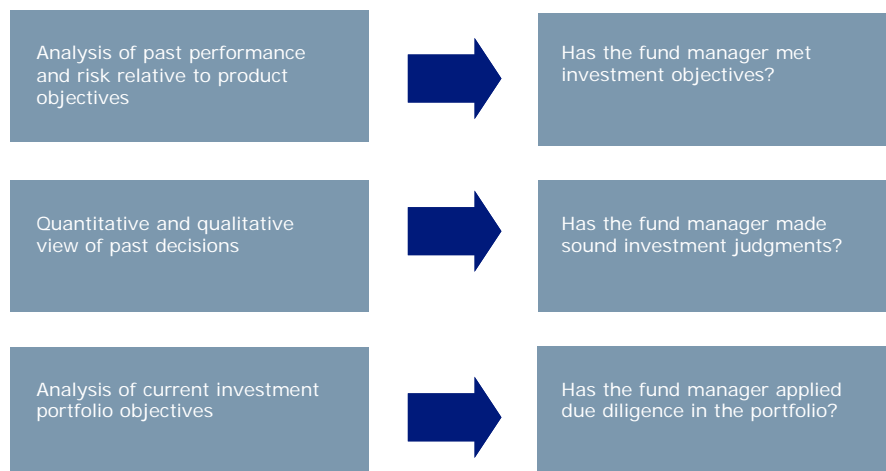
- **Transparency:** to understand a fund manager's rationale behind portfolio positioning and why certain decisions have been made.
- **Process:** to ensure that a fund manager is managing money in the way that has been clearly articulated to our clients.
- **Strategy:** to check that portfolio construction is consistent with the overall investment strategy and views of the fund manager.
- **Environment:** to ensure that fund managers are given the best environment to optimise their investment returns. This can range from exploring resourcing/personnel issues, looking at how teams are working/interacting together, ensuring that IT systems are adequate, individual contributions, capacity constraints, or any other issues that may adversely influence our ability to deliver quality investment decisions.

The challenge process is not prescriptive in its approach; it is both a qualitative and quantitative assessment of an individual or team's ability to successfully manage investments.

Our essential belief is that fund management is a skill and the inherent risks taken in managing money are those made by the fund managers themselves. The challenge process seeks to check that the individuals managing money are doing so in a way that adds value to our clients.

Fund managers are given the autonomy to back their investment judgment within the scope of fund mandates and regulations. We do not wish to put in place unnecessary restrictions which limit a fund manager's ability to back his/her own convictions in a stock or investment strategy. In an environment which allows such free thought, traditional controls and processes are limited in their application.

Although the CIO challenge process is a formal one, it is part of a cultural environment of challenge and rigor that exists on a day-to-day basis within our Henley investment center. The chart below illustrates this process:



There is no set agenda for these challenge meetings; this is dependent on the findings of the Investment Oversight team through their continuous monitoring. The meeting may cover some or all of the following:

- **Performance attribution:** where have portfolio returns been derived from?
- **Trading activity:** portfolio changes. How successful trading activity has been?
- **Macro-economic views:** does the portfolio reflect the wider economic view of the fund manager?
- **Investment process:** is the fund manager working within the stated process?
- **Style analysis:** what style is the fund manager adopting? While fund managers do not usually stipulate a particular style bias to their overall process, this analysis seeks to explain where their portfolio is positioned relative to the market in terms of financial characteristics, momentum measures and market-cap bias. This enables us to check the understanding of a fund manager's active positions against their investable universe.
- **Risk reporting:** to challenge/support where we believe our excess returns will come from.
- **Active positions:** where are major stock, industry, country or asset class bets being taken?

The aim of the CIO challenge process is to ensure that there is sufficient investment oversight in order that risks taken on behalf of our clients are understood and are considered appropriate. It is accepted that our business is judgemental and that potential impacts of these risks may materialise. However, core to the process is that risks taken are not incidental but are understood and taken with conviction.

Strategy overview

Pan European equities

Strategy name, manager and objective	Benchmark	Concentration
Invesco Pan European Equity strategy John Surplice/Martin Walker The strategy aims to provide long-term capital growth by investing in a portfolio of equity or equity related instruments of European companies with an emphasis on larger companies	MSCI Europe	60 – 100
Invesco Pan European Equity Income strategy Stephanie Butcher/Stephen Anness The strategy aims to generate income together with long-term capital growth, through investing primarily in European equities.	MSCI Europe	75 – 100

Pan European small cap equity mandates

Strategy name, manager and objective	Benchmark	Concentration
Invesco Pan European Small Cap Equity strategy Adrian Bignell/Jonathan Brown The strategy aims to provide long-term capital growth primarily from a portfolio of investments in smaller companies of any European stock market. The strategy may on occasion invest in special situations such as recovery stocks, take-over situations and, in due course, the emerging markets of Eastern Europe	HSBC Smaller Europe inc UK	200 - 250

Appendix 2 - Biographies

Jeff Taylor, Head of European Equities at Invesco Perpetual

Based in Henley-on-Thames, Jeff is Head of the European Equities team at Invesco Perpetual and is responsible for the management of a number of European equity portfolios. Jeff began his investment career in 1985, joining Williams de Broe as a European equity analyst. In 1987, he joined Dillon Read Securities as Director of Belgian Equities working as an Extel-rated analyst and salesman. Jeff joined our company in 1997 and became Head of European Equities at Invesco Perpetual in 2001. His responsibilities widened two years later as the Invesco European Equities team that was formerly based in London was integrated into the one team based in Henley-on-Thames. Jeff holds an MA in Modern Languages from Oxford University.

John Surplice, European Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, John is responsible for the management of a number of pan European retail and institutional mandates. John began his career in 1992, joining Price Waterhouse, where he qualified as a chartered accountant before joining our company in 1995. John holds an MA (Honours) in Economics from Edinburgh University.

Stephanie Butcher, European Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Stephanie is responsible for a number of European equity portfolios, specialising in European equity income investing. She began her investment career at Lazard Asset Management as a graduate trainee in 1993 and progressed to become a US fund manager responsible for institutional and retail portfolios. Stephanie then joined Aberdeen Asset Management in 1997, initially as a US portfolio manager responsible for insurance and institutional funds, and then onto their European equities desk in 1998 as a fund manager responsible for a number of retail funds before joining our company in 2003. Stephanie holds an MA (Honours) in History from Cambridge University.

Martin Walker, UK Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Martin is responsible for the management of a number of UK equity portfolios. He began his investment career in 1997 after previous experience as an investment analyst with BWD Rensburg. Martin joined our company in 1999 as a trainee fund manager and has developed his career within the Henley-based UK Equities team, managing UK equity portfolios since 2003. Further recognition and a higher profile were provided as he took over some of the portfolio management responsibilities of veteran fund manager, Ed Burke, upon his retirement in 2008. Martin holds a BA in Financial Economics from Liverpool University and has also attained the Securities Institute Diploma.

Stephen Anness, UK Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Stephen is responsible for the management of a number of UK equity portfolios. He began his investment career within the UK Equities team, joining the company in July 2002 as a trainee analyst. Having come through the Invesco Perpetual investment team ranks, Stephen started managing UK equity portfolios in September 2004. Further recognition and a higher profile were provided as he took over some of the portfolio management responsibilities of veteran fund manager, Ed Burke, upon his retirement in 2008. He holds a BSc in Economics from the University of Swansea, The Securities Institute Diploma, Investment Management Certificate and has studied Corporate Finance at The London Business School.

Adrian Bignell, European Small Cap Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Adrian is responsible for a number of European equity portfolios, with a particular interest in the small cap sector. Adrian began his investment career at Cazenove in 1994 and became a director of the company and vice-head of their European Equities team. In September 2003, Adrian joined hedge fund manager, Park Place Capital, as a European small and mid cap analyst. He joined our company in 2003. He holds an MA (Honours) in French from St Andrews University.

Erik Esselink, European Small Cap Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Erik specialises in the research and management of European small cap equities. His career started in 1997 with ING Barings in Amsterdam, where he worked within the Institutional Equity Sales team for three years, specialising in Dutch equities. In 2000, Erik worked with Morgan Stanley, most recently as a pan European small and mid cap specialist salesperson and covered their institutional equity sales into the Benelux region. He joined our company in October 2007. Erik graduated from the Rotterdam School of Economics (HES) where he studied Commercial Economics. He is fluent in English and Dutch with a working knowledge of French and German.

Richard Smith, UK Small Cap Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Richard is responsible for the management of a number of UK small cap portfolios. Richard is one of the most experienced UK small cap professionals in the industry. He began his fund management career in 1973 with Triumph before moving to Lazard Asset Management in 1975. There, he was responsible for managing both North American and UK equity portfolios, before specialising in the small cap sector. He became an investment director of Lazard's small cap business in 1988 before joining our company in June 2002.

Jonathan Brown, UK Small Cap Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Jonathan is responsible for the management of a number of UK small cap portfolios. Jonathan began his investment career with Lazard Asset Management in 1997, where he specialised in private client fund administration, before joining our company within a similar role in 2000. In 2004 Jonathan joined our UK Equities team as a trainee fund manager and, after three years specialising in the UK small cap sector, became a fund manager in his own right. Jonathan graduated with a BSc in Bio-Chemistry from UMIIST and has also secured both the Investment Management Certificate from the CFA Society of the UK and the Securities Institute Diploma.

These fund managers are supported by the following:

Neil Woodford - Head of Investment, Invesco Perpetual, Fund Manager, UK Equities

Neil joined the company in 1988 as a fund manager in the UK Equities team and is now Head of Investment. Neil has worked in both corporate finance and fund management, commencing his investment career in 1981 with Dominion Insurance Company and subsequently joining Eagle Star as a fund manager in 1987. He holds a BA, Economics and Agricultural Economics from Exeter University. He later studied Finance at the London Business School.

Mark Barnett - Fund Manager, UK Equities

Mark joined the company in 1996 having begun his investment career with Mercury Asset Management four years previously in 1992. Since then, he has become one of the team's fund managers, specialising in UK equity income investing. Mark graduated in French and Politics from Reading University in 1992, and is an associate member of the Institute of Investment Management and Research.

Ciaran Mallon, UK Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Ciaran is responsible for the management of a number of UK equity portfolios. Ciaran began his investment career in 1994, joining HSBC where he was as an investment analyst before moving to United Friendly Asset Management (UFAM) in 1999 as a fund manager and joining our company in 2005. He holds a BA (Honours) in Chemistry from Oxford University and has also gained the CFA and Securities Institute Diploma.

Stephen Lamacraft, UK Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Stephen manages a number of UK equity portfolios. Stephen joined the UK Equities team as a trainee analyst in March 2008 after four years with the Metropolitan Police. Having come through the investment team ranks, Stephen started managing UK equity portfolios in March 2010. Before joining the police, Stephen had begun his investment career with JP Morgan Asset Management in 1999. He subsequently moved to JP Capital International as an Associate, where he specialised in M&A activity in the forestry sector. Stephen holds an LLB in Law from Exeter University.

Saku Saha, UK Equities Trainee Analyst at Invesco Perpetual

Based in Henley-on-Thames, Saku joined the company in December 2009 after seven years in the British Army. He was commissioned into the Royal Electrical and Mechanical Engineers but completed his final three years' service in the Parachute Regiment. Saku graduated from Queens' College, Cambridge with a MA in Manufacturing Engineering in 2002.

Matthew Perowne – Trainee Analyst, European Equities

Based in Henley-on-Thames, Matthew joined the company in June 2010 as a trainee analyst within our European Equities team. Matthew previously spent three years working for Jones Lang LaSalle, where he qualified as a Chartered Surveyor. Matthew holds a BA (Honours) in Combined Arts (majoring in Spanish) from the University of Durham, and an MSc in Real Estate from Southbank University.

Luke Stellini, European Equities Product Director at Invesco Perpetual

Based in Henley-on-Thames, Luke represents Invesco Perpetual's European equities investment capabilities to external and internal clients. Luke joined the company in February 2008 as product director for the European Equities team. From 1997, when his financial industry career began, to the beginning of 2008, he worked in institutional equity sales at Dresdner Kleinwort and Merrill Lynch, focused on selling pan European equities to institutional clients and hedge funds. He was made a director of Dresdner Kleinwort Benson's Capital Market's Division in 2002 and after nine years with Dresdner joined Merrill Lynch in 2006 as a director within their Global Markets and Investment Banking Departments. Luke holds a MA (Honours) in Modern History from St Andrews University.

William Deer, UK Equities Product Director

Based in Henley-on-Thames, Will is responsible for representing Invesco Perpetual's UK equities investment capabilities to external and internal clients. He began his investment career in 1998 and has previously worked for HSBC and ABN Amro as an equity analyst and as a pan European equity salesman before joining our company in 2006. Will holds a Bcom (Honours) from Edinburgh University and is SFA registered.

Mitchell Fraser-Jones, UK Equities Product Director

Based in Henley-on-Thames, Mitchell represents Invesco Perpetual's UK equities investment capabilities to external and internal clients. Mitchell began his investment career in 1995 joining Singer & Friedlander Portfolio Management working in a variety of roles latterly that of assistant portfolio manager. He joined our company in 2002, initially in the role of senior marketing specialist, before moving to the Investment Department in his present role as a product director. Mitchell is an integral member of the UK Equities team working closely with the fund managers. He holds a BA (Honours) in Economics from the University of East Anglia and the Investment Management Certificate from the CFA Society of the UK.

Contact details

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Job title: Director of European Compliance

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The information contained in this document relating to the composition of the portfolio of any strategy advised or managed by us or any of our associated companies is confidential. It is disclosed to you on the strict basis you will 1) use it only for the purpose of analysing this document, 2) disclose it only to those of your staff and professional advisers who need to know it for the purposes of such analysis and 3) not disclose it, or permit it to be disclosed, in any way, other than as mentioned in 2).

All data is as at 31 December 2011, sourced from Invesco unless otherwise stated.

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.

Past performance is not a guide to future returns.

Where Invesco has expressed views and opinions, these may change.

Invesco Perpetual is a business name of Invesco Asset Management Limited.



Strategy profile
Japanese equities
Invesco Perpetual

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Corporate overview

Invesco Ltd.

Invesco Ltd. is one of the world's leading independent global investment management organizations serving retail, institutional and high-net-worth clients around the world. Our sole focus is investment management; with no distractions from competing interests, all our global resources and local commitment are focused on providing clients with the investment expertise and client service they seek.

To achieve our mission of helping investors worldwide build their financial security, Invesco Ltd. draws on the strength of its global resources.

With US\$625.3 billion (£402.1 billion/EUR481.5 billion)¹ in assets under management, specialized investment teams with distinct perspectives deliver diversified investment strategies ranging from major equity and fixed income asset classes to other alternative asset classes including real estate, private equity and commodities. These strategies are managed across investment centers worldwide, each of which focuses on distinct asset classes, investment styles or regional expertise and adheres to clearly defined investment philosophies aligned with client expectations.

To further strengthen our investment culture, we also maintain an active Investors Forum that consists of senior investment professionals from each investment centre. Co-Chaired by Senior Managing Directors, Bob Yerbury and Karen Dunn Kelley, the role of the Investors Forum is primarily to foster, promote and grow investment excellence across the organisation.

Our distinctive combination of independent thought within individual investment centers and collaboration across investment centers provides clients the reach and resources of a global organization and the focus and attention of a boutique firm: our investment capabilities are both diverse and specialized; we are global in reach yet local in presence and our processes are disciplined yet can be delivered in customized ways. All of which distinctively positions Invesco Ltd. to keep pace with clients' evolving investment needs worldwide.

Invesco Perpetual

Invesco Perpetual is a business name of Invesco Asset Management Limited and forms part of Invesco Ltd.

With US\$88.3 billion (£56.8 billion/EUR68.0 billion)² in assets under management² and located in Henley on Thames (Henley), our investment team structure exhibits many of the advantages of a boutique firm structure, albeit part of a larger organization: small high-quality teams; the location of the team away from the main UK investment centers, fostering a culture of independent thought in an environment where challenge and discussion are encouraged, and thrive; the recognition of personal skill as a source of value; the 'world under one roof' – constant team-wide macroeconomic debate; typically roles of portfolio manager and analyst are combined.

Our highly experienced investment team consists of 43 investment professionals with an average 17 years' investment experience³. We believe that a focused and highly-experienced team provides the best means of maximizing value that we can generate for our clients by continuing to adopt a long-term, active approach to investment.

All data as at 31 December 2011 unless otherwise noted.

¹ Source: Invesco Ltd.

Invesco Ltd. AuM includes all assets under advisement, distributed and overseen by Invesco Ltd. and its affiliate Invesco Powershares which has an agreement with Deutsche Bank to provide certain marketing services for the Powershares DB products. Neither firm is affiliated with Deutsche Bank.

² Total assets managed by Invesco Perpetual's Henley-based investment centre.

³ Henley-based Invesco Perpetual portfolio managers and analysts only.

Our business

Investment firms can make claims regarding the benefits of their approach and organisation structure, whether that be an investment team that is centrally located, against one that is locally located, those that are aligned geographically versus those that are aligned by industry sector. Whilst there are pros and cons to each approach, IAML does not believe that this is an important factor in delivering long-term investment outperformance.

Invesco Perpetual's business is built on the following tenets:

Consistency:

Invesco Perpetual was founded in 1973 with the aim of being an autonomous global investment management team and today, as part of the larger Invesco group, we remain passionately focused on that original aim. Today, from our office in Henley, Oxfordshire, we invest across 40 stock markets, over 500 companies globally and travel extensively to meet companies and their management.

Stability:

Turnover within our investment team is low, and the stability of the team is a factor in helping us in our aim to deliver long-term sustainable outperformance. We believe that the unique location of our team in Henley, away from the main UK investment centres, between London and Oxford, assists in providing a balance between work, family and community that forms the basis of the team's stability.

Culture:

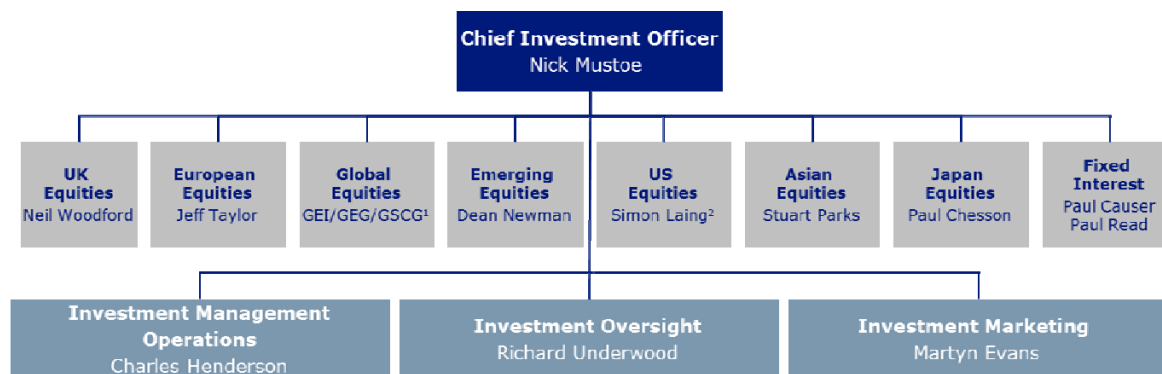
Another factor is the investment culture of the firm. We believe that investment management must be undertaken in an environment where the investment team are focused on longer-term performance and where portfolio managers are given the opportunity to stand by their convictions. Adopting this approach, however, means we may endure periods of underperformance.

We have always fostered a culture of accountability, with performance being the single largest contributor to a portfolio manager's remuneration. With that accountability comes greater responsibility, and our portfolio managers are aided in this by a robust risk management process.

Investment team & assets under management

Investment teams

IAML's Henley-based investment team is structured as follows:



¹ Global Equity Income team/Global Equity Group/Global Smaller Companies Group.

² With effect from 9 January 2012.

Within the team, the portfolio manager of each portfolio determines, and has sole responsibility for, the investments in his portfolio. However, given the team structure and the collaborative approach to investment analysis, it is not uncommon to see significant overlap across our Japanese equity portfolios. We have set out below an overview of the decision makers within the team.

Led by Paul Chesson, the Japanese Equities team comprises two members:

Name	Role	Years tenure	Years in industry
Paul Chesson	Head of Japanese equities team	19	21
Tony Roberts	Japanese equities portfolio manager	12	16

Biographies are included within **Appendix 1**.

Assets under management

As at 31 December 2011, the Japanese Equities team had US\$1.31 billion (£839.92 million / EUR1.0 billion) in assets under management. This covers all Japanese (sub-) portfolios within segregated and pooled investment vehicles⁴.

⁴ Data includes all assets managed including carve-outs of international and multi-asset mandates

Investment philosophy & process

At IAML's Henley-based investment center, we firmly believe that investors are best served by a focus on long-term investing, avoiding an over focus on current trends and consensus. Companies operate in long-term cycles and so does the focus of the investment team's research.

We believe that investors' behavioural biases repeatedly give rise to short-term market inefficiencies. To a large extent, these inefficiencies derive from three interlinked sources:

- Markets often overreact by placing undue focus on near-term issues
- Market expectations are often overly influenced by the extrapolation of current trends
- Markets respond to momentum and other technical drivers as well as to fundamentals

By exploiting these market inefficiencies through careful fundamental analysis and a strong emphasis on valuation, we aim to deliver consistent, long-term outperformance under most market conditions.

Our key focus is stock selection and, as such, our portfolio managers consider the implications of macro issues across global markets and their potential impact; however, the assessment of a company and its valuation is the key driver in our decision-making process.

Investment process

Our approach to Japanese equity investment comprises the following principal components:

Active:

We are conviction investors, actively managing portfolios and investing where we believe the best returns are to be found irrespective of the benchmark.

Top-down and bottom-up fundamental analysis:

We combine detailed top-down and bottom-up fundamental analysis, both for new idea generation and the ongoing evaluation of existing holdings in our portfolios. Bottom-up analysis is the main focus for both and is expected to be the largest contributor to alpha generation. Notwithstanding this, understanding the macro background provides a critical component of the bottom-up research process, providing the context against which this research takes place. It may also influence portfolio construction, at country and sector levels, particularly at inflection points in the market or economic cycle. In our fundamental analysis we incorporate internal proprietary research, selected externally sourced research and extensive company contact.

Valuation:

We are valuation driven. Valuation determines whether a stock is an attractive investment or not. Our focus is on identifying those companies whose current and future prospects are not reflected in their valuations and where there is confidence for this mis-valuation to be recognised by the market.

Pragmatic and flexible:

There is no inbuilt country, sector, stock, market capitalisation or style bias within our investment approach. This gives the managers the freedom to position the portfolios in response to underlying market conditions and the availability of investment opportunities. Consequently, they may change significantly over time.

Conviction portfolios

We often take contrarian views, but this is on a considered, not an automatic, basis. We believe in investing where the best potential returns are to be found, irrespective of the relative importance of a stock's weight in the benchmark and our portfolios will reflect the level of our conviction. We are prepared to stand by our views through a period of underperformance if we are confident that our strategy will deliver superior performance over a longer period.

Long-term investing:

Our philosophy is grounded in a view that prioritises a long-term, three to five year, investment period.

Stock research

Investment universe

The Japanese Equities team researches all areas of the universe and considers the Topix 1st Section index to be their universe of stocks. Our research is structured to give us a detailed understanding of a company's key historical and future business drivers, such as demand for its products, pricing power, market share trends, cash flow and management strategy. This enables us to form an opinion on a company's competitive position, its strategic advantages/ disadvantages and the quality of its management.

The equity research function is not separated from the function of the portfolio manager. This is an important distinction and one we believe is central to the team's success. All members of the team have a generalist, rather than a specialist research role. By adopting a generalist approach to research responsibilities, the team avoids the drawbacks of over-specialisation and the subsequent loss of broad market perspective that this might entail.

It also allows us to take full advantage of our top-down macro work, by giving us the flexibility to focus our research in areas where we believe that the best investment opportunities are currently to be found, whilst at the same time ensuring that no part of the market is left uncovered. Additionally, individual team members will often have detailed knowledge of particular stocks or sectors of the market and we look to take full advantage of such expertise.

The majority of our research is qualitative and divides naturally between top-down macro analysis and bottom-up stock research.

Macro environment – top-down research

We dedicate significant time and effort to top-down analysis, seeking to understand the current macroeconomic environment and to make informed forecasts of future conditions.

Within our analysis we consider how the environment might impact the relative attractiveness of individual sectors and the impact it may have on stocks at the micro level. We believe that a company's operating conditions are largely determined by the broader macro-economic environment, recognising that the influence of macro conditions on sector and stock fundamentals will vary over the course of the economic cycle. It is critical that the macro context is accurately reflected in the structure of our portfolios and in the emphasis of our bottom-up research.

Bottom-up research and stock selection

Fundamental analysis is the key input to the process and a principal driver of stock selection. Stock ideas are driven by:

- Corporate news flow e.g. Nikkei, event and news monitors
- Share price movements
- Earnings revisions
- Company meetings
- Sell side analysts
- Screening for mispricing
- Macroanalysis
- Discussions with colleagues

While we are looking for new investment ideas we are constantly applying the same scrutiny to the companies we already hold in our portfolios. At a stock level we are looking for companies we consider to be attractively valued and to have a positive outlook and/or improving growth prospects where we can find them. A broad evaluation of the quality and the prospects for the company is undertaken. This involves an understanding of the company's competitive positioning, strategic advantages and the quality and alignment of management. Our focus is on current, and future earnings, and where the team believes they may be different from market expectations.

The team does remain aware of the limitations of accounting earnings (e.g. the use of extra ordinaries) and the assumptions inherent in the stock valuation.

Our views are usually expressed as a valuation target which includes a consideration of the absolute attractiveness of the stock as an investment. We do not formally document our research and analysis, as we believe this can cause delays in the decision-making process. It can also inhibit flexibility when conditions change. However, our views are communicated and discussed on a timely and informal basis, with our focus being on producing useful outputs rather than documentation for its own sake. Meeting company management is one of the most important parts of this information gathering process. The team have an extensive programme of company meetings and visits, with approximately 200 one-on-one company meetings per year, visiting Japan 8 times per year.

These meetings provide an insight into issues and contributions of different divisions, especially the poorer performing ones and a view on how the financial position of the company is likely to develop. This enables us to develop an understanding of a company's near and longer term prospects, to assess the quality of management as well as providing a forum through which we can challenge underlying assumptions most effectively. In addition these meetings provide us with useful information about customers, competitors and the broader economy which provide input to our macroeconomic views.

Valuation

Valuation analysis is a key part of our process and it determines whether a stock is attractive or not. A company's valuation is considered in the context of its expected earnings. Our emphasis is on identifying companies with lower than average levels of valuation where we see this as unjustified. While we look at the stock valuation compared to the market as a whole, we also look for stocks that are attractively valued in absolute terms. In some cases, the prospects for a company will not have changed significantly; however by comparing the current valuation against its history, and its competitors, we may feel that the company is simply undervalued.

There is no one single valuation measure which can be used for this purpose. The valuation technique will depend on the type of company being analyzed and what we feel is most appropriate for the individual stock or the sector it is in. However, the core measure used is price/earnings, which we see as capturing a blend of other measures. In certain cases, asset based measures are useful, particularly in situations where corporate assets may become biddable.

External research

In addition to original research, our portfolio managers devote considerable resource to the assessment of research produced by external organisations, including that of brokerage houses, independent research firms and technical analysts. We believe that the resulting relationships with a small number of leading firms, based on mutual respect, enhances the quality of the investment dialogue. For each sector, portfolio managers typically have two or three external analysts with whom they maintain close contact and whose judgement they value. We are then able to compare our own research with consensus expectations, identifying gaps where the market is over-pessimistic and over-optimistic. It should be emphasised that external research is used purely as an input, as opposed to being the driver of the decision-making process.

This combination of in-house analysis with the use of well-placed and well-informed contacts within the broking community provides the portfolio managers with the necessary basis for understanding their markets at all levels, allowing for a synthesis of 'top-down' and 'bottom-up' investment analysis.

Portfolio management is a judgemental business and the major scope to add value is in the interpretation that our portfolio management teams place on the available information. The experience of portfolio managers in this respect is critical and key to the Japanese Equities team's success.

Portfolio construction

The aim of the construction process is to maximise exposure to the most attractive stocks and sectors, within a portfolio structure which reflects the manager's view of the macroeconomic environment. The size of weightings reflects a manager's view of the attractiveness of a stock and the degree of conviction. Portfolio construction is based on a combination of the outputs from our bottom-up stock and top-down macro research.

We would normally expect the bottom-up input to be the main contributor to the portfolio construction process, although there will clearly be times, such as inflection points in economic or market cycles, when the influence of the top-down input is likely to be greater. This process will result in potentially very significant over or underweight positions in individual sectors versus the benchmark.

Whilst we are aware of the composition of the benchmark index, and this will influence our judgment about sector exposure, we are not driven by it. Sectors are not homogenous so sector weightings can be a poor guide to true exposures. If we do not consider a stock to be a good investment, then we will not own it, irrespective of its weight in the index. As a result, where possible within the context of the market any stock held within our portfolios is an expression of a positive view.

Buy and sell discipline

Buy or sell decisions are based on our judgment built on substantial years of experience. We review our stock positions constantly. Buy decisions are typically driven by a valuation below that which we believe is justified by the fundamentals or a view that the market's earnings expectations are too low. Sell decisions are typically driven by a rise in relative valuation that we consider to be unjustified or new information suggesting that our original conviction needs to be reassessed.

Risk management

Each investment team, as a part of Invesco Ltd., employs a multi-faceted approach to oversight and risk management. In the first instance, each investment team has embedded risk controls within its investment management discipline, including review and oversight processes tailored to its philosophy and objectives. Details of this as it pertains to Invesco Perpetual are provided from **page 12, Investment risk and Invesco Perpetual's Investment Oversight team.**

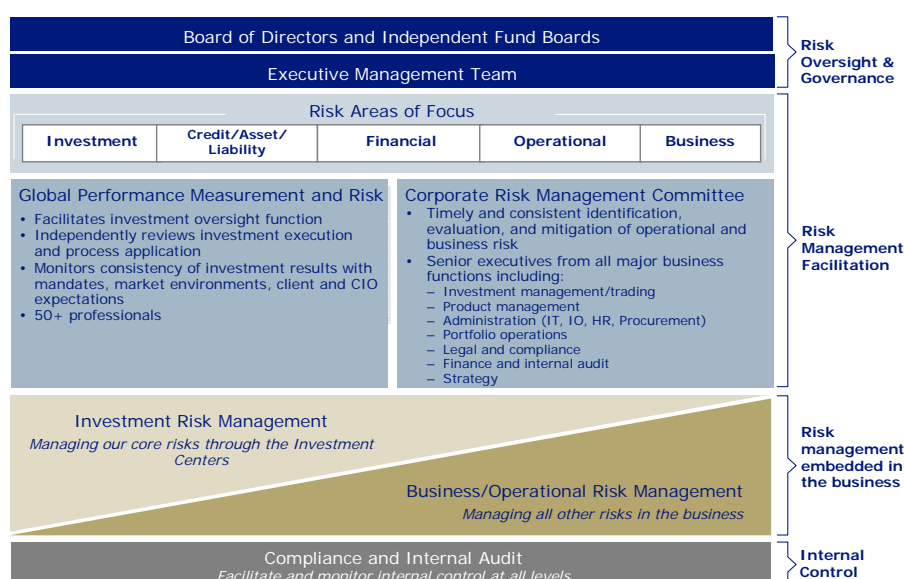
These investment teams' processes are bolstered and overseen by multi-dimensional independent controls. These controls include the Global Performance Measurement and Risk (GPMR) team with over 60 professionals dedicated to performance and risk activities. Invesco Ltd.'s GPMR team, independent from portfolio management teams, are charged with providing comprehensive reporting that facilitates better understanding of performance quality and risk. This team provides regular reviews of the performance and risk attributes of the various investment team disciplines to senior management.

Invesco Ltd.'s senior management oversight structures also include:

- Reporting lines running from investment team CIOs who have day-to-day responsibility for investment team risk controls up to the Invesco Ltd. Senior Managing Director having management responsibility for the investment team.
- Quarterly and monthly reviews are performed based upon investment performance and risk analytics of each investment discipline produced by the GPMR. These reviews are conducted by the Chief Executive Officer (CEO) and those Senior Managing Directors who manage the investment teams.
- Review of operational controls and related corporate exposures by the Invesco Ltd. Corporate Risk Management Committee.
- Regular review of investment matters by the Invesco Ltd. Board of Directors, including quarterly reporting on investment performance data produced by the GPMR and related reviews by the CEO and Senior Managing Directors, as well as presentations (on a rotating basis) by investment team CIOs and other senior investment professionals.
- Additional reviews and support from Invesco Ltd.'s Compliance and Internal Audit functions.

These layers of controls are designed to provide enhanced transparency, reporting and risk assessment from and to the investment teams.

An effective foundation for a sound risk culture



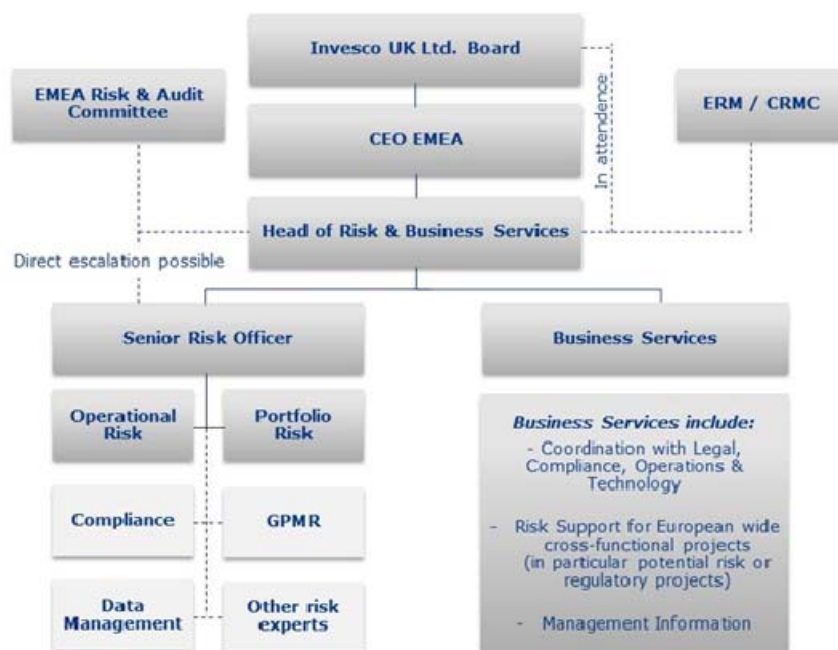
Invesco Ltd.'s Corporate Risk Management Committee consists of senior executives representing all of the company's major business functions including investment management, trading, information technology, portfolio operations, legal and compliance, finance and internal audit. The Committee exists to facilitate the timely and consistent top down identification, evaluation, monitoring and mitigation of operational and business risk on a consolidated basis. Relevant areas of focus have included operational controls regarding new investments (including matters such as the pricing and settlement of swaps and similar derivatives).

Augmenting this effort are strong internal audit and compliance teams. The Internal Audit team works closely with business units to improve the integrity, consistency and control of all operations. This team designs and leads audits of operations, compliance and financial reporting functions, and ensures appropriate implementation of Sarbanes-Oxley and other regulatory requirements. The Compliance team works with the business to establish and maintain policies and procedures designed to prevent, detect and correct violations of applicable laws and regulations and client investment guidelines. Portfolios are subject to daily compliance review. Compliance routinely monitors existing practices, policies and procedures, and reviews written policies and procedures at least annually. Reports on all exceptions, errors and other information are provided to senior management regularly or as necessary.

Independent risk function in Europe

Sybillé Hofmann, Head of Risk & Business Services - Europe, leads the firm's independent risk function (IRF) in Europe and has a team of risk specialists reporting to her who facilitate the risk monitoring process, covering both operational as well as portfolio risk, including credit, market and liquidity risk, for UCITS funds, a pooled vehicle structure that coordinates the distribution and management of unit trusts amongst countries within the European Union. Sybillé reports directly to James Robertson, Senior Managing Director of Invesco Ltd. and Head of Invesco in the UK and in Continental Europe.

Please refer to the diagram below which illustrates the framework in which the IRF in Europe functions:



Source: Invesco.

For illustration purposes only.

EMEA: Europe, the Middle East and Africa.

ERM: Enterprise Risk Management.

CRMC: Corporate Risk Management Committee.

The IRF is responsible for risk management policies and procedures which identify and mitigate risks relating to the firm's European business activities, processes and systems.

The role of risk includes ensuring compliance with the agreed risk profile and a defined risk alert system as well as regulatory limits, and adequate management reporting.

The IRF cooperates closely with other risk experts within the firm, in particular:

- **GPMR** focuses on the production of Value at Risk (VaR). Output from this measure is shared with the business, as well as the IRF for analysis and where, relevant, investigation.
- **Compliance** is responsible for monitoring all investment restrictions and risk alerts where set. Daily reports are produced and analysed; breaches of regulatory limits are immediately logged and allocated for resolution. Risk alerts trigger a discussion as to the reason and sensibility of the underlying investment and may not trigger any changes in the investments. Compliance also monitors general compliance with rules and regulations and escalates any risk findings to the IRF.
- **Data management** is responsible for security pricing or the oversight of it if completed by third party administrations. This includes OTC derivative pricing. Data management reports on stale pricing, pricing volatility and any other pricing matters.

The IRF is a key participant in the European New Instrument Committee (for the implementation of new instruments) as well as the European Pricing Committee (for the purpose of valuing securities for which market quotations are not readily available or other securities for which fair value needs to be determined).

Operational risk support the European functions and entities in setting risk appetite and risk tolerance levels where appropriate and monitoring linked Key Risk Indicators. An important part of the role is an independent challenge process in order to identify, assess and quantify risks in line with the set risk appetite.

The IRF also provides formal and informal reports to the firm's management on various topics, including capital adequacy or incidents. The IRF is also responsible for providing risk advice and facilitating the risk awareness culture across the business.

Although this document is not profiling UCITS, many of the risk controls that apply to these vehicles would also benefit the management of the underlying investment strategy within other investment vehicles.

Investment risk and Invesco Perpetual's Investment Oversight team

Invesco Perpetual's essential belief is that fund management is a skill and the inherent risks taken in managing money are those made by the fund managers themselves. One of the key tasks of the Henley-based Investment Oversight team, who report directly to Invesco Perpetual's CIO, is to facilitate the CIO challenge process. As described in greater detail overleaf, this process is implemented via challenge meetings that are attended by the CIO, the Head of Investment Oversight and the fund manager and seeks to check that the individuals managing money are doing so in a way that adds value to our clients. The objective is to review each fund manager bi-annually, although where particular issues are identified with performance or the investment process, these take precedence.

Risk management is an integral component of our investment process and is the product of the following factors:

Fund manager understanding

Fund managers effectively control stock-specific risk by ensuring that portfolios are always appropriately diversified. In-depth, continual analysis of the fundamentals of all holdings gives fund managers a comprehensive understanding of the financial risks associated with any particular stock.

Although we are always aware of the relative risk we are running – where relative risk is defined as the holding of investment positions that differ from the structure of the benchmark – we do not set out to manage the relative risk characteristics of our funds. A portfolio's relative risk characteristics will simply be a function of the investment decisions and absolute risk judgements that were made while constructing the portfolio.

Trading systems

All quantifiable portfolio investment parameters are entered into the internal portfolio management system which, subject to certain limitations, is designed to prevent inadmissible trades and to issue warnings to fund managers if a trade is likely to result in a parameter breach.

Continuous monitoring

At the total portfolio level, monthly performance, attribution and risk reports are produced by the Investment Oversight team, ensuring that fund managers adhere to their investment objectives, guidelines and parameters. There is also a culture of challenge and debate between fund managers regarding portfolio construction and risk.

CIO challenge process

The CIO challenge process is implemented via challenge meetings that are attended by the CIO, the Head of Investment Oversight and the fund manager. The CIO challenge process has four main aims:

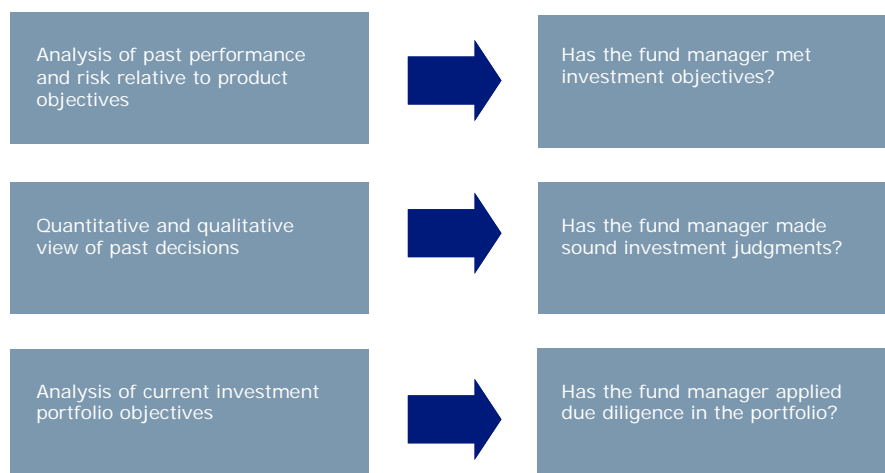
- **Transparency:** to understand a fund manager's rationale behind portfolio positioning and why certain decisions have been made.
- **Process:** to ensure that a fund manager is managing money in the way that has been clearly articulated to our clients.
- **Strategy:** to check that portfolio construction is consistent with the overall investment strategy and views of the fund manager.
- **Environment:** to ensure that fund managers are given the best environment to optimise their investment returns. This can range from exploring resourcing/personnel issues, looking at how teams are working/interacting together, ensuring that IT systems are adequate, individual contributions, capacity constraints, or any other issues that may adversely influence our ability to deliver quality investment decisions.

The challenge process is not prescriptive in its approach; it is both a qualitative and quantitative assessment of an individual or team's ability to successfully manage investments.

Our essential belief is that fund management is a skill and the inherent risks taken in managing money are those made by the fund managers themselves. The challenge process seeks to check that the individuals managing money are doing so in a way that adds value to our clients.

Fund managers are given the autonomy to back their investment judgment within the scope of fund mandates and regulations. We do not wish to put in place unnecessary restrictions which limit a fund manager's ability to back his/her own convictions in a stock or investment strategy. In an environment which allows such free thought, traditional controls and processes are limited in their application.

Although the CIO challenge process is a formal one, it is part of a cultural environment of challenge and rigor that exists on a day-to-day basis within our Henley investment center. The chart below illustrates this process:



There is no set agenda for these challenge meetings; this is dependent on the findings of the Investment Oversight team through their continuous monitoring. The meeting may cover some or all of the following:

- **Performance attribution:** where have portfolio returns been derived from?
- **Trading activity:** portfolio changes. How successful trading activity has been?
- **Macro-economic views:** does the portfolio reflect the wider economic view of the fund manager?
- **Investment process:** is the fund manager working within the stated process?
- **Style analysis:** what style is the fund manager adopting? While fund managers do not usually stipulate a particular style bias to their overall process, this analysis seeks to explain where their portfolio is positioned relative to the market in terms of financial characteristics, momentum measures and market-cap bias. This enables us to check the understanding of a fund manager's active positions against their investable universe.
- **Risk reporting:** to challenge/support where we believe our excess returns will come from.
- **Active positions:** where are major stock, industry, country or asset class bets being taken?

The aim of the CIO challenge process is to ensure that there is sufficient investment oversight in order that risks taken on behalf of our clients are understood and are considered appropriate. It is accepted that our business is judgemental and that potential impacts of these risks may materialise. However, core to the process is that risks taken are not incidental but are understood and taken with conviction.

Strategy overview

Japanese equity

Strategy name, management and objective	Benchmark	Concentration
Invesco Japanese Equity strategy Paul Chesson & Tony Roberts This strategy is invested to achieve capital growth in Japan.	TOPIX 1 st Section	30 – 50 stocks

Appendix 1 –biographies

Paul Chesson - Head of Japanese Equities at Invesco Perpetual

Based in Henley-on-Thames, Paul is Head of Japanese Equities at Invesco Perpetual and is responsible for the management of a number of Japanese equity portfolios alongside fellow fund manager, Tony Roberts. Paul began his investment career in 1990 at Touche Remnant, specialising in Japanese Equities before joining our company in 1993. He holds an MA, Law from Oxford University and is an associate member of the Association for Investment Management.

Tony Roberts, Japanese Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Tony is responsible for the management of a number of Japanese equity portfolios alongside fellow fund manager, Paul Chesson. Tony began his investment career in 1995 as an analyst and fund manager with Clerical Medical after two years with actuarial consultants, Godwins. He joined our company in 2000 to work alongside Paul Chesson, Head of Japanese Equities. He holds a BSc, Mathematics from Southampton University and is a member of the CFA Society of the UK.

Andy Tidby, Japanese Equities Product Manager/Analyst at Invesco Perpetual

Based in Henley-on-Thames, Andy is an analyst within Invesco Perpetual's Japanese Equities team and is also responsible for representing the team's investment capabilities to external and internal clients. Andy joined the company in September 2008 as an investment communication specialist for the Japanese and Asian equity teams, before joining the Japanese Equities team in a dual capacity as Product Manager/Analyst at the beginning of 2011. He began his investment career in 1997 as a client portfolio manager with HSBC Bank, where he was responsible for the management of private client portfolios. Subsequently, he joined HSBC Global Asset Management in 2003 where he was a senior investment writer, covering regulatory and marketing communications across the group's retail, intermediary and institutional clients. Andy holds the IMC qualification from the CFA Society of the UK.

Contact details

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The information contained in this document relating to the composition of the portfolio of any portfolio advised or managed by us or any of our associated companies is confidential. It is disclosed to you on the strict basis you will 1) use it only for the purpose of analysing this document, 2) disclose it only to those of your staff and professional advisers who need to know it for the purposes of such analysis and 3) not disclose it, or permit it to be disclosed, in any way, other than as mentioned in 2).

All data is as at 31 December 2011, sourced from Invesco Perpetual/Invesco unless otherwise stated.

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.

Where Invesco Perpetual/Invesco has expressed views and opinions, these may change.

Past performance is not a guide to future returns.

Invesco Perpetual is a business name of Invesco Asset Management Limited.



Strategy profile
Asian ex Japan equities
Invesco Perpetual

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Corporate overview

Invesco Ltd.

Invesco Ltd. is one of the world's leading independent global investment management organizations serving retail, institutional and high-net-worth clients around the world. Our sole focus is investment management; with no distractions from competing interests, all our global resources and local commitment are focused on providing clients with the investment expertise and client service they seek.

To achieve our mission of helping investors worldwide build their financial security, Invesco Ltd. draws on the strength of its global resources.

With US\$625.3 billion (£402.1 billion/EUR481.5 billion)¹ in assets under management, specialized investment teams with distinct perspectives deliver diversified investment strategies ranging from major equity and fixed income asset classes to other alternative asset classes including real estate, private equity and commodities. These strategies are managed across investment centers worldwide, each of which focuses on distinct asset classes, investment styles or regional expertise and adheres to clearly defined investment philosophies aligned with client expectations.

To further strengthen our investment culture, we also maintain an active Investors Forum that consists of senior investment professionals from each investment centre. Co-Chaired by Senior Managing Directors, Bob Yerbury and Karen Dunn Kelley, the role of the Investors Forum is primarily to foster, promote and grow investment excellence across the organisation.

Our distinctive combination of independent thought within individual investment centers and collaboration across investment centers provides clients the reach and resources of a global organization and the focus and attention of a boutique firm: our investment capabilities are both diverse and specialized; we are global in reach yet local in presence and our processes are disciplined yet can be delivered in customized ways. All of which distinctively positions Invesco Ltd. to keep pace with clients' evolving investment needs worldwide.

Invesco Perpetual

Invesco Perpetual is a business name of Invesco Asset Management Limited and forms part of Invesco Ltd.

With US\$88.3 billion (£56.8 billion/EUR68.0 billion)² in assets under management² and located in Henley on Thames (Henley), our investment team structure exhibits many of the advantages of a boutique firm structure, albeit part of a larger organization: small high-quality teams; the location of the team away from the main UK investment centers, fostering a culture of independent thought in an environment where challenge and discussion are encouraged, and thrive; the recognition of personal skill as a source of value; the 'world under one roof' – constant team-wide macroeconomic debate; typically roles of portfolio manager and analyst are combined.

Our highly experienced investment team consists of 43 investment professionals with an average 17 years' investment experience³. We believe that a focused and highly-experienced team provides the best means of maximizing value that we can generate for our clients by continuing to adopt a long-term, active approach to investment.

All data as at 31 December 2011 unless otherwise noted.

¹ Source: Invesco Ltd.

Invesco Ltd. AuM includes all assets under advisement, distributed and overseen by Invesco Ltd. and its affiliate Invesco Powershares which has an agreement with Deutsche Bank to provide certain marketing services for the Powershares DB products. Neither firm is affiliated with Deutsche Bank.

² Total assets managed by Invesco Perpetual's Henley-based investment centre.

³ Henley-based Invesco Perpetual portfolio managers and analysts only.

Our business

Investment firms can make claims regarding the benefits of their approach and organization structure, whether that be an investment team that is centrally located, against one that is locally located, those that are aligned geographically versus those that are aligned by industry sector. Whilst there are pros and cons to each approach, IAML does not believe that this is an important factor in delivering long-term investment outperformance.

Invesco Perpetual's business is built on the following tenets:

Consistency:

Invesco Perpetual was founded in 1973 with the aim of being an autonomous global investment management team and today, as part of the larger Invesco group, we remain passionately focused on that original aim. Today, from our office in Henley, Oxfordshire, we invest across 40 stock markets, over 500 companies globally and travel extensively to meet companies and their management.

Stability:

Turnover within our investment team is low, and the stability of the team is a factor in helping us in our aim to deliver long-term sustainable outperformance. We believe that the unique location of our team in Henley, away from the main UK investment centers, between London and Oxford, assists in providing a balance between work, family and community that forms the basis of the team's stability.

Culture:

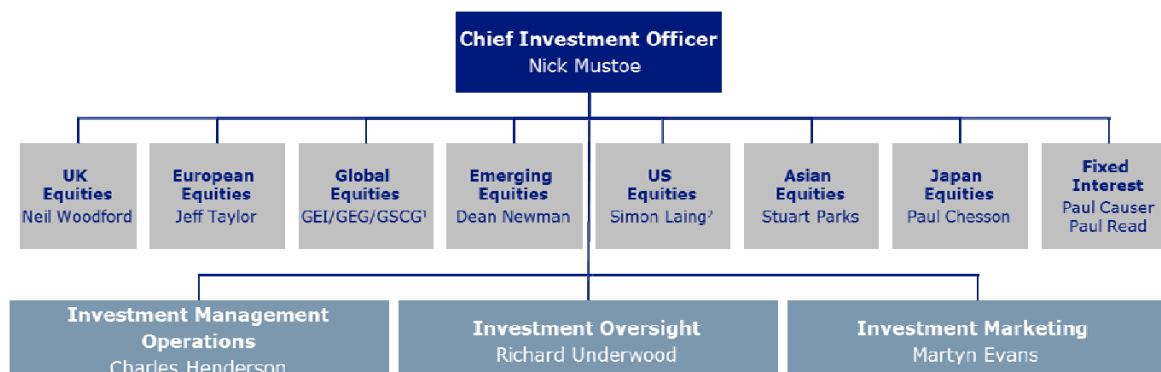
Another factor is the investment culture of the firm. We believe that investment management must be undertaken in an environment where the investment team is focused on longer-term performance and where portfolio managers are given the opportunity to stand by their convictions. Adopting this approach, however, means we may endure periods of underperformance.

We have always fostered a culture of accountability, with performance being the single largest contributor to a portfolio manager's remuneration. With that accountability comes greater responsibility, and our portfolio managers are aided in this by a robust risk management process.

Investment team & assets under management

Investment teams

IAML's Henley-based investment team is structured as follows:



¹ Global Equity Income team/Global Equity Group/Global Smaller Companies Group.

² With effect from 9 January 2012.

Within the team, the portfolio manager of each portfolio determines, and has sole responsibility for, the investments in his portfolio. However, given the team structure and the collaborative approach to investment analysis, it is not uncommon to see significant overlap across our Asian equity portfolios. We have set out below an overview of the decision makers within the team.

Led by Stuart Parks, the Asian Equities team comprises four members:

Name	Role	Years tenure	Years in industry
Stuart Parks	Head of Asian equities team	18	27
Ian Hargreaves	Asian equities portfolio manager	7	17
William Lam	Asian equities portfolio manager	6	11
Tim Dickson	Asian equities portfolio manager	3	19

Biographies are included within **Appendix 1**.

Assets under management

As at 31 December 2011, the Asian Equities team had US\$7.79 billion (£5.03 billion/Euro 6.00 billion) in assets under management. This covers all Asian ex Japan (sub-) portfolios within segregated and pooled portfolio vehicles⁴.

⁴ Data includes all assets managed including carve-outs of international and multi-asset mandates

Investment philosophy & process

At IAML's Henley-based investment center we firmly believe that investors are best served by a focus on long-term investing, avoiding an over focus on current trends and consensus. Companies operate in long-term cycles and so does the focus of the investment team's research.

We believe that investors' behavioral biases repeatedly give rise to short-term market inefficiencies. To a large extent, these inefficiencies derive from three interlinked sources:

- Markets often overreact by placing undue focus on near-term issues
- Market expectations are often overly influenced by the extrapolation of current trends
- Markets respond to momentum and other technical drivers as well as to fundamentals

By exploiting these market inefficiencies through careful fundamental analysis and a strong emphasis on valuation, we aim to deliver consistent, long-term outperformance under most market conditions.

Our key focus is stock selection and, as such, our portfolio managers consider the implications of macro issues across global markets and their potential impact; however, the assessment of a company and its valuation is the key driver in our decision-making process.

Investment process

Our approach to Asia ex-Japan equity investment comprises the following principal components:

Active:

We are conviction investors, actively managing portfolios and investing where we believe the best returns are to be found irrespective of the benchmark.

Top-down and bottom-up fundamental analysis:

We combine detailed top-down and bottom-up fundamental analysis, both for new idea generation and the ongoing evaluation of existing holdings in our portfolios. Bottom-up analysis is the main focus for both and is expected to be the largest contributor to alpha generation. Notwithstanding this, understanding the macro background provides a critical component of the bottom-up research process, providing the context against which this research takes place. It may also influence portfolio construction, at country and sector levels, particularly at inflection points in the market or economic cycle. In our fundamental analysis we incorporate internal proprietary research, selected externally sourced research and extensive company contact.

Valuation:

We are valuation driven. Valuation determines whether a stock is an attractive investment or not. Our focus is on identifying those companies whose current and future prospects are not reflected in their valuations and where there is confidence for this mis-valuation to be recognized by the market.

Pragmatic and flexible:

There is no inbuilt country, sector, stock, market capitalization or style bias within our investment approach. This gives the portfolio managers the freedom to position the portfolios in response to underlying market conditions and the availability of investment opportunities. Consequently, they may change significantly over time.

Conviction portfolios

We often take contrarian views, but this is on a considered, not an automatic, basis. We believe in investing where the best potential returns are to be found, irrespective of the relative importance of a stock's weight in the benchmark and our portfolios will reflect the level of our conviction. We are prepared to stand by our views through a period of underperformance if we are confident that our strategy will deliver superior performance over a longer period.

Liquidity trend analysis

Of particular importance is a focus on liquidity conditions, which in Asia perhaps more than any other region, is the key determinant in shaping the environment for equities.

- Liquidity is best gauged by changes to balance of payments conditions
- Findings of liquidity trend analysis determine the portfolio bias to growth or value stocks, large vs. small caps
- A projected deterioration of liquidity conditions will emphasize the need for capital preservation

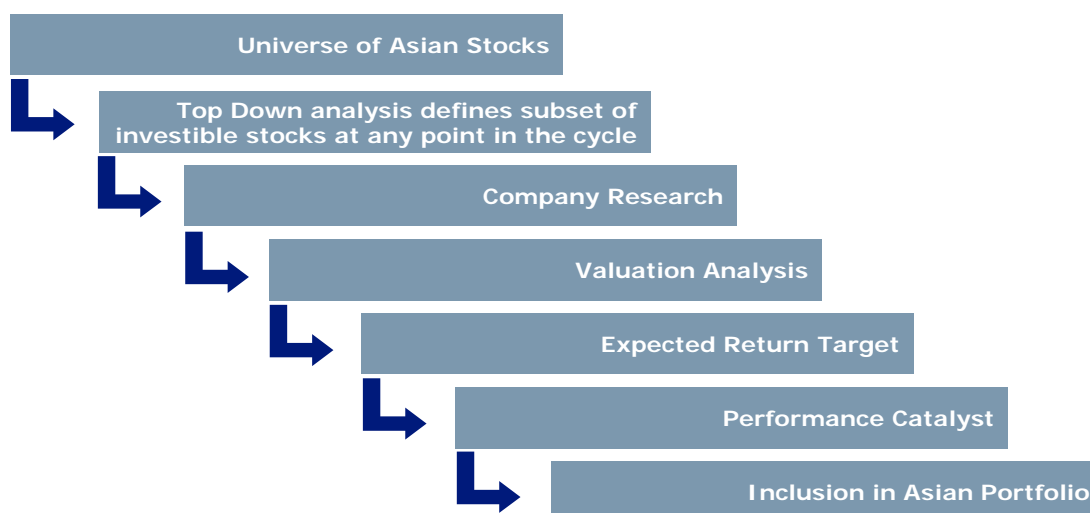
Due to the importance of liquidity flows as a driver of valuations in the region, the top-down macroeconomic view forms a key input into the investment and asset allocation process, influencing both portfolio construction and stock selection. However, the bottom-up analysis remains the key driver of the stock selection process and is expected to be the main contributor to alpha generation within portfolios.

Long-term investing:

Our philosophy is grounded in a view that prioritizes a long-term, three to five year, investment period.

Asian equity portfolios

The process for our Asian equity portfolios is illustrated below:



For illustrative purposes only.

Stock research

Investment universe

Within the restrictions as to where our portfolios can invest, our universe theoretically covers all stocks that are quoted in Asia. In practice, Stuart Parks has created an investable universe of around 500 stocks, most of which has been covered in detail for a considerable period of time.

Our investable universe has been narrowed down by eliminating companies on the basis of size, liquidity and quality of management and corporate governance. It can be summarized, as follows:

- Size: liquidity factors and the size of the portfolios that we manage mean that we rarely hold companies with a market capitalization of below US\$300m.
- Liquidity: we aim to be able to enter and exit the majority of positions over 5 trading days while accounting for no more than 1/3 of each day's trading volume.
- Management quality/corporate governance: some companies are excluded from the investment universe due to concerns over quality of management and corporate governance issues.

The equity research function is not separated from the function of the portfolio manager. This is an important distinction and one we believe is central to the team's success. All members of the team have a generalist, rather than a specialist research role. By adopting a generalist approach to research responsibilities, the team avoids the drawbacks of over-specialization and the subsequent loss of broad market perspective that this might entail.

It also allows us to take full advantage of our top-down macro work, by giving us the flexibility to focus our research in areas where we believe that the best investment opportunities are currently to be found, whilst at the same time ensuring that no part of the market is left uncovered. Additionally, individual team members will often have detailed knowledge of particular stocks or sectors of the market and we look to take full advantage of such expertise.

The majority of our research is qualitative and divides naturally between top-down macro analysis and bottom-up stock research.

Macro environment – top-down research

We dedicate significant time and effort to top-down analysis, seeking to understand the current macroeconomic environment and to make informed forecasts of future conditions.

Within our analysis we consider how the environment might impact the relative attractiveness of individual sectors and the impact it may have on stocks at the micro level. We believe that a company's operating conditions are largely determined by the broader macro-economic environment, recognizing that the influence of macro conditions on sector and stock fundamentals will vary over the course of the economic cycle. It is critical that the macro context is accurately reflected in the structure of our portfolios and in the emphasis of our bottom-up research.

Bottom-up research and stock selection

Fundamental analysis is the key input to the process and a principal driver of stock selection.

Stock ideas are generated from a number of sources. We source many ideas from the primary market, and our close network of specialist brokers and analysts regularly introduce us to potential investments. We also generate ideas in the secondary market through regular discussions with analysts and brokers, and through our macroeconomic views, which may highlight a particular area of the market for closer inspection. Company meetings are also an important aspect of idea generation, in that they often expose competitors, customers or suppliers that could be of interest to us.

The investment decisions that shape each portfolio are the consequence of the portfolio manager's assessment of the information inputs. The process does not rely on the use of any proprietary analytical tools; rather, we believe that value is added as a consequence of the insights of the portfolio manager, their understanding of market conditions and the quality of their interpretation of the data.

Once an idea has been generated, it is subjected to further analysis to allow us to reach a considered judgment on the stock's valuation and to arrive at an investment decision. This further analysis can be broken down into three components:

- **Examination of broker research on the company, and discussion with the relevant investment analysts**

External analysis is not used for any ultimate buy or sell recommendation. Rather, we compare the assumptions behind the research to our own, in order to form a judgment on valuation.

- **Meeting company management**

This is to obtain a better understanding of the nature of the business, its key drivers, competitive position and the achievability of management goals. Our research is structured to give us a detailed understanding of a company's key historical and future business drivers, such as demand for its products, pricing power, market share trends, cash flow and management strategy. This enables us to form an opinion on a company's competitive position, its strategic advantages/ disadvantages and the quality of its management.

From such meetings:

- We believe we can garner an improved understanding of the near- and longer-term prospects of a company and the quality of its management
- It also gives us a forum to challenge their assumptions and predictions in person as well as ensuring that management understands our priorities as a shareholder.
- Provides us with valuable information regarding the state of the broader economy and the businesses of a company's suppliers, customers and competitors. This analysis is then considered in conjunction with a stock's current and prospective valuation, enabling us to determine whether or not the stock is attractively valued.
- Determine where there are sizable differences between consensus expectations and what the company expects to realistically achieve.

Each portfolio manager in the team travels to the region between three and four times per year. In total the team has contact with around 700 companies a year. Approximately 250 of these meetings will be on-site, with the remainder split between conference calls and in-house meetings.

- **Proprietary research**

This is to arrive at a judgment on valuation. We can look at quantitative measures as a guide to this, but it will also involve qualitative judgments on aspects such as the quality of a company's products and services, the risks to which it is exposed, the strength of its management team and the presence of any unique characteristics or tangible advantage over competitors.

Valuation

In addition to proprietary research, as explained above, the portfolio managers will selectively use valuation models in order to understand the assumptions that the brokers/analysts have incorporated into their valuation conclusions and as a structure into which the portfolio managers can input their own scenarios.

External research

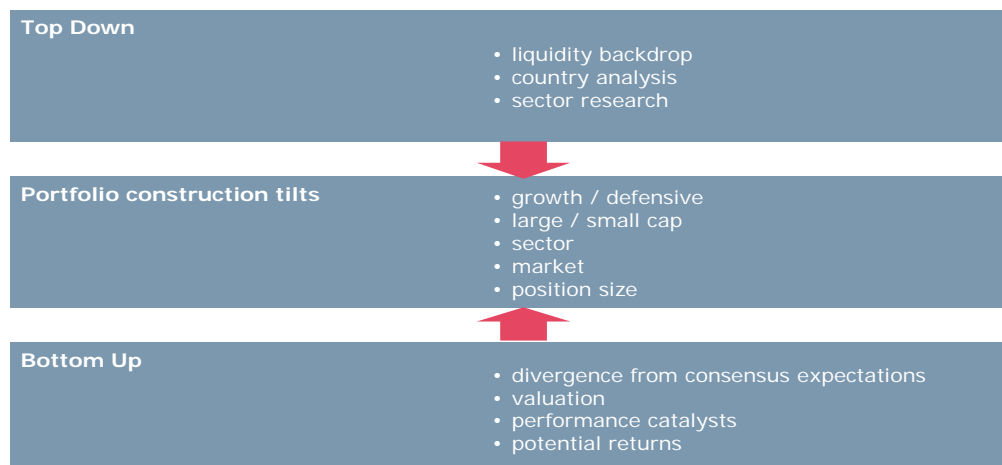
In addition to original research, our portfolio managers devote considerable resource to the assessment of research produced by external organizations, including that of brokerage houses, independent research firms and technical analysts. We believe that the resulting relationships with a small number of leading firms, based on mutual respect, enhances the quality of the investment dialogue. For each sector, portfolio managers typically have two or three external analysts with whom they maintain close contact and whose judgment they value. We are then able to compare our own research with consensus expectations, identifying gaps where the market is over-pessimistic and over-optimistic. It should be emphasized that external research is used purely as an input, as opposed to being the driver of the decision-making process.

This combination of in-house analysis with the use of well-placed and well-informed contacts within the broking community provides the portfolio managers with the necessary basis for understanding their markets at all levels, allowing for a synthesis of 'top-down' and 'bottom-up' investment analysis.

Portfolio management is a judgmental business and the major scope to add value is in the interpretation that our portfolio management teams place on the available information. The experience of portfolio managers in this respect is critical and key to the Asian Equities team's success.

Portfolio construction

We set out below a flow chart which illustrates the portfolio construction process used by the Henley-based Asian Equities team:



The aim of the construction process is to maximize exposure to the most attractive stocks and sectors, within a portfolio structure which reflects the manager's view of the macroeconomic environment. The size of weightings reflects a manager's view of the attractiveness of a stock and the degree of conviction. Portfolio construction is based on a combination of the outputs from our bottom-up stock and top-down macro research.

In summary, the portfolio manager employs a matrix approach to blend the following five key variables during the portfolio construction process:

- Growth/value – the style bias in the portfolio is tilted to either growth or value depending on liquidity conditions.
- Large/small cap – the market cap bias in the portfolio is tilted to either large- or small-cap stocks depending on liquidity and valuation conditions.
- Sector – industry fundamentals and global trends are key inputs when determining sector allocations.
- Market/geography – exposure to certain markets will increase or decrease depending on the portfolio manager's assessment of its risk and potential return.
- Stock selection – depending on the portfolio manager's level of conviction in the prospects of an individual company, a stock's weighting in the portfolio can deviate greatly from its benchmark weighting.

Buy and sell discipline

The Asian Equities team actively monitors its portfolios on a continuous basis, making investment decisions based on the output of the investment process and the investment parameters applicable to each individual portfolio. The buy and sell decision-making process is driven by fundamental analysis, with responsibility for all decisions lying with the portfolio manager, although they are normally preceded by discussion and consultation with other members of the team.

Sell decisions are typically driven by a:

- Change in liquidity conditions
- Stock becoming over-valued
- Deterioration in fundamentals
- More attractive opportunity elsewhere

Risk management

Each investment team, as a part of Invesco Ltd., employs a multi-faceted approach to oversight and risk management. In the first instance, each investment team has embedded risk controls within its investment management discipline, including review and oversight processes tailored to its philosophy and objectives. Details of this as it pertains to Invesco Perpetual are provided from **page 14, Investment risk and Invesco Perpetual's Investment Oversight team.**

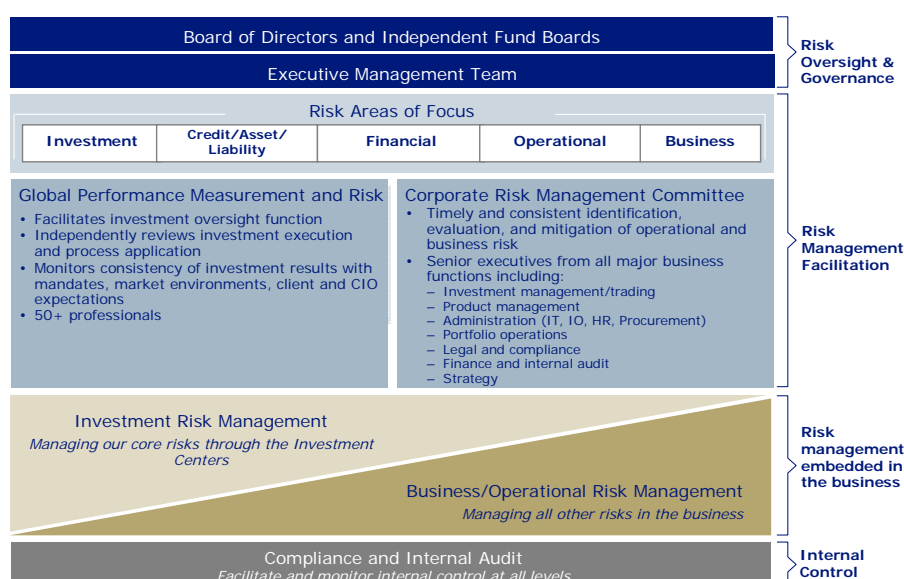
These investment teams' processes are bolstered and overseen by multi-dimensional independent controls. These controls include the Global Performance Measurement and Risk (GPMR) team with over 60 professionals dedicated to performance and risk activities. Invesco Ltd.'s GPMR team, independent from portfolio management teams, are charged with providing comprehensive reporting that facilitates better understanding of performance quality and risk. This team provides regular reviews of the performance and risk attributes of the various investment team disciplines to senior management.

Invesco Ltd.'s senior management oversight structures also include:

- Reporting lines running from investment team CIOs who have day-to-day responsibility for investment team risk controls up to the Invesco Ltd. Senior Managing Director having management responsibility for the investment team.
- Quarterly and monthly reviews are performed based upon investment performance and risk analytics of each investment discipline produced by the GPMR. These reviews are conducted by the Chief Executive Officer (CEO) and those Senior Managing Directors who manage the investment teams.
- Review of operational controls and related corporate exposures by the Invesco Ltd. Corporate Risk Management Committee.
- Regular review of investment matters by the Invesco Ltd. Board of Directors, including quarterly reporting on investment performance data produced by the GPMR and related reviews by the CEO and Senior Managing Directors, as well as presentations (on a rotating basis) by investment team CIOs and other senior investment professionals.
- Additional reviews and support from Invesco Ltd.'s Compliance and Internal Audit functions.

These layers of controls are designed to provide enhanced transparency, reporting and risk assessment from and to the investment teams.

An effective foundation for a sound risk culture



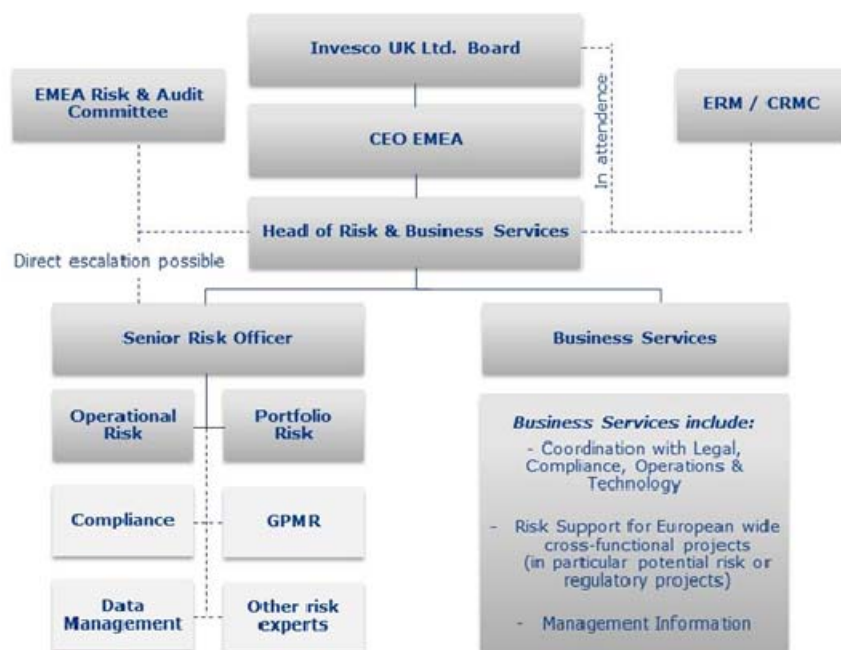
Invesco Ltd.'s Corporate Risk Management Committee consists of senior executives representing all of the company's major business functions including investment management, trading, information technology, portfolio operations, legal and compliance, finance and internal audit. The Committee exists to facilitate the timely and consistent top down identification, evaluation, monitoring and mitigation of operational and business risk on a consolidated basis. Relevant areas of focus have included operational controls regarding new investments (including matters such as the pricing and settlement of swaps and similar derivatives).

Augmenting this effort are strong internal audit and compliance teams. The Internal Audit team works closely with business units to improve the integrity, consistency and control of all operations. This team designs and leads audits of operations, compliance and financial reporting functions, and ensures appropriate implementation of Sarbanes-Oxley and other regulatory requirements. The Compliance team works with the business to establish and maintain policies and procedures designed to prevent, detect and correct violations of applicable laws and regulations and client investment guidelines. Portfolios are subject to daily compliance review. Compliance routinely monitors existing practices, policies and procedures, and reviews written policies and procedures at least annually. Reports on all exceptions, errors and other information are provided to senior management regularly or as necessary.

Independent risk function in Europe

Sybillé Hofmann, Head of Risk & Business Services - Europe, leads the firm's independent risk function (IRF) in Europe and has a team of risk specialists reporting to her who facilitate the risk monitoring process, covering both operational as well as portfolio risk, including credit, market and liquidity risk, for UCITS funds, a pooled vehicle structure that coordinates the distribution and management of unit trusts amongst countries within the European Union. Sybillé reports directly to James Robertson, Senior Managing Director of Invesco Ltd. and Head of Invesco in the UK and in Continental Europe.

Please refer to the diagram below which illustrates the framework in which the IRF in Europe functions:



Source: Invesco.

For illustration purposes only.

EMEA: Europe, the Middle East and Africa.

ERM: Enterprise Risk Management.

CRMC: Corporate Risk Management Committee.

The IRF is responsible for risk management policies and procedures which identify and mitigate risks relating to the firm's European business activities, processes and systems.

The role of risk includes ensuring compliance with the agreed risk profile and a defined risk alert system as well as regulatory limits, and adequate management reporting.

The IRF cooperates closely with other risk experts within the firm, in particular:

- **GPMR** focuses on the production of Value at Risk (VaR). Output from this measure is shared with the business, as well as the IRF for analysis and where, relevant, investigation.
- **Compliance** is responsible for monitoring all investment restrictions and risk alerts where set. Daily reports are produced and analysed; breaches of regulatory limits are immediately logged and allocated for resolution. Risk alerts trigger a discussion as to the reason and sensibility of the underlying investment and may not trigger any changes in the investments. Compliance also monitors general compliance with rules and regulations and escalates any risk findings to the IRF.
- **Data management** is responsible for security pricing or the oversight of it if completed by third party administrations. This includes OTC derivative pricing. Data management reports on stale pricing, pricing volatility and any other pricing matters.

The IRF is a key participant in the European New Instrument Committee (for the implementation of new instruments) as well as the European Pricing Committee (for the purpose of valuing securities for which market quotations are not readily available or other securities for which fair value needs to be determined).

Operational risk support the European functions and entities in setting risk appetite and risk tolerance levels where appropriate and monitoring linked Key Risk Indicators. An important part of the role is an independent challenge process in order to identify, assess and quantify risks in line with the set risk appetite.

The IRF also provides formal and informal reports to the firm's management on various topics, including capital adequacy or incidents. The IRF is also responsible for providing risk advice and facilitating the risk awareness culture across the business.

Although this document is not profiling UCITS, many of the risk controls that apply to these vehicles would also benefit the management of the underlying investment strategy within other investment vehicles.

Investment risk and Invesco Perpetual's Investment Oversight team

Invesco Perpetual's essential belief is that fund management is a skill and the inherent risks taken in managing money are those made by the fund managers themselves. One of the key tasks of the Henley-based Investment Oversight team, who report directly to Invesco Perpetual's CIO, is to facilitate the CIO challenge process. As described in greater detail overleaf, this process is implemented via challenge meetings that are attended by the CIO, the Head of Investment Oversight and the fund manager and seeks to check that the individuals managing money are doing so in a way that adds value to our clients. The objective is to review each fund manager bi-annually, although where particular issues are identified with performance or the investment process, these take precedence.

Risk management is an integral component of our investment process and is the product of the following factors:

Fund manager understanding

Fund managers effectively control stock-specific risk by ensuring that portfolios are always appropriately diversified. In-depth, continual analysis of the fundamentals of all holdings gives fund managers a comprehensive understanding of the financial risks associated with any particular stock.

Although we are always aware of the relative risk we are running – where relative risk is defined as the holding of investment positions that differ from the structure of the benchmark – we do not set out to manage the relative risk characteristics of our funds. A portfolio's relative risk characteristics will simply be a function of the investment decisions and absolute risk judgements that were made while constructing the portfolio.

Trading systems

All quantifiable portfolio investment parameters are entered into the internal portfolio management system which, subject to certain limitations, is designed to prevent inadmissible trades and to issue warnings to fund managers if a trade is likely to result in a parameter breach.

Continuous monitoring

At the total portfolio level, monthly performance, attribution and risk reports are produced by the Investment Oversight team, ensuring that fund managers adhere to their investment objectives, guidelines and parameters. There is also a culture of challenge and debate between fund managers regarding portfolio construction and risk.

CIO challenge process

The CIO challenge process is implemented via challenge meetings that are attended by the CIO, the Head of Investment Oversight and the fund manager. The CIO challenge process has four main aims:

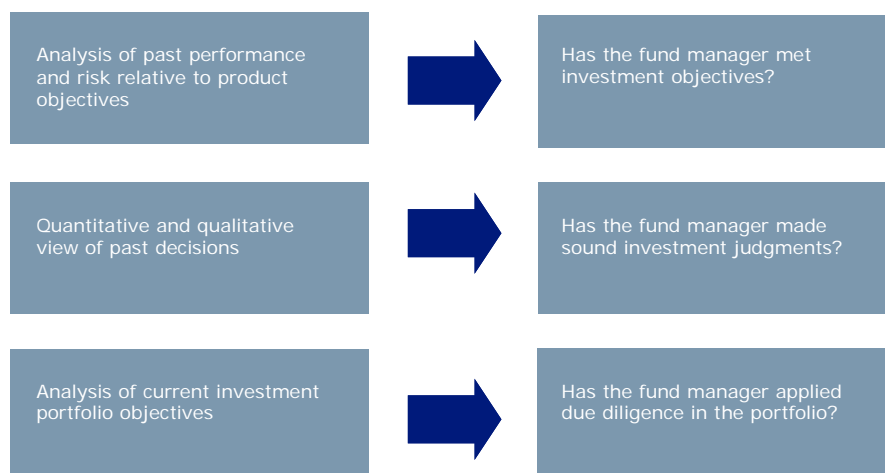
- **Transparency:** to understand a fund manager's rationale behind portfolio positioning and why certain decisions have been made.
- **Process:** to ensure that a fund manager is managing money in the way that has been clearly articulated to our clients.
- **Strategy:** to check that portfolio construction is consistent with the overall investment strategy and views of the fund manager.
- **Environment:** to ensure that fund managers are given the best environment to optimise their investment returns. This can range from exploring resourcing/personnel issues, looking at how teams are working/interacting together, ensuring that IT systems are adequate, individual contributions, capacity constraints, or any other issues that may adversely influence our ability to deliver quality investment decisions.

The challenge process is not prescriptive in its approach; it is both a qualitative and quantitative assessment of an individual or team's ability to successfully manage investments.

Our essential belief is that fund management is a skill and the inherent risks taken in managing money are those made by the fund managers themselves. The challenge process seeks to check that the individuals managing money are doing so in a way that adds value to our clients.

Fund managers are given the autonomy to back their investment judgment within the scope of fund mandates and regulations. We do not wish to put in place unnecessary restrictions which limit a fund manager's ability to back his/her own convictions in a stock or investment strategy. In an environment which allows such free thought, traditional controls and processes are limited in their application.

Although the CIO challenge process is a formal one, it is part of a cultural environment of challenge and rigor that exists on a day-to-day basis within our Henley investment center. The chart below illustrates this process:



There is no set agenda for these challenge meetings; this is dependent on the findings of the Investment Oversight team through their continuous monitoring. The meeting may cover some or all of the following:

- **Performance attribution:** where have portfolio returns been derived from?
- **Trading activity:** portfolio changes. How successful trading activity has been?
- **Macro-economic views:** does the portfolio reflect the wider economic view of the fund manager?
- **Investment process:** is the fund manager working within the stated process?
- **Style analysis:** what style is the fund manager adopting? While fund managers do not usually stipulate a particular style bias to their overall process, this analysis seeks to explain where their portfolio is positioned relative to the market in terms of financial characteristics, momentum measures and market-cap bias. This enables us to check the understanding of a fund manager's active positions against their investable universe.
- **Risk reporting:** to challenge/support where we believe our excess returns will come from.
- **Active positions:** where are major stock, industry, country or asset class bets being taken?

The aim of the CIO challenge process is to ensure that there is sufficient investment oversight in order that risks taken on behalf of our clients are understood and are considered appropriate. It is accepted that our business is judgemental and that potential impacts of these risks may materialise. However, core to the process is that risks taken are not incidental but are understood and taken with conviction.

Strategy overview

Asian ex Japan equity

Strategy name, management and objective	Benchmark	Concentration
Invesco Perpetual Asian Equity ex Australia strategy Stuart Parks The objective of this strategy is to achieve long-term capital growth by investing in securities of Asian companies.	MSCI AC Asia (ex-Japan)	55 – 85 stocks
Invesco Perpetual Asian Equity including Australia strategy Stuart Parks The strategy aims to achieve capital growth in Asia and Australasia, excluding Japan. The strategy intends to invest primarily in shares of companies in Asia and Australasia (excluding Japan), although it may include other Asian and Australasian related investments.	MSCI AC Asia Pacific	60 – 90 stocks
Invesco Perpetual Asian Equity Income strategy Stuart Parks and Tim Dickson The strategy aims to achieve a rising level of income together with long term capital growth by investing in the securities of companies throughout the Asia Pacific region including Australasia excluding Japan.	MSCI AC Asia Pacific (ex-Japan)	50 – 70 stocks

Appendix 1 – Asian Equities team biographies

Stuart Parks, Head of Asian Equities at Invesco Perpetual

Based in Henley-on-Thames, Stuart is Head of Asian Equities at Invesco Perpetual and is responsible for the management of a number of Asian equity portfolios. He began his investment career in 1985 at Wood MacKenzie, as a UK financial stocks analyst, before joining Glasgow Investment Managers where he spent three years as a UK equity fund manager. From 1990 onwards Stuart has specialised in the Asian equity markets. In the first instance, he joined London Life as a Far Eastern fund manager before gaining further exposure to the region with Swiss Bank Portfolio Management International and GAN Fund Managers. He joined our company in January 1994. Stuart holds an MA in Modern History from Oxford University and is a member of the UK Society of Investment Professionals (UKSIP).

Ian Hargreaves, CFA, Asian Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Ian manages pan-Asian portfolios alongside Stuart Parks and covers the entire Asian region in his research. He started his investment career with Invesco Asia Pacific in Hong Kong in 1994 as an investment analyst where he was responsible for coverage of Indonesia, Korea and the Indian sub-continent, as well as managing several regional institutional client accounts. In January 2005, Ian decided to return to the UK to join Invesco Perpetual's Asian Equities team. Ian holds a BA (Honours) in Chinese Studies from Durham University and is a CFA charterholder.

Tim Dickson, CFA, Asian Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Tim is responsible for the management of a number of Asian equity mandates, specialising in Asian equity income investing. He began his career in 1993 with the Bank of England, where he joined its Banking Supervision team before specialising as an Asian analyst within its highly regarded International division. Building on his central bank experience, in particular within the Asian territories, Tim joined F&C Investments in 1998, where he became an assistant director on their Pacific equities desk. He then joined Scottish Widows Investment Partnership in 2005 as an investment director covering global emerging markets and Asia before joining our company in August 2008. Tim holds a BSc in Economics from the City University, an MSc in Economics from the University of London and is a CFA charterholder.

William Lam, CFA, Asian Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, William is responsible for idea generation and stock selection within a number of Asian equity mandates. William began his career in 1995, joining the John Lewis Partnership and then Deloitte in 1998, where he qualified as a chartered accountant. In 2001, he joined Orbis Investment Advisory as a global investment analyst, specialising in the telecommunications and technology sectors, before joining our company in May 2006. He holds an MA in Psychology and Philosophy from Oxford University, an MSc in Music Technology from York University, and is a CFA charterholder.

John Pellegry, CFA, Asian Equities Product Director at Invesco Perpetual

Based in Henley-on-Thames, John is responsible for representing Invesco Perpetual's Asian equities investment capabilities to external and internal clients. He began his investment career in 1997, joining The Bank of New York in Brussels, before joining Credit Agricole Indosuez, then JP Morgan Chase in Luxembourg, holding a variety of global custody positions. He then joined our company in 2003 as an investment communications specialist based in Brussels, before joining the Asian Equities team in Henley-on-Thames in November 2007 as product manager. He holds a BSc in Management from the University of Massachusetts, an MBA from McGill University and is a CFA charterholder.

Contact details

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The information contained in this document relating to the composition of the portfolio of any portfolio advised or managed by us or any of our associated companies is confidential. It is disclosed to you on the strict basis you will 1) use it only for the purpose of analysing this document, 2) disclose it only to those of your staff and professional advisers who need to know it for the purposes of such analysis and 3) not disclose it, or permit it to be disclosed, in any way, other than as mentioned in 2).

All data is as at 31 December 2011, sourced from Invesco Perpetual/Invesco unless otherwise stated.

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.

Where Invesco Perpetual/Invesco has expressed views and opinions, these may change.

Past performance is not a guide to future returns.

Invesco Perpetual is a business name of Invesco Asset Management Limited.



Strategy profile

Asia Pacific (inc. Japan) equities

Invesco Perpetual

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Corporate overview

Invesco Ltd.

Invesco Ltd. is one of the world's leading independent global investment management organizations serving retail, institutional and high-net-worth clients around the world. Our sole focus is investment management; with no distractions from competing interests, all our global resources and local commitment are focused on providing clients with the investment expertise and client service they seek.

To achieve our mission of helping investors worldwide build their financial security, Invesco Ltd. draws on the strength of its global resources.

With US\$625.3 billion (£402.1 billion/EUR481.5 billion)¹ in assets under management, specialized investment teams with distinct perspectives deliver diversified investment strategies ranging from major equity and fixed income asset classes to other alternative asset classes including real estate, private equity and commodities. These strategies are managed across investment centers worldwide, each of which focuses on distinct asset classes, investment styles or regional expertise and adheres to clearly defined investment philosophies aligned with client expectations.

To further strengthen our investment culture, we also maintain an active Investors Forum that consists of senior investment professionals from each investment centre. Co-Chaired by Senior Managing Directors, Bob Yerbury and Karen Dunn Kelley, the role of the Investors Forum is primarily to foster, promote and grow investment excellence across the organisation.

Our distinctive combination of independent thought within individual investment centers and collaboration across investment centers provides clients the reach and resources of a global organization and the focus and attention of a boutique firm: our investment capabilities are both diverse and specialized; we are global in reach yet local in presence and our processes are disciplined yet can be delivered in customized ways. All of which distinctively positions Invesco Ltd. to keep pace with clients' evolving investment needs worldwide.

Invesco Perpetual

Invesco Perpetual is a business name of Invesco Asset Management Limited and forms part of Invesco Ltd.

With US\$88.3 billion (£56.8 billion/EUR68.0 billion)² in assets under management² and located in Henley on Thames (Henley), our investment team structure exhibits many of the advantages of a boutique firm structure, albeit part of a larger organization: small high-quality teams; the location of the team away from the main UK investment centers, fostering a culture of independent thought in an environment where challenge and discussion are encouraged, and thrive; the recognition of personal skill as a source of value; the 'world under one roof' – constant team-wide macroeconomic debate; typically roles of portfolio manager and analyst are combined.

Our highly experienced investment team consists of 43 investment professionals with an average 17 years' investment experience³. We believe that a focused and highly-experienced team provides the best means of maximizing value that we can generate for our clients by continuing to adopt a long-term, active approach to investment.

All data as at 31 December 2011 unless otherwise noted.

¹ Source: Invesco Ltd.

Invesco Ltd. AuM includes all assets under advisement, distributed and overseen by Invesco Ltd. and its affiliate Invesco Powershares which has an agreement with Deutsche Bank to provide certain marketing services for the Powershares DB products. Neither firm is affiliated with Deutsche Bank.

² Total assets managed by Invesco Perpetual's Henley-based investment centre.

³ Henley-based Invesco Perpetual portfolio managers and analysts only.

Our business

Investment firms can make claims regarding the benefits of their approach and organisation structure, whether that be an investment team that is centrally located, against one that is locally located, those that are aligned geographically versus those that are aligned by industry sector. Whilst there are pros and cons to each approach, IAML does not believe that this is an important factor in delivering long-term investment outperformance.

Invesco Perpetual's business is built on the following tenets:

Consistency:

Invesco Perpetual was founded in 1973 with the aim of being an autonomous global investment management team and today, as part of the larger Invesco group, we remain passionately focused on that original aim. Today, from our office in Henley, Oxfordshire, we invest across 40 stock markets, over 500 companies globally and travel extensively to meet companies and their management.

Stability:

Turnover within our investment team is low, and the stability of the team is a factor in helping us in our aim to deliver long-term sustainable outperformance. We believe that the unique location of our team in Henley, away from the main UK investment centres, between London and Oxford, assists in providing a balance between work, family and community that forms the basis of the team's stability.

Culture:

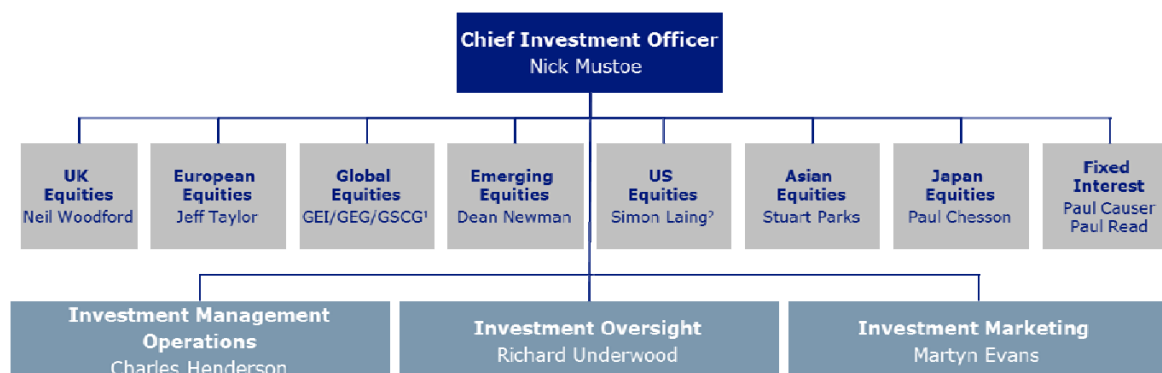
Another factor is the investment culture of the firm. We believe that investment management must be undertaken in an environment where the investment team are focused on longer-term performance and where portfolio managers are given the opportunity to stand by their convictions. Adopting this approach, however, means we may endure periods of underperformance.

We have always fostered a culture of accountability, with performance being the single largest contributor to a portfolio manager's remuneration. With that accountability comes greater responsibility, and our portfolio managers are aided in this by a robust risk management process.

Investment team & assets under management

Investment teams

IAML's Henley-based investment team is structured as follows:



¹ Global Equity Income team/Global Equity Group/Global Smaller Companies Group.

² With effect from 9 January 2012.

Within the team, the portfolio manager of each portfolio determines, and has sole responsibility for, the investments in his portfolio. However, given the team structure and the collaborative approach to investment analysis, it is not uncommon to see significant overlap across our Asian equity portfolios. We have set out below an overview of the decision makers within the team.

Asia Pacific (inc. Japan) equities investment professionals

Asia Pacific (inc Japan) equities portfolios are lead managed by Stuart Parks, Head of the Asia ex-Japan Equities team. While Stuart manages the Asia ex-Japan equity portion of the portfolios, Paul Chesson, Head of the Japanese Equities team based in the Henley investment centre, manages the Japanese equity portions.

Full biographies have been set out in the **Appendix 2**.

Name	Role	Years in team	Years of experience
Asian Equities team			
Stuart Parks	Head of Asian equities team	18	27
Ian Hargreaves	Asian equities portfolio manager	17	17
William Lam	Asian equities portfolio manager	6	11
Tim Dickson	Asian equities portfolio manager	3	19
Japanese Equities team			
Paul Chesson	Head of Japanese equities team	19	21
Tony Roberts	Japanese equities portfolio manager	12	16

Assets under management

Region	AuM US\$ million	AuM £ million	AuM EURO million
Asia Pacific mandates only	396.61	255.21	305.55
Total assets managed by Asian Equities team (ex Asia Pacific mandates)	7,786.30	5,029.08	5,998.68
Total assets managed by Japanese Equities team (ex Asia Pacific mandates)	1,305.32	839.92	1,005.64
Total	9,091.62	5,869.00	7,004.32

Investment philosophy & process

Investment philosophy

At the core of IAML's Henley-based investment center's investment philosophy is a belief in active investment management. Fundamental principles drive a genuinely unconstrained investment approach, which aims to deliver attractive total returns over the long term.

We believe that investors' behavioural biases repeatedly give rise to short-term market inefficiencies. To a large extent, these inefficiencies derive from three interlinked sources:

- Markets often overreact by placing undue focus on near-term issues
- Market expectations are often overly influenced by the extrapolation of current trends
- Markets respond to momentum and other technical drivers as well as to fundamentals

By exploiting these market inefficiencies through careful fundamental analysis and a strong emphasis on valuation, we aim to deliver consistent, long-term outperformance under most market conditions.

Asset allocation

The investment and asset allocation process begins with a top-down view of Asia ex-Japan and Japanese economies. Using input from the Japanese Equities team, Stuart Parks evaluates and compares the medium-term outlook for Japan versus Asia ex-Japan, focusing on potential earnings growth and relative valuations. Allocation decisions are based on the medium-term outlook for both regions and tend to remain stable over time, i.e., large short-term allocation swings are very rare.

Stuart Parks retains the ability to deviate substantially from the benchmark when determining the allocation to Japan. The size of this deviation is driven by his level of conviction that one region will outperform. The maximum underweight in Japan is typically half the index weight.

Investment process

Our approach to Asia ex-Japan equity investment comprises the following principal components:

Active:

We are conviction investors, actively managing portfolios and investing where we believe the best returns are to be found irrespective of the benchmark.

Top-down and bottom-up fundamental analysis:

We combine detailed top-down and bottom-up fundamental analysis, both for new idea generation and the ongoing evaluation of existing holdings in our portfolios. Bottom-up analysis is the main focus for both and is expected to be the largest contributor to alpha generation. Notwithstanding this, understanding the macro background provides a critical component of the bottom-up research process, providing the context against which this research takes place. It may also influence portfolio construction, at country and sector levels, particularly at inflection points in the market or economic cycle. In our fundamental analysis we incorporate internal proprietary research, selected externally sourced research and extensive company contact.

Valuation:

We are valuation driven. Valuation determines whether a stock is an attractive investment or not. Our focus is on identifying those companies whose current and future prospects are not reflected in their valuations and where there is confidence for this mis-valuation to be recognised by the market.

Pragmatic and flexible:

There is no inbuilt country, sector, stock, market capitalisation or style bias within our investment approach. This gives the portfolio managers the freedom to position the portfolios in response to underlying market conditions and the availability of investment opportunities. Consequently, they may change significantly over time.

Conviction portfolios

We often take contrarian views, but this is on a considered, not an automatic, basis. We believe in investing where the best potential returns are to be found, irrespective of the relative importance of a stock's weight in the benchmark and our portfolios will reflect the level of our conviction. We are prepared to stand by our views through a period of underperformance if we are confident that our strategy will deliver superior performance over a longer period.

Liquidity trend analysis

Of particular importance is a focus on liquidity conditions, which in Asia perhaps more than any other region, is the key determinant in shaping the environment for equities.

- Liquidity is best gauged by changes to balance of payments conditions
- Findings of liquidity trend analysis determine the portfolio bias to growth or value stocks, large vs. small caps
- A projected deterioration of liquidity conditions will emphasise the need for capital preservation

Due to the importance of liquidity flows as a driver of valuations in the region, the top-down macroeconomic view forms a key input into the investment and asset allocation process, influencing both portfolio construction and stock selection. However, the bottom-up analysis remains the key driver of the stock selection process and is expected to be the main contributor to alpha generation within portfolios.

Research approach

The equity research function is not separated from the function of the portfolio manager. This is an important distinction and one we believe is central to the team's success. All members of the team have a generalist, rather than a specialist research role. By adopting a generalist approach to research responsibilities, the team avoids the drawbacks of over-specialisation and the subsequent loss of broad market perspective that this might entail.

It also allows us to take full advantage of our top-down macro work, by giving us the flexibility to focus our research in areas where we believe that the best investment opportunities are currently to be found, whilst at the same time ensuring that no part of the market is left uncovered. Additionally, individual team members will often have detailed knowledge of particular stocks or sectors of the market and we look to take full advantage of such expertise.

The majority of our research is qualitative and divides naturally between top-down macro analysis and bottom-up stock research.

Investment universe

Within the restrictions as to where our portfolios can invest, our universe theoretically covers all stocks that are quoted in Asia and Japan. In practice, Stuart Parks has created an investable universe of around 500 stocks in Asia ex Japan, while Paul Chesson and the Japanese Equities team cover the primary constituents of the TOPIX index, most of which has been covered in detail for a considerable period of time.

In Asia ex Japan, our investable universe has been narrowed down further by eliminating companies on the basis of size, liquidity and quality of management and corporate governance. It can be summarised, as follows:

- Size: liquidity factors and the size of the portfolios that we manage mean that we rarely hold companies with a market capitalisation of below US\$300m.
- Liquidity: we aim to be able to enter and exit the majority of positions over 5 trading days while accounting for no more than 50% of each day's trading volume.
- Management quality/corporate governance: some companies are excluded from the investment universe due to concerns over quality of management and corporate governance issues.

Macro environment – top-down research

Significant time is dedicated to the understanding and forecasting of current and future macroeconomic conditions. In particular, how this might impact the relative attractiveness of individual sectors and the impact it may have on stocks at the micro level. This recognises the fact that the influence of the changing macro environment on individual sector/company fundamentals will vary through the course of the economic cycle and that this needs to be reflected in portfolios and the bottom-up research emphasis. Understanding of the macroeconomic environment is primarily undertaken through:

- Analysis of a broad range of leading macroeconomic, political and social indicators
- Reviewing the analysis and expectations of external economists and strategists
- Company meetings
- The Henley 'World under one roof' structure, which encourages continual macro debate

Bottom-up research and stock selection

The bottom-up research focus is driven by the combination of output from the top-down macro analysis with internally and externally generated stock ideas. The top-down analysis will help identify the type of companies that might be attractive.

Stock ideas are driven by:

- Corporate news flow
- Share price movements
- Earnings revisions
- Company meetings
- Sell side analysts
- Screening for mispricing
- Macroanalysis
- Discussions with colleagues

While we are looking for new investment ideas we are constantly applying the same scrutiny to the companies we already hold in our portfolios. At a stock level we are looking for companies we consider to be attractively valued and to have a positive outlook and/or improving growth prospects where we can find them. A broad evaluation of the quality and the prospects for the company is undertaken. This involves an understanding of the company's competitive positioning, strategic advantages and the quality and alignment of management. Our focus is on current, and future earnings, and where the team believes they may be different from market expectations. The team does remain aware of the limitations of accounting earnings (e.g. the use of extra ordinaries) and the assumptions inherent in the stock valuation.

Once an idea has been generated, it is subjected to further analysis to allow us to reach a considered judgement on the stock's valuation and to arrive at an investment decision. This further analysis can be broken down into three components:

- **Examination of broker research on the company, and discussion with the relevant investment analysts**
External analysis is not used for any ultimate buy or sell recommendation. Rather, we compare the assumptions behind the research to our own, in order to form a judgment on valuation.
- **Meeting company management**
This is to obtain a better understanding of the nature of the business, its key drivers, competitive position and the achievability of management goals. Our research is structured to give us a detailed understanding of a company's key historical and future business drivers, such as demand for its products, pricing power, market share trends, cash flow and management strategy. This enables us to form an opinion on a company's competitive position, its strategic advantages/disadvantages and the quality of its management.

From such meetings:

- We believe we can garner an improved understanding of the near- and longer-term prospects of a company and the quality of its management
- It also gives us a forum to challenge their assumptions and predictions in person as well as ensuring that management understands our priorities as a shareholder.
- Provides us with valuable information regarding the state of the broader economy and the businesses of a company's suppliers, customers and competitors. This analysis is then considered in conjunction with a stock's current and prospective valuation, enabling us to determine whether or not the stock is attractively valued.
- Determine where there are sizable differences between consensus expectations and what the company expects to realistically achieve.

Each portfolio manager of the Asian Equities team travels to the region between three and four times per year. In total the team has contact with around 700 companies a year. Approximately 250 of these meetings will be on-site, with the remainder split between conference calls and in-house meetings.

Our Japanese Equities team similarly has an extensive programme of company meetings and visits also, with approximately 200 one-on-one company meetings per year, visiting Japan 8 times per year.

- **Proprietary research**

This is to arrive at a judgement on valuation. We can look at quantitative measures as a guide to this, but it will also involve qualitative judgements on aspects such as the quality of a company's products and services, the risks to which it is exposed, the strength of its management team and the presence of any unique characteristics or tangible advantage over competitors.

Valuation

Valuation analysis is a key part of our process and it determines whether a stock is attractive or not. A company's valuation is considered in the context of its expected earnings. Our emphasis is on identifying companies with lower than average levels of valuation where we see this as unjustified. While we look at the stock valuation compared to the market as a whole, we also look for stocks that are attractively valued in absolute terms. In some cases, the prospects for a company will not have changed significantly, however by comparing the current valuation against its history, and its competitors, we may feel that the company is simply undervalued.

There is no one single valuation measure which can be used for this purpose. The valuation technique will depend on the type of company being analyzed and what we feel is most appropriate for the individual stock or the sector it is in. However, the core measure used is price/earnings, which we see as capturing a blend of other measures. In certain cases, asset based measures are useful, particularly in situations where corporate assets may become biddable.

External research

As mentioned, in addition to original research, our portfolio managers devote considerable resource to the assessment of research produced by external organisations, including that of brokerage houses, independent research firms and technical analysts. We believe that the resulting relationships with a small number of leading firms, based on mutual respect, enhances the quality of the investment dialogue. For each sector, portfolio managers typically have two or three external analysts with whom they maintain close contact and whose judgement they value. We are then able to compare our own research with consensus expectations, identifying gaps where the market is over-pessimistic and over-optimistic. It should be emphasised that external research is used purely as an input, as opposed to being the driver of the decision-making process.

This combination of in-house analysis with the use of well-placed and well-informed contacts within the broking community provides the portfolio managers with the necessary basis for understanding their markets at all levels, allowing for a synthesis of 'top down' and 'bottom-up' investment analysis.

Portfolio management is a judgemental business and the major scope to add value is in the interpretation that our portfolio management teams place on the available information. The experience of portfolio managers in this respect is critical and key to the Asian and Japanese Equities teams' success.

Portfolio construction

The aim of the construction process is to maximise exposure to the most attractive stocks and sectors, within a portfolio structure which reflects the manager's view of the macroeconomic environment. The size of weightings reflects a manager's view of the attractiveness of a stock and the degree of conviction. Portfolio construction is based on a combination of the outputs from our top-down macro and bottom-up stock research. The former will be the primary influence on sector allocation, while the latter determines stock selection within each sector.

Whilst we are aware of the composition of the benchmark index, and this will influence our judgment about sector exposure, we are not driven by it. Sectors are not homogenous so sector weightings can be a poor guide to true exposures. If we do not consider a stock to be a good investment, then we will not own it, irrespective of its weight in the index. As a result, where possible within the context of the market any stock held within our portfolios is an expression of a positive view.

Portfolio restrictions

There are no restrictions at a stock level other than regulatory restrictions. However, the following portfolio guidelines are used when constructing the Asia Pacific (inc Japan) portfolios:

- Average holding size: 1%
- Maximum holding size 10%
- Maximum cash holding 10%
- The typical number of stocks in the portfolio are as follows:

Asia	50 - 70
Australia	5 – 15
Japan	35 – 70

There are no restrictions on the market cap weightings relative to the benchmark. The size of our individual stock positions is not closely linked to market index weights and there are no restrictions on the country weighting relative to the benchmark.

Buy and sell decisions

The Asian and Japanese Equities teams actively monitor their sub-portfolios on a continuous basis, making investment decisions based on the output of the investment process and the investment parameters applicable to each individual portfolio. The buy and sell decision-making process is driven by fundamental analysis, with responsibility for all decisions lying with the portfolio manager, although they are normally preceded by discussion and consultation with other members of the team.

Sell decisions are typically driven by a:

- Change in liquidity conditions
- Stock becoming over-valued
- Deterioration in fundamentals
- More attractive opportunity elsewhere

Risk management

Each investment team, as a part of Invesco Ltd., employs a multi-faceted approach to oversight and risk management. In the first instance, each investment team has embedded risk controls within its investment management discipline, including review and oversight processes tailored to its philosophy and objectives. Details of this as it pertains to Invesco Perpetual are provided from **page 15, Investment risk and Invesco Perpetual's Investment Oversight team.**

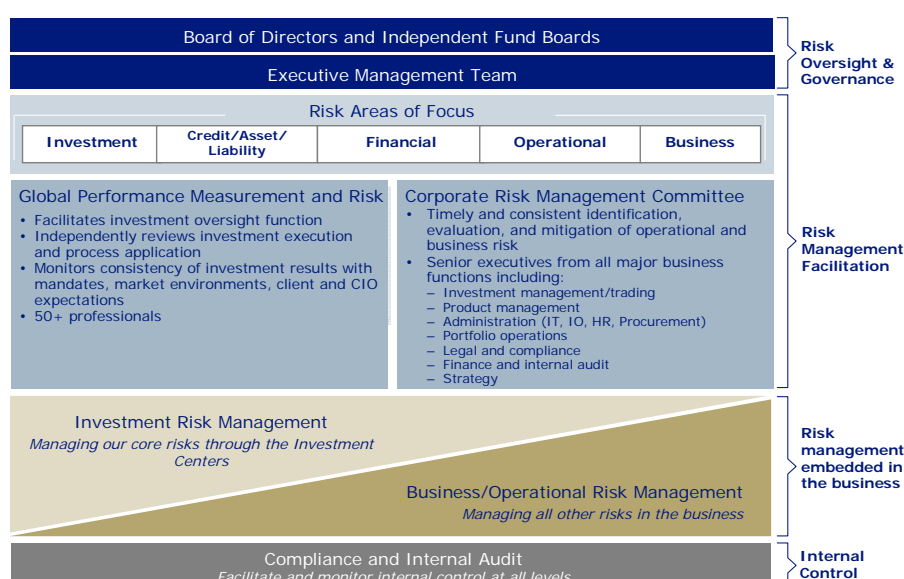
These investment teams' processes are bolstered and overseen by multi-dimensional independent controls. These controls include the Global Performance Measurement and Risk (GPMR) team with over 60 professionals dedicated to performance and risk activities. Invesco Ltd.'s GPMR team, independent from portfolio management teams, are charged with providing comprehensive reporting that facilitates better understanding of performance quality and risk. This team provides regular reviews of the performance and risk attributes of the various investment team disciplines to senior management.

Invesco Ltd.'s senior management oversight structures also include:

- Reporting lines running from investment team CIOs who have day-to-day responsibility for investment team risk controls up to the Invesco Ltd. Senior Managing Director having management responsibility for the investment team.
- Quarterly and monthly reviews are performed based upon investment performance and risk analytics of each investment discipline produced by the GPMR. These reviews are conducted by the Chief Executive Officer (CEO) and those Senior Managing Directors who manage the investment teams.
- Review of operational controls and related corporate exposures by the Invesco Ltd. Corporate Risk Management Committee.
- Regular review of investment matters by the Invesco Ltd. Board of Directors, including quarterly reporting on investment performance data produced by the GPMR and related reviews by the CEO and Senior Managing Directors, as well as presentations (on a rotating basis) by investment team CIOs and other senior investment professionals.
- Additional reviews and support from Invesco Ltd.'s Compliance and Internal Audit functions.

These layers of controls are designed to provide enhanced transparency, reporting and risk assessment from and to the investment teams.

An effective foundation for a sound risk culture



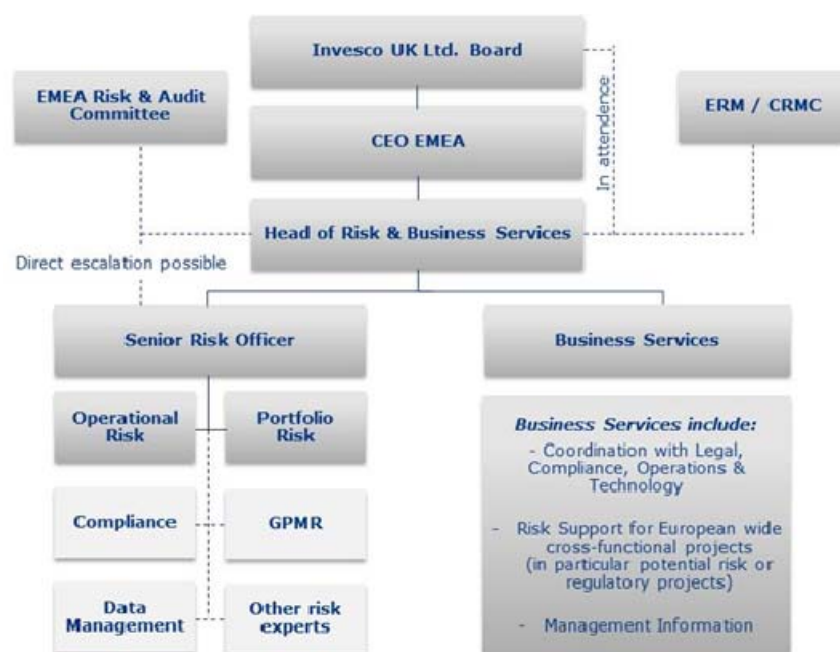
Invesco Ltd.'s Corporate Risk Management Committee consists of senior executives representing all of the company's major business functions including investment management, trading, information technology, portfolio operations, legal and compliance, finance and internal audit. The Committee exists to facilitate the timely and consistent top down identification, evaluation, monitoring and mitigation of operational and business risk on a consolidated basis. Relevant areas of focus have included operational controls regarding new investments (including matters such as the pricing and settlement of swaps and similar derivatives).

Augmenting this effort are strong internal audit and compliance teams. The Internal Audit team works closely with business units to improve the integrity, consistency and control of all operations. This team designs and leads audits of operations, compliance and financial reporting functions, and ensures appropriate implementation of Sarbanes-Oxley and other regulatory requirements. The Compliance team works with the business to establish and maintain policies and procedures designed to prevent, detect and correct violations of applicable laws and regulations and client investment guidelines. Portfolios are subject to daily compliance review. Compliance routinely monitors existing practices, policies and procedures, and reviews written policies and procedures at least annually. Reports on all exceptions, errors and other information are provided to senior management regularly or as necessary.

Independent risk function in Europe

Sybillie Hofmann, Head of Risk & Business Services - Europe, leads the firm's independent risk function (IRF) in Europe and has a team of risk specialists reporting to her who facilitate the risk monitoring process, covering both operational as well as portfolio risk, including credit, market and liquidity risk, for UCITS funds, a pooled vehicle structure that coordinates the distribution and management of unit trusts amongst countries within the European Union. Sybillie reports directly to James Robertson, Senior Managing Director of Invesco Ltd. and Head of Invesco in the UK and in Continental Europe.

Please refer to the diagram below which illustrates the framework in which the IRF in Europe functions:



Source: Invesco.

For illustration purposes only.

EMEA: Europe, the Middle East and Africa.

ERM: Enterprise Risk Management.

CRMC: Corporate Risk Management Committee.

The IRF is responsible for risk management policies and procedures which identify and mitigate risks relating to the firm's European business activities, processes and systems.

The role of risk includes ensuring compliance with the agreed risk profile and a defined risk alert system as well as regulatory limits, and adequate management reporting.

The IRF cooperates closely with other risk experts within the firm, in particular:

- **GPMR** focuses on the production of Value at Risk (VaR). Output from this measure is shared with the business, as well as the IRF for analysis and where, relevant, investigation.
- **Compliance** is responsible for monitoring all investment restrictions and risk alerts where set. Daily reports are produced and analysed; breaches of regulatory limits are immediately logged and allocated for resolution. Risk alerts trigger a discussion as to the reason and sensibility of the underlying investment and may not trigger any changes in the investments. Compliance also monitors general compliance with rules and regulations and escalates any risk findings to the IRF.
- **Data management** is responsible for security pricing or the oversight of it if completed by third party administrations. This includes OTC derivative pricing. Data management reports on stale pricing, pricing volatility and any other pricing matters.

The IRF is a key participant in the European New Instrument Committee (for the implementation of new instruments) as well as the European Pricing Committee (for the purpose of valuing securities for which market quotations are not readily available or other securities for which fair value needs to be determined).

Operational risk support the European functions and entities in setting risk appetite and risk tolerance levels where appropriate and monitoring linked Key Risk Indicators. An important part of the role is an independent challenge process in order to identify, assess and quantify risks in line with the set risk appetite.

The IRF also provides formal and informal reports to the firm's management on various topics, including capital adequacy or incidents. The IRF is also responsible for providing risk advice and facilitating the risk awareness culture across the business.

Although this document is not profiling UCITS, many of the risk controls that apply to these vehicles would also benefit the management of the underlying investment strategy within other investment vehicles.

Investment risk and Invesco Perpetual's Investment Oversight team

Invesco Perpetual's essential belief is that fund management is a skill and the inherent risks taken in managing money are those made by the fund managers themselves. One of the key tasks of the Henley-based Investment Oversight team, who report directly to Invesco Perpetual's CIO, is to facilitate the CIO challenge process. As described in greater detail overleaf, this process is implemented via challenge meetings that are attended by the CIO, the Head of Investment Oversight and the fund manager and seeks to check that the individuals managing money are doing so in a way that adds value to our clients. The objective is to review each fund manager bi-annually, although where particular issues are identified with performance or the investment process, these take precedence.

Risk management is an integral component of our investment process and is the product of the following factors:

Fund manager understanding

Fund managers effectively control stock-specific risk by ensuring that portfolios are always appropriately diversified. In-depth, continual analysis of the fundamentals of all holdings gives fund managers a comprehensive understanding of the financial risks associated with any particular stock.

Although we are always aware of the relative risk we are running – where relative risk is defined as the holding of investment positions that differ from the structure of the benchmark – we do not set out to manage the relative risk characteristics of our funds. A portfolio's relative risk characteristics will simply be a function of the investment decisions and absolute risk judgements that were made while constructing the portfolio.

Trading systems

All quantifiable portfolio investment parameters are entered into the internal portfolio management system which, subject to certain limitations, is designed to prevent inadmissible trades and to issue warnings to fund managers if a trade is likely to result in a parameter breach.

Continuous monitoring

At the total portfolio level, monthly performance, attribution and risk reports are produced by the Investment Oversight team, ensuring that fund managers adhere to their investment objectives, guidelines and parameters. There is also a culture of challenge and debate between fund managers regarding portfolio construction and risk.

CIO challenge process

The CIO challenge process is implemented via challenge meetings that are attended by the CIO, the Head of Investment Oversight and the fund manager. The CIO challenge process has four main aims:

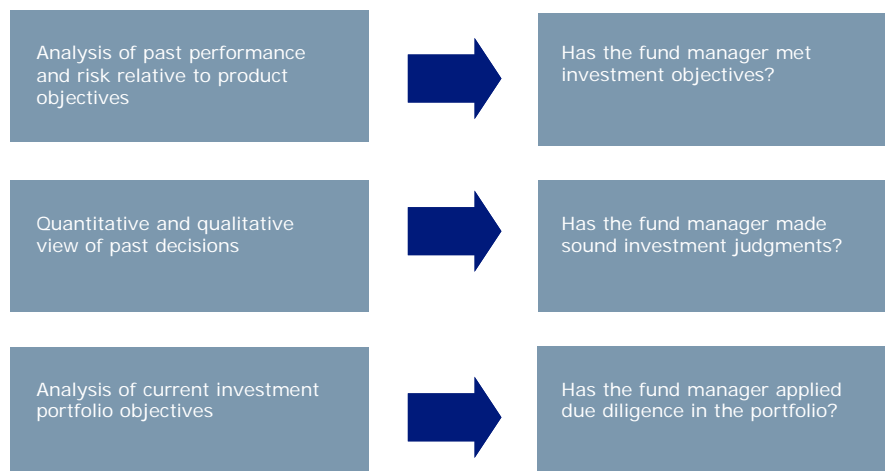
- **Transparency:** to understand a fund manager's rationale behind portfolio positioning and why certain decisions have been made.
- **Process:** to ensure that a fund manager is managing money in the way that has been clearly articulated to our clients.
- **Strategy:** to check that portfolio construction is consistent with the overall investment strategy and views of the fund manager.
- **Environment:** to ensure that fund managers are given the best environment to optimise their investment returns. This can range from exploring resourcing/personnel issues, looking at how teams are working/interacting together, ensuring that IT systems are adequate, individual contributions, capacity constraints, or any other issues that may adversely influence our ability to deliver quality investment decisions.

The challenge process is not prescriptive in its approach; it is both a qualitative and quantitative assessment of an individual or team's ability to successfully manage investments.

Our essential belief is that fund management is a skill and the inherent risks taken in managing money are those made by the fund managers themselves. The challenge process seeks to check that the individuals managing money are doing so in a way that adds value to our clients.

Fund managers are given the autonomy to back their investment judgment within the scope of fund mandates and regulations. We do not wish to put in place unnecessary restrictions which limit a fund manager's ability to back his/her own convictions in a stock or investment strategy. In an environment which allows such free thought, traditional controls and processes are limited in their application.

Although the CIO challenge process is a formal one, it is part of a cultural environment of challenge and rigor that exists on a day-to-day basis within our Henley investment center. The chart below illustrates this process:



There is no set agenda for these challenge meetings; this is dependent on the findings of the Investment Oversight team through their continuous monitoring. The meeting may cover some or all of the following:

- **Performance attribution:** where have portfolio returns been derived from?
- **Trading activity:** portfolio changes. How successful trading activity has been?
- **Macro-economic views:** does the portfolio reflect the wider economic view of the fund manager?
- **Investment process:** is the fund manager working within the stated process?
- **Style analysis:** what style is the fund manager adopting? While fund managers do not usually stipulate a particular style bias to their overall process, this analysis seeks to explain where their portfolio is positioned relative to the market in terms of financial characteristics, momentum measures and market-cap bias. This enables us to check the understanding of a fund manager's active positions against their investable universe.
- **Risk reporting:** to challenge/support where we believe our excess returns will come from.
- **Active positions:** where are major stock, industry, country or asset class bets being taken?

The aim of the CIO challenge process is to ensure that there is sufficient investment oversight in order that risks taken on behalf of our clients are understood and are considered appropriate. It is accepted that our business is judgemental and that potential impacts of these risks may materialise. However, core to the process is that risks taken are not incidental but are understood and taken with conviction.

Strategy overview

Portfolio name and objective	Benchmark / Sector peer group	Number of stocks
Invesco Perpetual Asia Pacific (inc Japan) strategy Stuart Parks The strategy aims to achieve capital growth in the Far East, including Australasia. The strategy intends to invest primarily in shares of companies in the Far East, although it may include other Far Eastern related investments.	MSCI AC Pacific	85 - 105

Appendix 1 – biographies

Asian Equities ex Japan team

Stuart Parks, Head of Asian Equities at Invesco Perpetual

Based in Henley-on-Thames, Stuart is Head of Asian Equities at Invesco Perpetual and is responsible for the management of a number of Asian equity portfolios. He began his investment career in 1985 at Wood MacKenzie, as a UK financial stocks analyst, before joining Glasgow Investment Managers where he spent three years as a UK equity fund manager. From 1990 onwards Stuart has specialised in the Asian equity markets. In the first instance, he joined London Life as a Far Eastern fund manager before gaining further exposure to the region with Swiss Bank Portfolio Management International and GAN Fund Managers. He joined our company in January 1994. Stuart holds an MA in Modern History from Oxford University and is a member of the UK Society of Investment Professionals (UKSIP).

Ian Hargreaves, CFA, Asian Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Ian manages pan-Asian portfolios alongside Stuart Parks and covers the entire Asian region in his research. He started his investment career with Invesco Asia Pacific in Hong Kong in 1994 as an investment analyst where he was responsible for coverage of Indonesia, Korea and the Indian sub-continent, as well as managing several regional institutional client accounts. In January 2005, Ian decided to return to the UK to join Invesco Perpetual's Asian Equities team. Ian holds a BA (Honours) in Chinese Studies from Durham University and is a CFA charterholder.

Tim Dickson, CFA, Asian Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Tim is responsible for the management of a number of Asian equity mandates, specialising in Asian equity income investing. He began his career in 1993 with the Bank of England, where he joined its Banking Supervision team before specialising as an Asian analyst within its highly regarded International division. Building on his central bank experience, in particular within the Asian territories, Tim joined F&C Investments in 1998, where he became an assistant director on their Pacific equities desk. He then joined Scottish Widows Investment Partnership in 2005 as an investment director covering global emerging markets and Asia before joining our company in August 2008. Tim holds a BSc in Economics from the City University, an MSc in Economics from the University of London and is a CFA charterholder.

William Lam, CFA, Asian Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, William is responsible for idea generation and stock selection within a number of Asian equity mandates. William began his career in 1995, joining the John Lewis Partnership and then Deloitte in 1998, where he qualified as a chartered accountant. In 2001, he joined Orbis Investment Advisory as a global investment analyst, specialising in the telecommunications and technology sectors, before joining our company in May 2006. He holds an MA in Psychology and Philosophy from Oxford University, an MSc in Music Technology from York University, and is a CFA charterholder.

John Pellegrini, CFA, Asian Equities Product Director at Invesco Perpetual

Based in Henley-on-Thames, John is responsible for representing Invesco Perpetual's Asian equities investment capabilities to external and internal clients. He began his investment career in 1997, joining The Bank of New York in Brussels, before joining Credit Agricole Indosuez, then JP Morgan Chase in Luxembourg, holding a variety of global custody positions. He then joined our company in 2003 as an investment communications specialist based in Brussels, before joining the Asian Equities team in Henley-on-Thames in November 2007 as product manager. He holds a BSc in Management from the University of Massachusetts, an MBA from McGill University and is a CFA charterholder.

Japan Equities team

Paul Chesson - Head of Japanese Equities at Invesco Perpetual

Based in Henley-on-Thames, Paul is Head of Japanese Equities at Invesco Perpetual and is responsible for the management of a number of Japanese equity portfolios alongside fellow fund manager, Tony Roberts. Paul began his investment career in 1990 at Touche Remnant, specialising in Japanese Equities before joining our company in 1993. He holds an MA, Law from Oxford University and is an associate member of the Association for Investment Management.

Tony Roberts, Japanese Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Tony is responsible for the management of a number of Japanese equity portfolios alongside fellow fund manager, Paul Chesson. Tony began his investment career in 1995 as an analyst and fund manager with Clerical Medical after two years with actuarial consultants, Godwins. He joined our company in 2000 to work alongside Paul Chesson, Head of Japanese Equities. He holds a BSc, Mathematics from Southampton University and is a member of the CFA Society of the UK.

Andy Tidby, Japanese Equities Product Manager/Analyst at Invesco Perpetual

Based in Henley-on-Thames, Andy is an analyst within Invesco Perpetual's Japanese Equities team and is also responsible for representing the team's investment capabilities to external and internal clients. Andy joined the company in September 2008 as an investment communication specialist for the Japanese and Asian equity teams, before joining the Japanese Equities team in a dual capacity as Product Manager/Analyst at the beginning of 2011. He began his investment career in 1997 as a client portfolio manager with HSBC Bank, where he was responsible for the management of private client portfolios. Subsequently, he joined HSBC Global Asset Management in 2003 where he was a senior investment writer, covering regulatory and marketing communications across the group's retail, intermediary and institutional clients. Andy holds the IMC qualification from the CFA Society of the UK.

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The information contained in this document relating to the composition of the portfolio of any portfolio advised or managed by us or any of our associated companies is confidential. It is disclosed to you on the strict basis you will 1) use it only for the purpose of analysing this document, 2) disclose it only to those of your staff and professional advisers who need to know it for the purposes of such analysis and 3) not disclose it, or permit it to be disclosed, in any way, other than as mentioned in 2).

All data is as at 31 December 2011, sourced from Invesco/Invesco Perpetual unless otherwise stated.

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.

Where Invesco/Invesco Perpetual has expressed views and opinions, these may change.

Invesco Perpetual is a business name of Invesco Asset Management Limited.



Strategy profile
Global equity strategy
Invesco Perpetual

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Corporate overview

Invesco Ltd.

Invesco Ltd. is one of the world's leading independent global investment management organizations serving retail, institutional and high-net-worth clients around the world. Our sole focus is investment management; with no distractions from competing interests, all our global resources and local commitment are focused on providing clients with the investment expertise and client service they seek.

To achieve our mission of helping investors worldwide build their financial security, Invesco Ltd. draws on the strength of its global resources.

With US\$625.3 billion (£402.1 billion/EUR481.5 billion)¹ in assets under management, specialized investment teams with distinct perspectives deliver diversified investment strategies ranging from major equity and fixed income asset classes to other alternative asset classes including real estate, private equity and commodities. These strategies are managed across investment centers worldwide, each of which focuses on distinct asset classes, investment styles or regional expertise and adheres to clearly defined investment philosophies aligned with client expectations.

To further strengthen our investment culture, we also maintain an active Investors Forum that consists of senior investment professionals from each investment centre. Co-Chaired by Senior Managing Directors, Bob Yerbury and Karen Dunn Kelley, the role of the Investors Forum is primarily to foster, promote and grow investment excellence across the organisation.

Our distinctive combination of independent thought within individual investment centers and collaboration across investment centers provides clients the reach and resources of a global organization and the focus and attention of a boutique firm: our investment capabilities are both diverse and specialized; we are global in reach yet local in presence and our processes are disciplined yet can be delivered in customized ways. All of which distinctively positions Invesco Ltd. to keep pace with clients' evolving investment needs worldwide.

Invesco Perpetual

Invesco Perpetual is a business name of Invesco Asset Management Limited and forms part of Invesco Ltd.

With US\$88.3 billion (£56.8 billion/EUR68.0 billion) in assets under management² and located in Henley on Thames (Henley), our investment team structure exhibits many of the advantages of a boutique firm structure, albeit part of a larger organization: small high-quality teams; the location of the team away from the main UK investment centers, fostering a culture of independent thought in an environment where challenge and discussion are encouraged, and thrive; the recognition of personal skill as a source of value; the 'world under one roof' – constant team-wide macroeconomic debate; typically roles of portfolio manager and analyst are combined.

Our highly experienced investment team consists of 43 investment professionals with an average 17 years' investment experience³. We believe that a focused and highly-experienced team provides the best means of maximizing value that we can generate for our clients by continuing to adopt a long-term, active approach to investment.

All data as at 31 December 2011 unless otherwise noted.

¹ Source: Invesco Ltd.

Invesco Ltd. AuM includes all assets under advisement, distributed and overseen by Invesco Ltd. and its affiliate Invesco Powershares which has an agreement with Deutsche Bank to provide certain marketing services for the Powershares DB products. Neither firm is affiliated with Deutsche Bank.

² Total assets managed by Invesco Perpetual's Henley-based investment centre.

³ Henley-based Invesco Perpetual portfolio managers and analysts only.

Our business

Investment firms can make claims regarding the benefits of their approach and organization structure, whether that be an investment team that is centrally located, against one that is locally located, those that are aligned geographically versus those that are aligned by industry sector. Whilst there are pros and cons to each approach, Invesco Perpetual does not believe that this is an important factor in delivering long-term investment outperformance.

Invesco Perpetual's business is built on the following tenets:

Consistency:

Perpetual was founded in 1973 with the aim of being an autonomous global investment management team and today, as part of the larger Invesco group, we remain passionately focused on that original aim. Today, from our office in Henley, Oxfordshire, we invest across 40 stock markets, over 500 companies globally and travel extensively to meet companies and their management.

Stability:

Turnover within our investment team is low, and the stability of the team is a factor in helping us in our aim to deliver long-term sustainable outperformance. We believe that the unique location of our team in Henley, away from the main UK investment centers, between London and Oxford, assists in providing a balance between work, family and community that forms the basis of the team's stability.

Culture:

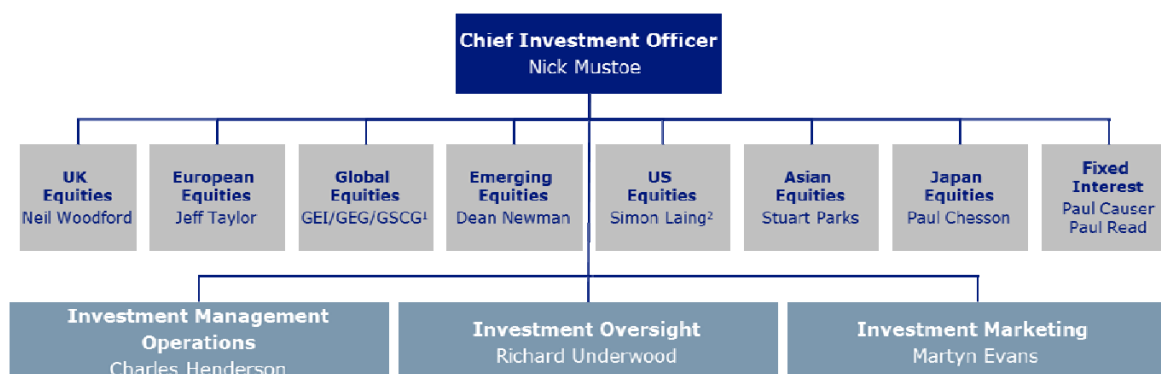
Another factor is the investment culture of the firm. We believe that investment management must be undertaken in an environment where the investment team are focused on longer-term performance and where portfolio managers are given the opportunity to stand by their convictions. Adopting this approach, however, means we may endure periods of underperformance.

We have always fostered a culture of accountability, with performance being the single largest contributor to a portfolio manager's remuneration. With that accountability comes greater responsibility, and our portfolio managers are aided in this by a robust risk management process.

Investment teams & assets under management

Investment team

IAML's Henley-based investment team is structured as follows:



¹ Global Equity Income team/Global Equity Group/Global Smaller Companies Group.

² With effect from 9 January 2012.

Invesco Perpetual's Global Equity Group (Group) represents the wider Henley-based investment team in the construction of our core global equity strategy. Details of Group members are provided below:

Global Equity Group		Years' tenure	Years' industry experience
Senior management:			
Nick Mustoe	Chief Investment Officer (CIO)	2	27
Bob Yerbury	Senior Managing Director, Invesco Ltd.	29	43
Strategy:			
Nick Hamilton	Head of Global Equity Products	7 ⁴	15
Martin Weiss	Investment Strategist / Implementation	6	21
Arwel Green	Global Equity and Multi-Asset Product Manager	11	11
Specialist fund managers:			
Paul Boyne	Global equity income	3	19
Doug McGraw	Global equity income	2	13
John Surplice	European equities	16	16
Ian Hargreaves	Asian equities	17	17
Stephen Anness	UK equities	9	9
Dean Newman	Emerging markets ex Asian equities	18	26
Tony Roberts	Japanese equities	12	16

Biographies are included within **Appendix 1**.

⁴ Nick Hamilton joined the company in October 2003, working in the UK Equity team. He left the company in September 2006 for 12 months, returning in October 2007 to his current role as Head of Global Equity Products.

Assets under management

As at 31 December 2011, assets under management for Invesco Perpetual's global equity strategies totalled US\$3.40 billion (£2.19 billion/EUR2.62 billion) and can be categorized as follows:

Global equity strategies	AuM US\$ million	AuM £ million	AuM EUR million
Global equity	1,769.76	1,138.77	1,363.33
Global opportunities	82.61	53.16	63.64
Global equity income	572.71	368.52	441.19
Global smaller companies	978.11	629.37	753.49
Total	3,403.19	2,189.81	2,621.65

Investment philosophy & process

Investment philosophy

At IAML's Henley-based investment center, we firmly believe that investors are best served by a focus on long-term investing, avoiding an over focus on current trends and consensus. Companies operate in long-term cycles and so does the focus of our investment team's research.

We believe in building portfolios where each stock has the potential to deliver positive returns over a full market cycle. Relative valuation is assessed, but absolute valuation is a pre-requisite. As high conviction investors, if we don't like a stock we don't hold it, regardless of how large its weighting in the index is.

Our key focus is stock selection and our assessment of a company and its valuation is the key driver in our decision-making process. As part of the investment process, our portfolio managers consider the broader implications of macro issues across global markets and their potential impact on an individual stock price, but valuation is key.

Investment approach

Our investment approach for Invesco Perpetual's core global equity strategy comprises the following principal components:

Stock selection:

Portfolio construction is driven by bottom-up fundamental research to generate new ideas and to evaluate existing holdings in our portfolios. Our bottom-up research is driven by the investment work of our regional equity investment teams. Fundamental analysis is the key input to the investment process and a principal driver of stock selection.

Active management:

We are high conviction investors, who are prepared to hold contrarian views. We actively manage portfolios and invest where we believe the best returns are to be found irrespective of the benchmark composition.

Long-term focus:

We believe in building portfolios where each holding has the potential to deliver absolute upside. Typically, our long-term approach to investing covers an investment horizon of between three and five years.

Valuation:

We are valuation driven. Valuation determines whether a stock is an attractive investment or not. Our focus is on identifying companies whose current and future prospects are not reflected in their current valuations.

Pragmatic and flexible:

Portfolios within this strategy have no in-built country, sector, stock, market-cap or style bias. Exposure to these factors is purely a function of where we believe the best opportunities are to be found in the market place at any particular point in time.

Investment process

Invesco Perpetual's core global equity strategy process is illustrated below:



For illustrative purposes only.

Role of Henley's regional investment teams

Henley's regional equity investment teams provide the primary research for their global investment universe. Team members, who are specialists within their region, are generalist portfolio managers and undertake original research into all companies they invest into. This dual role delivers ownership and responsibility for each investment decision. We believe that each regional team's expertise and knowledge delivers breadth of knowledge across stocks, sectors and countries.

There is no single or definable structure to each regional investment team's discovery and research process. Individuals are encouraged to adopt their own approach to style and investing, which we believe brings out the best in individuals and thereby strengthens our investment capability.

Role of the Global Equity Group

The Group represents the wider Henley-based investment team in the construction of Invesco Perpetual's core global equity strategy and is the mechanism through which ideas are pitched, discussed, compared and ultimately where investment decisions are made.

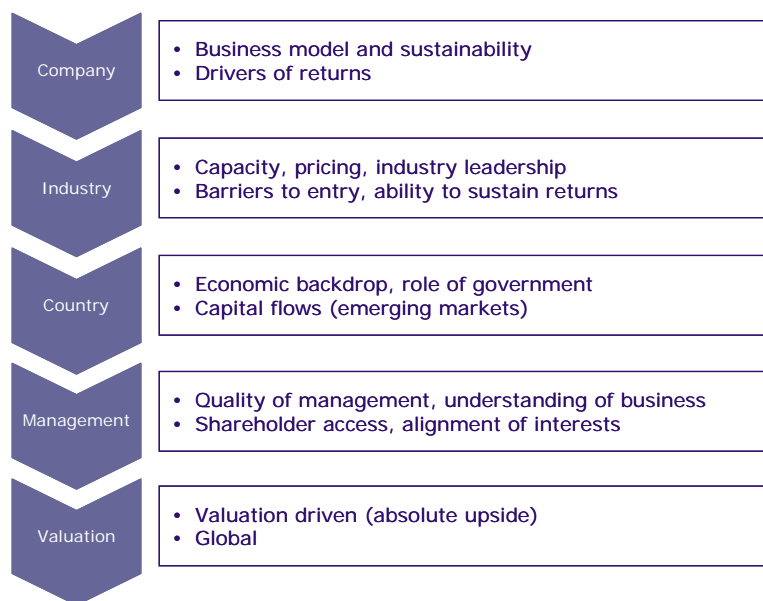
The Group's focus is on the current core global equity portfolio and idea generation respectively. Each portfolio manager in the Group has the ability to influence this portfolio through idea generation and participation in stock selection. Ideas that are proposed by individual portfolio managers are only selected for inclusion in the portfolio with the Group's agreement. All portfolio managers in the Group have voting powers and own the final investment decision. The Group aims to efficiently allocate the available capital to the most attractive investment ideas.

Whilst it is not possible for each portfolio manager in the Group to be able to replicate each other's specific stock or market knowledge, we do believe that commonality in the investment thinking across the team allows for reasoned debate and the challenging of any idea from any part of the world. Each idea which is proposed is backed up with research and an investment case so that all portfolio managers in the Group can understand the risk/reward parameters of a potential investment.

Nick Hamilton and Martin Weiss are responsible for the organization and operation of the investment process. Arwel Green provides investment support.

Idea generation

When considering investment ideas, discussions are typically framed in the following way:



When proposing an investment idea, the portfolio manager will give consideration for the size of the position they believe is appropriate in the portfolio. The addition of a new position to the portfolio is likely to lead to the selling down of another stock. As such, changes of this nature will alter the construction of the portfolio.

In addition to the decision to add a new position to the portfolio, the portfolio managers in the Group consider, on an ongoing basis, the reasons for retaining existing positions. The investment process is one of continual challenge to current and proposed investments. Ownership is a critical part of the portfolio, and each investment made is owned by a portfolio manager who manages the position from purchase to sale, including the adding to and trimming of positions as valuation dictates.

Communication

The effectiveness of the Group is enhanced by an environment of open communication; fortnightly formal meetings are augmented by informal interaction. A live 'blog' runs where any portfolio manager in the Group can post a summary note on any new investment opportunity that they wish to present at the next formal meeting. This gives all portfolio managers in the Group the opportunity to review the investment idea prior to the meeting. Group members are also able to access the minutes of their meetings, which are also posted on the 'blog'. If, at their formal meeting, the investment idea is approved by the Group's portfolio managers, a Wiki page is created by a member of the Global team. The Wiki serves as a rolling collection of investment ideas and includes information on each of the current holdings in the portfolio by sector. Responsibility lies with the portfolio manager who proposed the investment idea to ensure that the position's Wiki page is maintained on an ongoing basis. Any changes to the page are recorded serving as an audit trail. When a position is closed, the Wiki page is archived though can be easily retrieved if required. Additionally, a proprietary portfolio monitoring system tool called Global Stock Select is used. This database holds financial and analytical information on all stocks which have been approved by the portfolio managers in the Group, open and closed, again serving as an audit trail for all investment positions. Individuals are able to use the system to review the success of these stock ideas.

Perspective on risk

Risk is seen as the potential to generate negative returns at stock level. To this extent, portfolio managers feel strongly about making investment decisions only where their analysis demonstrates absolute return potential sufficient for the equity risk that is being taken. Whilst our investment process looks to take advantage of relative valuation anomalies across the global universe, portfolio managers will not buy fundamentally expensive stocks that appear relatively cheap. Thus, to the extent that equity risk can be managed, this is done through stock selection and portfolio construction. A risk-adjusted price targeting mechanism is used to assist in determining individual stock weights. In this way, portfolio construction is correlated to the expected return of the stocks. Both upside (potential for gain) and downside (potential for loss) risk is considered in their analysis. Incorporating the review of downside risk can assist our portfolio managers in deciding whether an investment in a stock should be capped, particularly in situations where there is a higher risk of a binary outcome.

Research

Henley's regional equity investment teams provide the primary research for their global investment universe. Team members, who are specialists within their region, are generalist portfolio managers and undertake original research into all companies they invest into. This dual role delivers ownership and responsibility for each investment decision. We believe that each regional equity team's expertise and knowledge delivers breadth of knowledge across stocks, sectors and countries.

Top-down research

Significant time is dedicated to the understanding and forecasting of current and future macroeconomic conditions.

Within our analysis we consider how the environment might impact the relative attractiveness of individual sectors and the impact it may have on stocks at a micro level. We believe that a company's operating conditions are largely determined by the broader macroeconomic environment, also recognizing that the influence of macro conditions on sector and stock fundamentals will vary over the course of the economic cycle. It is critical that the macro context is accurately reflected in the structure of our portfolios and in the emphasis of their bottom-up research described below.

Bottom-up research

Our bottom-up research is driven by the investment work of our regional equity investment teams. Fundamental analysis is the key input to the investment process and a principal driver of stock selection.

Stock ideas are generated from a number of sources including market screens, brokerage houses, independent research firms and analysts. Macroeconomic views may also highlight a particular area of the market for closer inspection. Company meetings are also an important aspect of idea generation, in that they often expose competitors, customers or suppliers that could be of interest.

The investment decisions that shape each portfolio are the consequence of a portfolio manager's assessment of the information inputs. Our investment process does not rely on the use of any proprietary analytical tools; rather we believe that value is added as a consequence of the insights of our portfolio managers, our understanding of market conditions and high quality investment research.

Once an idea has been generated, it is then subject to further analysis to allow a considered judgment to be reached on the stock's valuation and to arrive at an investment decision. This further analysis can be broken down into three components:

- **Proprietary research**

This is to arrive at a judgment on valuation. A portfolio manager can look at quantitative measures as a guide to this, but it will also involve qualitative judgments on aspects such as the quality of a company's products and services, the risks to which it is exposed, the strength of its management team and the presence of any unique characteristics or tangible advantage over competitors.

- **Examination of broker research on the company, and discussion with relevant investment analysts**

This external analysis is not used for its ultimate buy/sell recommendation; rather a portfolio manager compares the assumptions behind this research to their own, in order to form a judgment on valuation. In addition, we maintain contacts with industry analysts that we consider have superior analytical insights.

- **Meeting company management**

This is to obtain a better understanding of the nature of the business, its key drivers, competitive position and the achievability of management goals.

A portfolio manager's research is structured to give them a detailed understanding of a company's key historical and future business drivers, such as demand for its products, pricing power, market share trends, cashflow and management strategy. This enables a portfolio manager to form an opinion on a company's competitive position, its strategic advantages/disadvantages and the quality of its management.

From such meetings:

- The portfolio manager believes they can garner an improved understanding of the near- and longer-term prospects of a company and the quality of its management.
- Gives them a forum to challenge their assumptions and predictions in person as well as ensuring that management understands IAML's priorities as a shareholder.
- Provides the portfolio manager with valuable information regarding the state of the broader economy and the businesses of a company's suppliers, customers and competitors. This analysis is then considered in conjunction with a stock's current and prospective valuation, enabling the portfolio manager to determine whether or not the stock is attractively valued.
- Determine where there are sizable differences between consensus expectations and what the company expects to realistically achieve.

Valuation

In addition to proprietary research, as explained above, our portfolio managers selectively use valuation models in order to understand the assumptions that the brokers/analysts have incorporated into their valuation conclusions and as a structure into which they can input their own scenarios.

External research

In addition to original research, our portfolio managers devote considerable resource to the assessment of research produced by external organizations, including that of brokerage houses, independent research firms and analysts. We believe that the resulting relationship with these firms, based on mutual respect, enhances the quality of the investment dialogue. For each sector, portfolio managers typically have two or three external analysts with whom they maintain close contact and whose judgment they value. They are then able to compare their own research with consensus expectations, identifying opportunities where the market is overly-pessimistic or overly-optimistic. It should be emphasized that external research is used purely as an input, as opposed to being the driver of the decision-making process.

This combination of in-house analysis with the use of well-placed and well-informed contacts within the broking community provides our portfolio managers with the necessary basis for understanding their markets at all levels, allowing for a synthesis of 'bottom-up' and 'top-down' investment analysis.

Portfolio management is a judgmental business and the major scope to add value is in the interpretation of the available information by our investment team. The experience of portfolio managers in this respect is critical and key to the success of the team.

Portfolio construction

The weightings in our core global equity portfolio reflect valuation and conviction, and are constructed with a primary focus on stock-based analysis. Country and sector exposures are an important consequence of the search for what the Group's portfolio managers' view as the most attractive ideas in the most attractive sectors. At times, this approach can lead to the portfolio being substantially different to the composition of the reference benchmark.

Investment decisions at an individual stock level must be overseen and challenged in the context of their fit into the overall portfolio. Ultimate responsibility for this function lies with the Group's chairman, CIO, Nick Mustoe.

Areas continuously considered include:

Price targets: Each stock has a valuation derived price target. As stocks reach their target they are considered for sale, allowing the recycling of the capital to higher return ideas.

Sector exposure: Given the correlation of stocks within sectors, commonality of investment themes resulting from different stock positions are assessed.

Geographic exposure: Regional correlations tend to be high, in the large-part, driven by the structure of regional indices. At portfolio level, the portfolio managers want to ensure that this risk is understood and that geographic positions reflect macro preferences.

Currency exposure: Currency risk can be hard to assess as operational and denominational risks intertwine. The portfolio managers' awareness of the largest currency exposures can impact how they allocate capital in the near-term.

Replication and contradiction: At times, across the portfolio, positions may be held that on the face of it appear repetitive or contradictory. Often this can be explained by valuation or fundamental differences at a regional level. Observing these, and ensuring they can be objectively understood, improves capital allocation efficiency.

Valuation anomalies: The portfolio is monitored on a continuous basis for both valuation and performance anomalies. Where performance is seen as extreme, upwards and downwards, or where the valuation is in absolute terms expensive, the investment question is asked of the fund manager who owns that stock.

Buy/sell discipline

As previously mentioned, the investment process for our core global equity strategy is one of continual challenge to current and proposed investments. Ideas that are proposed for the portfolio are only selected for inclusion with the agreement of the Group's portfolio managers. The Group aims to efficiently allocate the available capital to the most attractive investment ideas. Ownership is a critical part of the portfolio and each investment made is owned by a portfolio manager who manages the position from purchase to sale, including the adding to and trimming of positions as valuation dictates. There are a number of reasons why a stock may be sold: if the stock is fully valued and discounting our expectation of forward looking returns, where we have revisited the initial investment case and determined it needs to be revised or where a better relative investment opportunity exists.

Risk management

Each investment team, as a part of Invesco Ltd., employs a multi-faceted approach to oversight and risk management. In the first instance, each investment team has embedded risk controls within its investment management discipline, including review and oversight processes tailored to its philosophy and objectives. Details of this as it pertains to Invesco Perpetual are provided from **page 16, Investment risk and Invesco Perpetual's Investment Oversight team.**

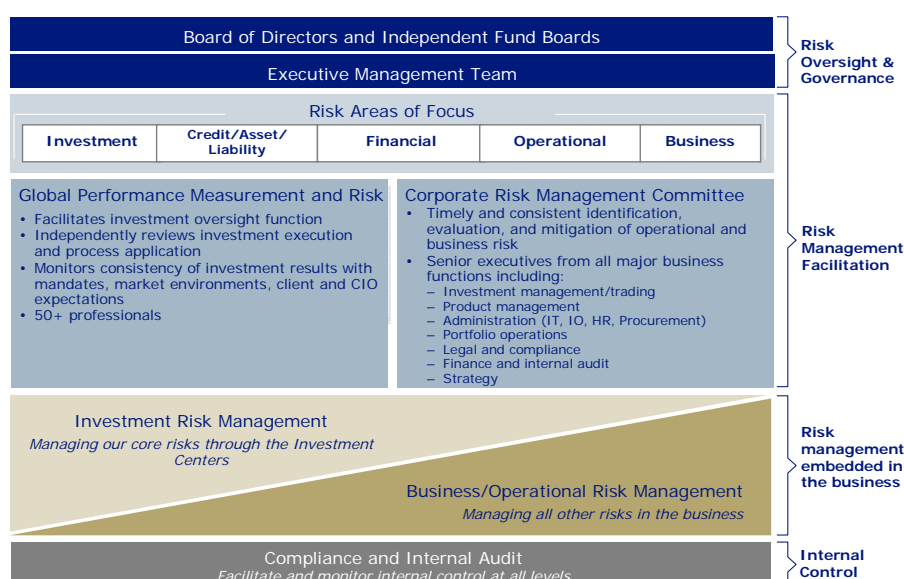
These investment teams' processes are bolstered and overseen by multi-dimensional independent controls. These controls include the Global Performance Measurement and Risk (GPMR) team with over 60 professionals dedicated to performance and risk activities. Invesco Ltd.'s GPMR team, independent from portfolio management teams, are charged with providing comprehensive reporting that facilitates better understanding of performance quality and risk. This team provides regular reviews of the performance and risk attributes of the various investment team disciplines to senior management.

Invesco Ltd.'s senior management oversight structures also include:

- Reporting lines running from investment team CIOs who have day-to-day responsibility for investment team risk controls up to the Invesco Ltd. Senior Managing Director having management responsibility for the investment team.
- Quarterly and monthly reviews are performed based upon investment performance and risk analytics of each investment discipline produced by the GPMR. These reviews are conducted by the Chief Executive Officer (CEO) and those Senior Managing Directors who manage the investment teams.
- Review of operational controls and related corporate exposures by the Invesco Ltd. Corporate Risk Management Committee.
- Regular review of investment matters by the Invesco Ltd. Board of Directors, including quarterly reporting on investment performance data produced by the GPMR and related reviews by the CEO and Senior Managing Directors, as well as presentations (on a rotating basis) by investment team CIOs and other senior investment professionals.
- Additional reviews and support from Invesco Ltd.'s Compliance and Internal Audit functions.

These layers of controls are designed to provide enhanced transparency, reporting and risk assessment from and to the investment teams.

An effective foundation for a sound risk culture



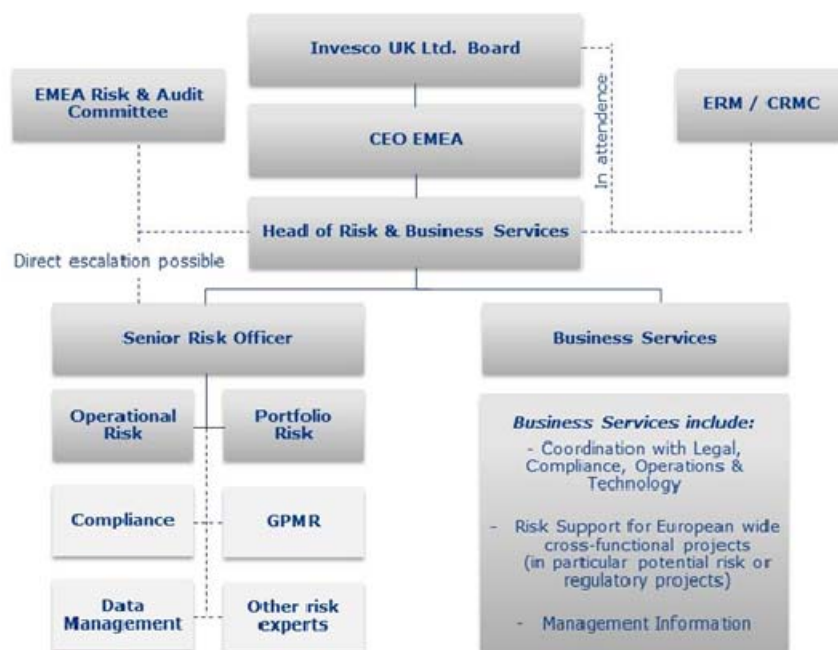
Invesco Ltd.'s Corporate Risk Management Committee consists of senior executives representing all of the company's major business functions including investment management, trading, information technology, portfolio operations, legal and compliance, finance and internal audit. The Committee exists to facilitate the timely and consistent top down identification, evaluation, monitoring and mitigation of operational and business risk on a consolidated basis. Relevant areas of focus have included operational controls regarding new investments (including matters such as the pricing and settlement of swaps and similar derivatives).

Augmenting this effort are strong internal audit and compliance teams. The Internal Audit team works closely with business units to improve the integrity, consistency and control of all operations. This team designs and leads audits of operations, compliance and financial reporting functions, and ensures appropriate implementation of Sarbanes-Oxley and other regulatory requirements. The Compliance team works with the business to establish and maintain policies and procedures designed to prevent, detect and correct violations of applicable laws and regulations and client investment guidelines. Portfolios are subject to daily compliance review. Compliance routinely monitors existing practices, policies and procedures, and reviews written policies and procedures at least annually. Reports on all exceptions, errors and other information are provided to senior management regularly or as necessary.

Independent risk function in Europe

Sybillé Hofmann, Head of Risk & Business Services - Europe, leads the firm's independent risk function (IRF) in Europe and has a team of risk specialists reporting to her who facilitate the risk monitoring process, covering both operational as well as portfolio risk, including credit, market and liquidity risk, for UCITS funds, a pooled vehicle structure that coordinates the distribution and management of unit trusts amongst countries within the European Union. Sybillé reports directly to James Robertson, Senior Managing Director of Invesco Ltd. and Head of Invesco in the UK and in Continental Europe.

Please refer to the diagram below which illustrates the framework in which the IRF in Europe functions:



Source: Invesco.

For illustration purposes only.

EMEA: Europe, the Middle East and Africa.

ERM: Enterprise Risk Management.

CRMC: Corporate Risk Management Committee.

The IRF is responsible for risk management policies and procedures which identify and mitigate risks relating to the firm's European business activities, processes and systems.

The role of risk includes ensuring compliance with the agreed risk profile and a defined risk alert system as well as regulatory limits, and adequate management reporting.

The IRF cooperates closely with other risk experts within the firm, in particular:

- **GPMR** focuses on the production of Value at Risk (VaR). Output from this measure is shared with the business, as well as the IRF for analysis and where, relevant, investigation.
- **Compliance** is responsible for monitoring all investment restrictions and risk alerts where set. Daily reports are produced and analysed; breaches of regulatory limits are immediately logged and allocated for resolution. Risk alerts trigger a discussion as to the reason and sensibility of the underlying investment and may not trigger any changes in the investments. Compliance also monitors general compliance with rules and regulations and escalates any risk findings to the IRF.
- **Data management** is responsible for security pricing or the oversight of it if completed by third party administrations. This includes OTC derivative pricing. Data management reports on stale pricing, pricing volatility and any other pricing matters.

The IRF is a key participant in the European New Instrument Committee (for the implementation of new instruments) as well as the European Pricing Committee (for the purpose of valuing securities for which market quotations are not readily available or other securities for which fair value needs to be determined).

Operational risk support the European functions and entities in setting risk appetite and risk tolerance levels where appropriate and monitoring linked Key Risk Indicators. An important part of the role is an independent challenge process in order to identify, assess and quantify risks in line with the set risk appetite.

The IRF also provides formal and informal reports to the firm's management on various topics, including capital adequacy or incidents. The IRF is also responsible for providing risk advice and facilitating the risk awareness culture across the business.

Although this document is not profiling UCITS, many of the risk controls that apply to these vehicles would also benefit the management of the underlying investment strategy within other investment vehicles.

Investment risk and Invesco Perpetual's Investment Oversight team

Invesco Perpetual's essential belief is that fund management is a skill and the inherent risks taken in managing money are those made by the fund managers themselves. One of the key tasks of the Henley-based Investment Oversight team, who report directly to Invesco Perpetual's CIO, is to facilitate the CIO challenge process. As described in greater detail overleaf, this process is implemented via challenge meetings that are attended by the CIO, the Head of Investment Oversight and the fund manager and seeks to check that the individuals managing money are doing so in a way that adds value to our clients. The objective is to review each fund manager bi-annually, although where particular issues are identified with performance or the investment process, these take precedence.

Risk management is an integral component of our investment process and is the product of the following factors:

Fund manager understanding

Fund managers effectively control stock-specific risk by ensuring that portfolios are always appropriately diversified. In-depth, continual analysis of the fundamentals of all holdings gives fund managers a comprehensive understanding of the financial risks associated with any particular stock.

Although we are always aware of the relative risk we are running – where relative risk is defined as the holding of investment positions that differ from the structure of the benchmark – we do not set out to manage the relative risk characteristics of our funds. A portfolio's relative risk characteristics will simply be a function of the investment decisions and absolute risk judgements that were made while constructing the portfolio.

Trading systems

All quantifiable portfolio investment parameters are entered into the internal portfolio management system which, subject to certain limitations, is designed to prevent inadmissible trades and to issue warnings to fund managers if a trade is likely to result in a parameter breach.

Continuous monitoring

At the total portfolio level, monthly performance, attribution and risk reports are produced by the Investment Oversight team, ensuring that fund managers adhere to their investment objectives, guidelines and parameters. There is also a culture of challenge and debate between fund managers regarding portfolio construction and risk.

CIO challenge process

The CIO challenge process is implemented via challenge meetings that are attended by the CIO, the Head of Investment Oversight and the fund manager. The CIO challenge process has four main aims:

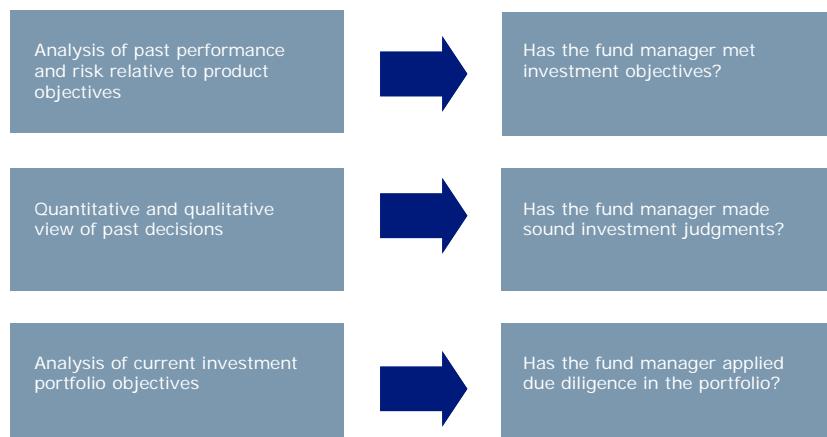
- **Transparency:** to understand a fund manager's rationale behind portfolio positioning and why certain decisions have been made.
- **Process:** to ensure that a fund manager is managing money in the way that has been clearly articulated to our clients.
- **Strategy:** to check that portfolio construction is consistent with the overall investment strategy and views of the fund manager.
- **Environment:** to ensure that fund managers are given the best environment to optimise their investment returns. This can range from exploring resourcing/personnel issues, looking at how teams are working/interacting together, ensuring that IT systems are adequate, individual contributions, capacity constraints, or any other issues that may adversely influence our ability to deliver quality investment decisions.

The challenge process is not prescriptive in its approach; it is both a qualitative and quantitative assessment of an individual or team's ability to successfully manage investments.

Our essential belief is that fund management is a skill and the inherent risks taken in managing money are those made by the fund managers themselves. The challenge process seeks to check that the individuals managing money are doing so in a way that adds value to our clients.

Fund managers are given the autonomy to back their investment judgment within the scope of fund mandates and regulations. We do not wish to put in place unnecessary restrictions which limit a fund manager's ability to back his/her own convictions in a stock or investment strategy. In an environment which allows such free thought, traditional controls and processes are limited in their application.

Although the CIO challenge process is a formal one, it is part of a cultural environment of challenge and rigor that exists on a day-to-day basis within our Henley investment center. The chart below illustrates this process:



There is no set agenda for these challenge meetings; this is dependent on the findings of the Investment Oversight team through their continuous monitoring. The meeting may cover some or all of the following:

- **Performance attribution:** where have portfolio returns been derived from?
- **Trading activity:** portfolio changes. How successful trading activity has been?
- **Macro-economic views:** does the portfolio reflect the wider economic view of the fund manager?
- **Investment process:** is the fund manager working within the stated process?
- **Style analysis:** what style is the fund manager adopting? While fund managers do not usually stipulate a particular style bias to their overall process, this analysis seeks to explain where their portfolio is positioned relative to the market in terms of financial characteristics, momentum measures and market-cap bias. This enables us to check the understanding of a fund manager's active positions against their investable universe.
- **Risk reporting:** to challenge/support where we believe our excess returns will come from.
- **Active positions:** where are major stock, industry, country or asset class bets being taken?

The aim of the CIO challenge process is to ensure that there is sufficient investment oversight in order that risks taken on behalf of our clients are understood and are considered appropriate. It is accepted that our business is judgemental and that potential impacts of these risks may materialise. However, core to the process is that risks taken are not incidental but are understood and taken with conviction.

Strategy overview

Global equity

Strategy name, management and objective	Benchmark	Concentration
Invesco Perpetual Global Equity strategy Global Equity Group The objective of this strategy aims to achieve capital growth by investing in equities quoted on world stockmarkets.	MSCI AC World index	60 to 100
Invesco Perpetual Global Opportunities strategy Global Equity Group The strategy aims to achieve long-term capital growth through a portfolio of primarily global equities.	MSCI AC World index	40 to 60
Invesco Perpetual Global Equity Income strategy Paul Boyne & Doug McGraw This strategy aims to generate a rising level of income, together with long-term capital growth, investing primarily in global equities.	MSCI World index	60 to 100

Appendix 1 - Biographies

Senior management:

Nick Mustoe, Chief Investment Officer of Invesco Perpetual

Based in Henley-on-Thames, Nick is Chief Investment Officer of Invesco Perpetual. Nick joined the company in June 2010. His investment career spans over 25 years to date, having started with Phillips & Drew Fund Management as a UK equity manager in 1985. More recently, he was appointed CIO of Pictet Asset Management in 2006 after joining Hermes Pensions Management as CIO in 2002. He holds a first class honours degree in Business Studies from Bradford University.

Bob Yerbury, Senior Managing Director of Invesco Ltd. and co-chair of Invesco Perpetual's Global Equity Group

Based in Henley-on-Thames, Bob joined the company in 1983. His investment career now spans over 40 years, having led the North American equities team at Invesco Perpetual for 14 years, becoming CIO in 1997 and Chief Executive Officer (CEO) in 2004. As part of an orderly succession plan, Bob handed over his CEO and CIO responsibilities in September 2008 and June 2010 respectively, continuing with his wider Invesco group responsibilities within the firm's Investor's Forum and Global Trading function. Bob remains an active Senior Managing Director of Invesco Ltd. and part of the Invesco Perpetual senior team, highly engaged with the industry. Bob holds an MA in Mathematics from Cambridge University and qualified as an Actuary at Equity & Law Life Assurance Society. He is a Fellow of the Institute of Actuaries (FIA) and is Deputy Chairman of the Investment Management Association, the trade body of the UK's asset management industry. Bob was honoured with a Lifetime Achievement Winner award at the UK's Investment Week-sponsored Fund Manager of the Year Awards in 2008.

Strategy:

Nick Hamilton, Head of Global Equity Products at Invesco Perpetual

Based in Henley-on-Thames, Nick is responsible for the strategic and operational oversight of Invesco Perpetual's global equity, fund-of-fund and multi-asset businesses. He is also responsible for representing these strategies to external and internal clients. Nick joined the company in October 2003 as a product director on the UK Equities team. After a brief return to Australia in 2007, Nick rejoined the company in October 2007 as Head of Global Equity Products. He began his investment career in Australia in 1997 as a member of Rothschild Australia Asset Management's International Equity team. From 2000, Nick worked in both the UK and US for Reuters International. Nick holds a postgraduate Diploma in Applied Finance & Investment (ASIA), a Bachelor of Economics from Sydney University and has studied Corporate Finance at The London Business School.

Martin Weiss, Senior Investment Strategist for Global Equity Products at Invesco Perpetual

Based in Henley-on-Thames, Martin joined the company in July 2005 as product director for the International Equities team, moving into the role of senior investment strategist for global equity products in 2009. Martin began his investment career at Cazenove in 1990 as an analyst/salesman covering Japanese equities. Remaining with Cazenove, he transferred into fund management in 1996, specialising in Japanese equities until, in 2002, moving to their global team. Here, his responsibilities covered the management of all industrials and consumer staples investments within global equity funds. Martin graduated from Bristol University with a BSc honours degree in Economics.

Arwel Green, Global Equity and Multi-Asset Product Manager at Invesco Perpetual

Based in Henley-on-Thames, Arwel joined the company in May 2001, and is responsible for providing support for the Global Equities team's global equity and fund-of-fund and multi-asset products. Arwel has held various positions since joining the company, including that of client service, RFP writer/marketing information specialist and product information specialist. He joined the global team in his current role in January 2008. Arwel graduated in 2000 from Cheltenham College of Higher Education (now known as the University of Gloucester) with a degree in Hospitality Management and holds the Investment Management Certificate qualification from the CFA Society of the UK.

Specialist fund managers:

Paul Boyne, Global Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Paul joined the company in October 2008, and is lead fund manager for our global equity income product. After six years with chartered accountants and management consultants, Grant Thornton International, Paul began his investment career in 1993 at Morgan Stanley Investment Management and became Managing Director and senior portfolio manager of their global value equity product. In 2005, he joined Bank of Ireland as Managing Director and Head of their US Equities team before becoming Deputy Chief Investment Officer and Head of Global Equities, providing portfolio oversight across all regional product areas. Paul holds a postgraduate (MBS) Diploma from Michael Smurfit Graduate School of Business, University College, Dublin and is a Fellow of the Association of Chartered Accountants.

Doug McGraw, CFA, Global Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Doug joined the company in December 2009, and is a fund manager for our global equity income product. Doug began his investment career in 1995 as an investment analyst for the First National Bank of SW Ohio before joining the US Peace Corps in 1996, where he was based in Ukraine as a volunteer, and latterly in Washington as a recruiter. Doug resumed his investment career in 2001, joining Morgan Stanley Investment Management as an investment analyst before becoming a fund manager within their Global Value Equity team. Doug holds a BSc in Finance from Miami University and a MBA from the University of Notre Dame. He is also a CFA charterholder.

John Surplice, European Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, John is responsible for the management of a number of pan European retail and institutional mandates. John began his career in 1992, joining Price Waterhouse, where he qualified as a chartered accountant before joining our company in 1995. John holds an MA (Honours) in Economics from Edinburgh University.

Ian Hargreaves, CFA, Asian Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Ian manages pan-Asian portfolios alongside Stuart Parks and covers the entire Asian region in his research. He started his investment career with Invesco Asia Pacific in Hong Kong in 1994 as an investment analyst where he was responsible for coverage of Indonesia, Korea and the Indian sub-continent, as well as managing several regional institutional client accounts. In January 2005, Ian decided to return to the UK to join Invesco Perpetual's Asian Equities team. Ian holds a BA (Honours) in Chinese Studies from Durham University and is a CFA charterholder.

Stephen Anness, UK Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Stephen is responsible for the management of a number of UK equity portfolios. He began his investment career within the UK Equities team, joining the company in July 2002 as a trainee analyst. Having come through the Invesco Perpetual investment team ranks, Stephen started managing UK equity portfolios in September 2004. Further recognition and a higher profile were provided as he took over some of the portfolio management responsibilities of veteran fund manager, Ed Burke, upon his retirement in 2008. He holds a BSc in Economics from the University of Swansea, The Securities Institute Diploma, Investment Management Certificate and has studied Corporate Finance at The London Business School.

Dean Newman, Head of Emerging Markets Equities at Invesco Perpetual

Based in Henley-on-Thames, Dean is Head of Emerging Markets Equities at Invesco Perpetual, with responsibility for the management of global emerging markets and Latin American equity portfolios. Dean began his investment career in 1985 joining Legal & General where he covered UK equity markets, moving to Japanese bank Sanwa in 1991 where he was Head of UK Equities. He became Head of Emerging Markets Equities at Invesco Perpetual in April 2007, having joined the company in 1993 and the Emerging Markets Equities team in 1994. Dean has been a driving force behind the team's investment strategy with his many years experience of investing across all emerging markets regions. Dean graduated from Durham University with a BA honours degree in Economics and Politics.

Tony Roberts, Japanese Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Tony is responsible for the management of a number of Japanese equity portfolios alongside fellow fund manager, Paul Chesson. Tony began his investment career in 1995 as an analyst and fund manager with Clerical Medical after two years with actuarial consultants, Godwins. He joined our company in 2000 to work alongside Paul Chesson, Head of Japanese Equities. He holds a BSc in Mathematics from Southampton University and is a member of the CFA Society of the UK.

Contact details

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Job title: Director of European Compliance

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The information contained in this document relating to the composition of the portfolio of any strategy advised or managed by us or any of our associated companies is confidential. It is disclosed to you on the strict basis you will 1) use it only for the purpose of analysing this document, 2) disclose it only to those of your staff and professional advisers who need to know it for the purposes of such analysis and 3) not disclose it, or permit it to be disclosed, in any way, other than as mentioned in 2).

All data is as at 31 December 2011, sourced from Invesco Perpetual/Invesco unless otherwise stated.

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.

Where Invesco Perpetual/Invesco has expressed views and opinions, these may change.

Past performance is not a guide to future returns.

Invesco Perpetual is a business name of Invesco Asset Management Limited.



Strategy profile

Global Smaller Companies strategy

Invesco Perpetual

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Corporate overview

Invesco Ltd.

Invesco Ltd. is one of the world's leading independent global investment management organizations serving retail, institutional and high-net-worth clients around the world. Our sole focus is investment management; with no distractions from competing interests, all our global resources and local commitment are focused on providing clients with the investment expertise and client service they seek.

To achieve our mission of helping investors worldwide build their financial security, Invesco Ltd. draws on the strength of its global resources.

With US\$625.3 billion (£402.1 billion/EUR481.5 billion)¹ in assets under management, specialized investment teams with distinct perspectives deliver diversified investment strategies ranging from major equity and fixed income asset classes to other alternative asset classes including real estate, private equity and commodities. These strategies are managed across investment centers worldwide, each of which focuses on distinct asset classes, investment styles or regional expertise and adheres to clearly defined investment philosophies aligned with client expectations.

To further strengthen our investment culture, we also maintain an active Investors Forum that consists of senior investment professionals from each investment centre. Co-Chaired by Senior Managing Directors, Bob Yerbury and Karen Dunn Kelley, the role of the Investors Forum is primarily to foster, promote and grow investment excellence across the organisation.

Our distinctive combination of independent thought within individual investment centers and collaboration across investment centers provides clients the reach and resources of a global organization and the focus and attention of a boutique firm: our investment capabilities are both diverse and specialized; we are global in reach yet local in presence and our processes are disciplined yet can be delivered in customized ways. All of which distinctively positions Invesco Ltd. to keep pace with clients' evolving investment needs worldwide.

Invesco Perpetual

Invesco Perpetual is a business name of Invesco Asset Management Limited and forms part of Invesco Ltd.

With US\$88.3 billion (£56.8 billion/EUR68.0 billion) in assets under management² and located in Henley on Thames (Henley), our investment team structure exhibits many of the advantages of a boutique firm structure, albeit part of a larger organization: small high-quality teams; the location of the team away from the main UK investment centers, fostering a culture of independent thought in an environment where challenge and discussion are encouraged, and thrive; the recognition of personal skill as a source of value; the 'world under one roof' – constant team-wide macroeconomic debate; typically roles of portfolio manager and analyst are combined.

Our highly experienced investment team consists of 43 investment professionals with an average 17 years' investment experience³. We believe that a focused and highly-experienced team provides the best means of maximizing value that we can generate for our clients by continuing to adopt a long-term, active approach to investment.

All data as at 31 December 2011 unless otherwise noted.

¹ Source: Invesco Ltd.

Invesco Ltd. AuM includes all assets under advisement, distributed and overseen by Invesco Ltd. and its affiliate Invesco Powershares which has an agreement with Deutsche Bank to provide certain marketing services for the Powershares DB products. Neither firm is affiliated with Deutsche Bank.

² Total assets managed by Invesco Perpetual's Henley-based investment centre.

³ Henley-based Invesco Perpetual portfolio managers and analysts only.

Our business

Investment firms can make claims regarding the benefits of their approach and organization structure, whether that be an investment team that is centrally located, against one that is locally located, those that are aligned geographically versus those that are aligned by industry sector. Whilst there are pros and cons to each approach, Invesco Perpetual does not believe that this is an important factor in delivering long-term investment outperformance.

Invesco Perpetual's business is built on the following tenets:

Consistency:

Perpetual was founded in 1973 with the aim of being an autonomous global investment management team and today, as part of the larger Invesco group, we remain passionately focused on that original aim. Today, from our office in Henley, Oxfordshire, we invest across 40 stock markets, over 500 companies globally and travel extensively to meet companies and their management.

Stability:

Turnover within our investment team is low, and the stability of the team is a factor in helping us in our aim to deliver long-term sustainable outperformance. We believe that the unique location of our team in Henley, away from the main UK investment centers, between London and Oxford, assists in providing a balance between work, family and community that forms the basis of the team's stability.

Culture:

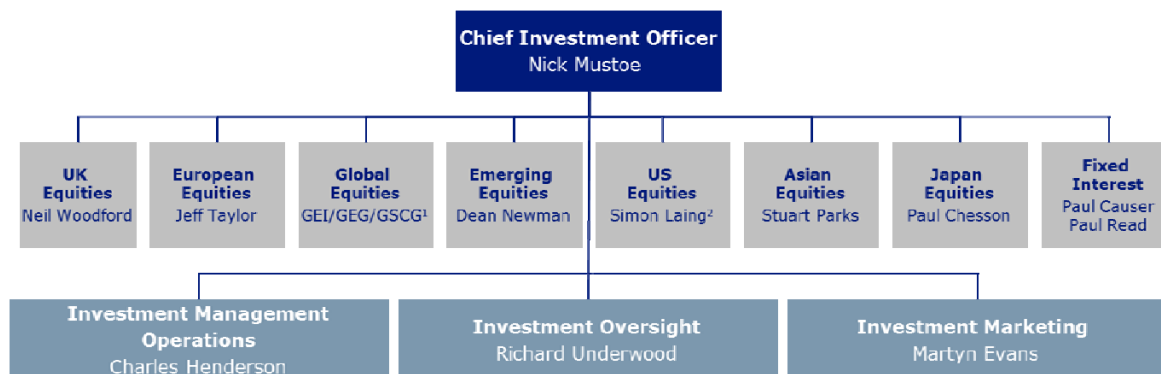
Another factor is the investment culture of the firm. We believe that investment management must be undertaken in an environment where the investment team are focused on longer-term performance and where portfolio managers are given the opportunity to stand by their convictions. Adopting this approach, however, means we may endure periods of underperformance.

We have always fostered a culture of accountability, with performance being the single largest contributor to a portfolio manager's remuneration. With that accountability comes greater responsibility, and our portfolio managers are aided in this by a robust risk management process.

Investment team & assets under management

Investment team

IAML's Henley-based investment team is structured as follows:



¹ Global Equity Income team/Global Equity Group/Global Smaller Companies Group.

² With effect from 9 January 2012.

Invesco Perpetual's global smaller companies strategy is managed as a series of regional sub-portfolios, with asset allocation driven by Invesco Perpetual's Global Smaller Companies Group, as detailed in the table below. This Group is chaired by Chief Investment Officer (CIO), Nick Mustoe. Day-to-day discretion for stock selection lies with a team of seven specialist regional portfolio managers.

Global Smaller Companies Group	Responsibility	Years' tenure	Years' industry experience
Senior management			
Nick Mustoe	Chief Investment Officer - Chair	2	27
Bob Yerbury	Senior Managing Director - Co Chair	29	43
Strategy			
Nick Hamilton	Head of Global Equity Products	7 ⁴	16
Martin Weiss	Investment Strategist	6	21
Arwel Green	Global Equity and Multi-Asset Product Manager	11	11
Specialist regional portfolio managers			
Richard Smith	UK equities	10	38
Stephanie Butcher*	European equities	8	18
Erik Esselink*	European equities	4	12
Ian Hargreaves	Asian equities	17	17
Paul Chesson	Japanese equities	19	21
Dean Newman	Latin American/EMEA** equities	18	26

* Co-portfolio managers.

** Emerging Europe, the Middle East and Africa.

Biographies are included within **Appendix 1**.

⁴ Nick Hamilton joined the company in October 2003, working in the UK Equity team. He left the company in September 2006 for 12 months, returning in October 2007 to his current role as Head of Global Equity Products.

Assets under management

As at 31 December 2011, assets under management for Invesco Perpetual's global equity strategies totalled US\$3.40 billion (£2.19 billion/EUR2.62 billion) of which our global smaller companies strategy accounted for US\$978.10 (£629.4 million/EUR753.49 million).

Global smaller companies strategy	AuM US\$ million	AuM £ million	AuM EUR million
Invesco Perpetual global smaller companies strategy	717.47	461.66	552.71
Global ex US smaller companies strategy	260.63	167.71	200.78
Total	978.10	629.37	753.49

Investment philosophy & process

Investment philosophy

At IAML's Henley-based investment center, we firmly believe that investors are best served by a focus on long-term investing, avoiding an over focus on current trends and consensus. Companies operate in long-term cycles and so does the focus of our investment team's research.

We believe in building portfolios where each stock has the potential to deliver positive returns over a full market cycle. Relative valuation is assessed, but absolute valuation is a pre-requisite. As high conviction investors, if we don't like a stock we don't hold it, regardless of how large its weighting in the index is.

Our key focus is stock selection and our assessment of a company and its valuation is the key driver in our decision-making process. As part of the investment process, our fund managers consider the broader implications of macro issues across global markets and their potential impact on an individual stock price, but valuation is key.

Investment approach

Our investment approach for our global smaller companies strategy comprises the following principal components:

Stock selection:

Portfolio construction is driven by bottom-up fundamental research to generate new ideas and to evaluate existing holdings in our portfolios. Our bottom-up research is driven by the investment work of our regional equity investment teams. Fundamental analysis is the key input to the investment process and a principal driver of stock selection.

Active management:

We are high conviction investors, who are prepared to hold contrarian views. We actively manage portfolios and invest where we believe the best returns are to be found irrespective of the benchmark composition.

Long-term focus:

We believe in building portfolios where each holding has the potential to deliver absolute upside. Typically, our long-term approach to investing covers an investment horizon of between three and five years.

Valuation:

We are valuation driven. Valuation determines whether a stock is an attractive investment or not. Our focus is on identifying companies whose current and future prospects are not reflected in their current valuations.

Pragmatic and flexible:

Our funds have no in-built country, sector, stock or style bias. Exposure to these factors is purely a function of where we believe the best opportunities are to be found in the market place at any particular point in time.

Investment process

As Chairman of the Global Smaller Companies Group, Nick Mustoe is ultimately responsible for all asset allocation decisions. Each regional allocation is managed by the appropriate regional specialist who has complete autonomy over that portion of the total portfolio.

We describe the asset allocation process below:

Asset allocation

Macro views of the regional economies and stock markets, taking into account the prevailing themes impacting stock selection and regional performance, are expressed at two levels; a global investment strategy meeting and a smaller companies asset allocation meeting. Within these forums the investment team dedicate significant time and effort to top-down analysis, seeking to understand the current macroeconomic environment through:

- Consideration of a broad range of economic indicators
- Assessing the political landscape
- Reviewing analysis of external economists and strategists
- Company meetings

Global investment strategy meeting:

A monthly global investment strategy meeting is held which is chaired by Invesco Perpetual's CIO and Neil Woodford, Head of Investments. Attendees at this meeting include all members of the investment team in Henley and Invesco Ltd.'s Chief Economist, John Greenwood. Using the meeting as a forum, key economic and market themes are considered and discussed. The geographic breadth of the investment team in Henley is significant, and this meeting is seen as an ongoing conversation about individual markets with fund managers providing their own perceptions for their regions. Individuals are encouraged to actively challenge and debate ideas and views.

Smaller companies asset allocation meeting:

Asset allocation is driven by a monthly smaller companies asset allocation meeting. There is an option for adhoc meetings to be held, should circumstances arise that require discussion. Chaired by the CIO, this meeting is attended by the fund managers of the regional sub-portfolios⁵. The agenda of this meeting is influenced by the outcome of the topics discussed at the global investment strategy meeting.

Once asset allocation has been agreed, each fund manager is then responsible for the stock, country and sector weights for their region:

Regional fund manager	Country/sector coverage
Richard Smith	UK
Stephanie Butcher	Europe
Erik Esselink	Europe
Ian Hargreaves	Asia
Paul Chesson	Japan
Dean Newman	Latin America/EMEA
Juliet Ellis	US
Matt Booker	Australia

⁵ Juliet Ellis from the US Small Cap Core team in Houston and Matt Booker from the Concord Capital team in Sydney attend via conference call.

In his role as Chair of the Global Smaller Companies Group, Nick Mustoe is ultimately accountable for the performance of these portfolios. His main responsibilities include:

- Leading asset allocation decisions, reflecting top-down and bottom-up views
- Ensure effective implementation of asset allocation
- Challenge views and performance of the Henley-based regional fund managers via the CIO Challenge process (described later in this document)

A comprehensive understanding of these portfolios is obtained through asset allocation and challenging the sub-portfolio fund manager's views and performance. An awareness of each of the regional-portfolio sensitivities and market drivers enhances the asset allocation process.

Global smaller companies - US equity sub-portfolio

The global smaller companies - US equity sub-portfolio is managed by Invesco Advisers, Inc., an Investment Advisor affiliated with IAML; both are independently, wholly-owned subsidiaries of Invesco Ltd.

Global smaller companies – Australian equity sub-portfolio

The global smaller companies - Australian equity sub-portfolio is managed by Concord Capital Ltd., a fully owned subsidiary of Invesco Australia Ltd., an Investment Advisor affiliated with IAML; both are independently, wholly-owned subsidiaries of Invesco Ltd.

Research

Henley's regional equity investment teams provide the primary research for their global investment universe. Team members, who are specialists within their region, are generalist fund managers and undertake original research into all companies they invest into. This dual role delivers ownership and responsibility for each investment decision. We believe that each regional equity team's expertise and knowledge delivers breadth of knowledge across stocks, sectors and countries.

Top-down research

Significant time is dedicated to the understanding and forecasting of current and future macroeconomic conditions.

Within our analysis we consider how the environment might impact the relative attractiveness of individual sectors and the impact it may have on stocks at a micro level. We believe that a company's operating conditions are largely determined by the broader macroeconomic environment, also recognising that the influence of macro conditions on sector and stock fundamentals will vary over the course of the economic cycle. It is critical that the macro context is accurately reflected in the structure of our portfolios and in the emphasis of their bottom-up research described below.

Bottom-up research

Our bottom-up research is driven by the investment work of our regional equity investment teams. Fundamental analysis is the key input to the investment process and a principal driver of stock selection.

Stock ideas are generated from a number of sources including market screens, brokerage houses, independent research firms and analysts. Macroeconomic views may also highlight a particular area of the market for closer inspection. Company meetings are also an important aspect of idea generation, in that they often expose competitors, customers or suppliers that could be of interest.

The investment decisions that shape each portfolio are the consequence of a fund manager's assessment of the information inputs. Our investment process does not rely on the use of any proprietary analytical tools; rather we believe that value is added as a consequence of the insights of our fund managers, our understanding of market conditions and high quality investment research.

Once an idea has been generated, it is then subject to further analysis to allow a considered judgement to be reached on the stock's valuation and to arrive at an investment decision. This further analysis can be broken down into three components:

- **Proprietary research**

This is to arrive at a judgement on valuation. A fund manager can look at quantitative measures as a guide to this, but it will also involve qualitative judgements on aspects such as the quality of a company's products and services, the risks to which it is exposed, the strength of its management team and the presence of any unique characteristics or tangible advantage over competitors.

- **Examination of broker research on the company, and discussion with relevant investment analysts**

This external analysis is not used for its ultimate buy/sell recommendation; rather a fund manager compares the assumptions behind this research to their own, in order to form a judgement on valuation. In addition, we maintain contacts with industry analysts that we consider have superior analytical insights.

- **Meeting company management**

This is to obtain a better understanding of the nature of the business, its key drivers, competitive position and the achievability of management goals.

A fund manager's research is structured to give them a detailed understanding of a company's key historical and future business drivers, such as demand for its products, pricing power, market share trends, cashflow and management strategy. This enables a fund manager to form an opinion on a company's competitive position, its strategic advantages/disadvantages and the quality of its management.

From such meetings:

- The fund manager believes they can garner an improved understanding of the near- and longer-term prospects of a company and the quality of its management.
- Gives them a forum to challenge their assumptions and predictions in person as well as ensuring that management understands Invesco Perpetual's priorities as a shareholder.
- Provides the fund manager with valuable information regarding the state of the broader economy and the businesses of a company's suppliers, customers and competitors. This analysis is then considered in conjunction with a stock's current and prospective valuation, enabling the fund manager to determine whether or not the stock is attractively valued.
- Determine where there are sizable differences between consensus expectations and what the company expects to realistically achieve.

Valuation

In addition to proprietary research, as explained above, our fund managers selectively use valuation models in order to understand the assumptions that the brokers/analysts have incorporated into their valuation conclusions and as a structure into which they can input their own scenarios.

External research

In addition to original research, our fund managers devote considerable resource to the assessment of research produced by external organisations, including that of brokerage houses, independent research firms and analysts. We believe that the resulting relationship with these firms, based on mutual respect, enhances the quality of the investment dialogue. For each sector, fund managers typically have two or three external analysts with whom they maintain close contact and whose judgement they value. They are then able to compare their own research with consensus expectations, identifying opportunities where the market is overly-pessimistic or overly-optimistic. It should be emphasised that external research is used purely as an input, as opposed to being the driver of the decision-making process.

This combination of in-house analysis with the use of well-placed and well-informed contacts within the broking community provides our fund managers with the necessary basis for understanding their markets at all levels, allowing for a synthesis of 'bottom-up' and 'top-down' investment analysis.

Fund management is a judgemental business and the major scope to add value is in the interpretation of the available information by our investment team. The experience of fund managers in this respect is critical and key to the success of the team.

Portfolio construction

The aim of the construction process for our global smaller companies portfolios is to maximize exposure to the most attractive countries, sectors and stocks within their investment parameters. Within our global smaller companies strategy we aim to have 80% of each portfolio invested in companies whose market capitalization qualifies for inclusion in the MSCI World Small Cap index.

Portfolio construction is based on a combination of the outputs from the team's top-down macro analysis and bottom-up stock research, with the latter being the key driver. The former will be the primary influence on the regional allocation, while the latter determines the stock selection within these countries/sectors.

Individual stock weights are primarily influenced by the team's conviction on the perceived degree of under-valuation of the stock. However, they are also influenced by the:

- Number of attractive opportunities available
- Value of the stock as a diversifier
- Regulatory/liquidity constraints

Buy/sell discipline

Our portfolio managers actively monitor their portfolios on an ongoing basis, making investment decisions based on the output of the investment process and any investment parameters. Our buy/sell decision-making process is driven by qualitative analysis. Consequently, such decisions are at the portfolio manager's discretion, normally following discussion and consultation with other members of the team.

Stocks will be purchased if they demonstrate sufficient share price appreciation potential and their inclusion is within any permitted investment parameters. There are three reasons why we sell a stock: if the stock is fully valued and discounting our expectation of forward looking returns, where we have revisited the initial investment case and determined it needs to be revised or where a better relative investment opportunity exists.

Risk management

Each investment team, as a part of Invesco Ltd., employs a multi-faceted approach to oversight and risk management. In the first instance, each investment team has embedded risk controls within its investment management discipline, including review and oversight processes tailored to its philosophy and objectives. Details of this as it pertains to Invesco Perpetual are provided from **page 15, Investment risk and Invesco Perpetual's Investment Oversight team.**

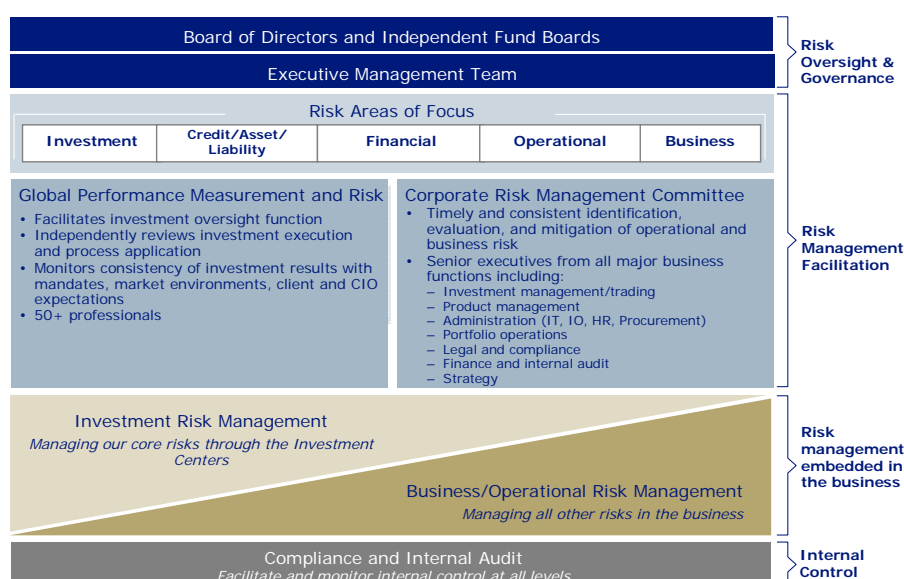
These investment teams' processes are bolstered and overseen by multi-dimensional independent controls. These controls include the Global Performance Measurement and Risk (GPMR) team with over 60 professionals dedicated to performance and risk activities. Invesco Ltd.'s GPMR team, independent from portfolio management teams, are charged with providing comprehensive reporting that facilitates better understanding of performance quality and risk. This team provides regular reviews of the performance and risk attributes of the various investment team disciplines to senior management.

Invesco Ltd.'s senior management oversight structures also include:

- Reporting lines running from investment team CIOs who have day-to-day responsibility for investment team risk controls up to the Invesco Ltd. Senior Managing Director having management responsibility for the investment team.
- Quarterly and monthly reviews are performed based upon investment performance and risk analytics of each investment discipline produced by the GPMR. These reviews are conducted by the Chief Executive Officer (CEO) and those Senior Managing Directors who manage the investment teams.
- Review of operational controls and related corporate exposures by the Invesco Ltd. Corporate Risk Management Committee.
- Regular review of investment matters by the Invesco Ltd. Board of Directors, including quarterly reporting on investment performance data produced by the GPMR and related reviews by the CEO and Senior Managing Directors, as well as presentations (on a rotating basis) by investment team CIOs and other senior investment professionals.
- Additional reviews and support from Invesco Ltd.'s Compliance and Internal Audit functions.

These layers of controls are designed to provide enhanced transparency, reporting and risk assessment from and to the investment teams.

An effective foundation for a sound risk culture



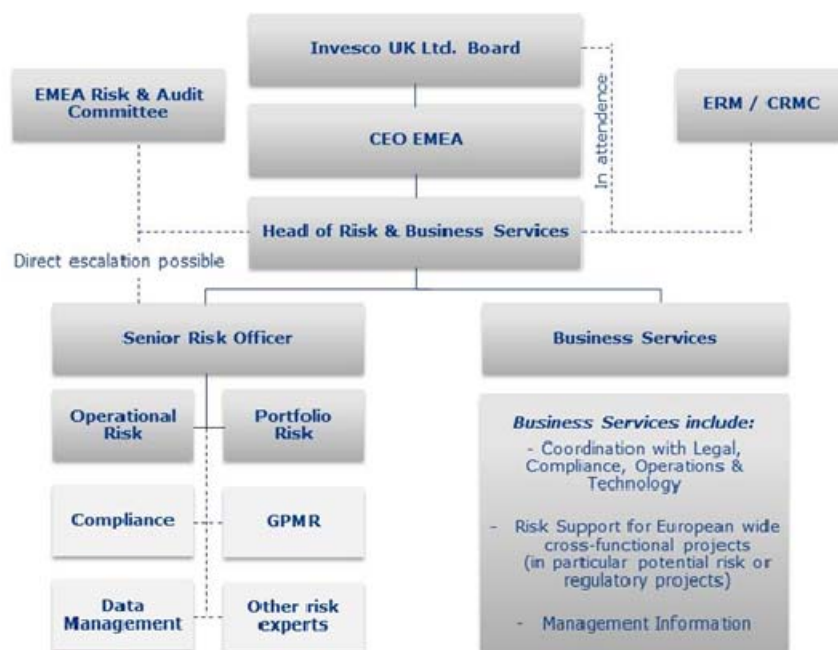
Invesco Ltd.'s Corporate Risk Management Committee consists of senior executives representing all of the company's major business functions including investment management, trading, information technology, portfolio operations, legal and compliance, finance and internal audit. The Committee exists to facilitate the timely and consistent top down identification, evaluation, monitoring and mitigation of operational and business risk on a consolidated basis. Relevant areas of focus have included operational controls regarding new investments (including matters such as the pricing and settlement of swaps and similar derivatives).

Augmenting this effort are strong internal audit and compliance teams. The Internal Audit team works closely with business units to improve the integrity, consistency and control of all operations. This team designs and leads audits of operations, compliance and financial reporting functions, and ensures appropriate implementation of Sarbanes-Oxley and other regulatory requirements. The Compliance team works with the business to establish and maintain policies and procedures designed to prevent, detect and correct violations of applicable laws and regulations and client investment guidelines. Portfolios are subject to daily compliance review. Compliance routinely monitors existing practices, policies and procedures, and reviews written policies and procedures at least annually. Reports on all exceptions, errors and other information are provided to senior management regularly or as necessary.

Independent risk function in Europe

Sybillé Hofmann, Head of Risk & Business Services - Europe, leads the firm's independent risk function (IRF) in Europe and has a team of risk specialists reporting to her who facilitate the risk monitoring process, covering both operational as well as portfolio risk, including credit, market and liquidity risk, for UCITS funds, a pooled vehicle structure that coordinates the distribution and management of unit trusts amongst countries within the European Union. Sybillé reports directly to James Robertson, Senior Managing Director of Invesco Ltd. and Head of Invesco in the UK and in Continental Europe.

Please refer to the diagram below which illustrates the framework in which the IRF in Europe functions:



Source: Invesco.

For illustration purposes only.

EMEA: Europe, the Middle East and Africa.

ERM: Enterprise Risk Management.

CRMC: Corporate Risk Management Committee.

The IRF is responsible for risk management policies and procedures which identify and mitigate risks relating to the firm's European business activities, processes and systems.

The role of risk includes ensuring compliance with the agreed risk profile and a defined risk alert system as well as regulatory limits, and adequate management reporting.

The IRF cooperates closely with other risk experts within the firm, in particular:

- **GPMR** focuses on the production of Value at Risk (VaR). Output from this measure is shared with the business, as well as the IRF for analysis and where, relevant, investigation.
- **Compliance** is responsible for monitoring all investment restrictions and risk alerts where set. Daily reports are produced and analysed; breaches of regulatory limits are immediately logged and allocated for resolution. Risk alerts trigger a discussion as to the reason and sensibility of the underlying investment and may not trigger any changes in the investments. Compliance also monitors general compliance with rules and regulations and escalates any risk findings to the IRF.
- **Data management** is responsible for security pricing or the oversight of it if completed by third party administrations. This includes OTC derivative pricing. Data management reports on stale pricing, pricing volatility and any other pricing matters.

The IRF is a key participant in the European New Instrument Committee (for the implementation of new instruments) as well as the European Pricing Committee (for the purpose of valuing securities for which market quotations are not readily available or other securities for which fair value needs to be determined).

Operational risk support the European functions and entities in setting risk appetite and risk tolerance levels where appropriate and monitoring linked Key Risk Indicators. An important part of the role is an independent challenge process in order to identify, assess and quantify risks in line with the set risk appetite.

The IRF also provides formal and informal reports to the firm's management on various topics, including capital adequacy or incidents. The IRF is also responsible for providing risk advice and facilitating the risk awareness culture across the business.

Although this document is not profiling UCITS, many of the risk controls that apply to these vehicles would also benefit the management of the underlying investment strategy within other investment vehicles.

Investment risk and Invesco Perpetual's Investment Oversight team

Invesco Perpetual's essential belief is that fund management is a skill and the inherent risks taken in managing money are those made by the fund managers themselves. One of the key tasks of the Henley-based Investment Oversight team, who report directly to Invesco Perpetual's CIO, is to facilitate the CIO challenge process. As described in greater detail overleaf, this process is implemented via challenge meetings that are attended by the CIO, the Head of Investment Oversight and the fund manager and seeks to check that the individuals managing money are doing so in a way that adds value to our clients. The objective is to review each fund manager bi-annually, although where particular issues are identified with performance or the investment process, these take precedence.

Risk management is an integral component of our investment process and is the product of the following factors:

Fund manager understanding

Fund managers effectively control stock-specific risk by ensuring that portfolios are always appropriately diversified. In-depth, continual analysis of the fundamentals of all holdings gives fund managers a comprehensive understanding of the financial risks associated with any particular stock.

Although we are always aware of the relative risk we are running – where relative risk is defined as the holding of investment positions that differ from the structure of the benchmark – we do not set out to manage the relative risk characteristics of our funds. A portfolio's relative risk characteristics will simply be a function of the investment decisions and absolute risk judgements that were made while constructing the portfolio.

Trading systems

All quantifiable portfolio investment parameters are entered into the internal portfolio management system which, subject to certain limitations, is designed to prevent inadmissible trades and to issue warnings to fund managers if a trade is likely to result in a parameter breach.

Continuous monitoring

At the total portfolio level, monthly performance, attribution and risk reports are produced by the Investment Oversight team, ensuring that fund managers adhere to their investment objectives, guidelines and parameters. There is also a culture of challenge and debate between fund managers regarding portfolio construction and risk.

CIO challenge process

The CIO challenge process is implemented via challenge meetings that are attended by the CIO, the Head of Investment Oversight and the fund manager. The CIO challenge process has four main aims:

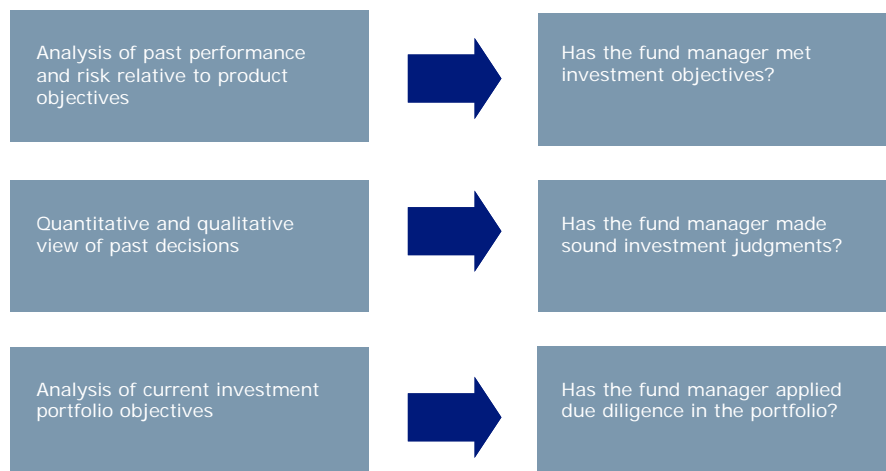
- **Transparency:** to understand a fund manager's rationale behind portfolio positioning and why certain decisions have been made.
- **Process:** to ensure that a fund manager is managing money in the way that has been clearly articulated to our clients.
- **Strategy:** to check that portfolio construction is consistent with the overall investment strategy and views of the fund manager.
- **Environment:** to ensure that fund managers are given the best environment to optimise their investment returns. This can range from exploring resourcing/personnel issues, looking at how teams are working/interacting together, ensuring that IT systems are adequate, individual contributions, capacity constraints, or any other issues that may adversely influence our ability to deliver quality investment decisions.

The challenge process is not prescriptive in its approach; it is both a qualitative and quantitative assessment of an individual or team's ability to successfully manage investments.

Our essential belief is that fund management is a skill and the inherent risks taken in managing money are those made by the fund managers themselves. The challenge process seeks to check that the individuals managing money are doing so in a way that adds value to our clients.

Fund managers are given the autonomy to back their investment judgment within the scope of fund mandates and regulations. We do not wish to put in place unnecessary restrictions which limit a fund manager's ability to back his/her own convictions in a stock or investment strategy. In an environment which allows such free thought, traditional controls and processes are limited in their application.

Although the CIO challenge process is a formal one, it is part of a cultural environment of challenge and rigor that exists on a day-to-day basis within our Henley investment center. The chart below illustrates this process:



There is no set agenda for these challenge meetings; this is dependent on the findings of the Investment Oversight team through their continuous monitoring. The meeting may cover some or all of the following:

- **Performance attribution:** where have portfolio returns been derived from?
- **Trading activity:** portfolio changes. How successful trading activity has been?
- **Macro-economic views:** does the portfolio reflect the wider economic view of the fund manager?
- **Investment process:** is the fund manager working within the stated process?
- **Style analysis:** what style is the fund manager adopting? While fund managers do not usually stipulate a particular style bias to their overall process, this analysis seeks to explain where their portfolio is positioned relative to the market in terms of financial characteristics, momentum measures and market-cap bias. This enables us to check the understanding of a fund manager's active positions against their investable universe.
- **Risk reporting:** to challenge/support where we believe our excess returns will come from.
- **Active positions:** where are major stock, industry, country or asset class bets being taken?

The aim of the CIO challenge process is to ensure that there is sufficient investment oversight in order that risks taken on behalf of our clients are understood and are considered appropriate. It is accepted that our business is judgemental and that potential impacts of these risks may materialise. However, core to the process is that risks taken are not incidental but are understood and taken with conviction.

Strategy overview

Global Smaller Companies

Strategy name, management and objective	Benchmark	Concentration
Invesco Perpetual Global Smaller companies strategy Global Smaller Companies Group The objective of this strategy aims to achieve capital growth through a portfolio of investments in international securities. The strategy intends to invest mainly in shares of smaller companies, which are quoted on the world's stockmarkets.	MSCI World Small Cap index	Diversified

Appendix 1 - Biographies

Senior management:

Nick Mustoe, Chief Investment Officer of Invesco Perpetual

Based in Henley-on-Thames, Nick is Chief Investment Officer of Invesco Perpetual. Nick joined the company in June 2010. His investment career spans over 25 years to date, having started with Phillips & Drew Fund Management as a UK equity manager in 1985. More recently, he was appointed CIO of Pictet Asset Management in 2006 after joining Hermes Pensions Management as CIO in 2002. He holds a first class honours degree in Business Studies from Bradford University.

Bob Yerbury, Senior Managing Director of Invesco Ltd. and co-chair of Invesco Perpetual's Global Equity Group

Based in Henley-on-Thames, Bob joined the company in 1983. His investment career now spans over 40 years, having led the North American equities team at Invesco Perpetual for 14 years, becoming CIO in 1997 and Chief Executive Officer (CEO) in 2004. As part of an orderly succession plan, Bob handed over his CEO and CIO responsibilities in September 2008 and June 2010 respectively, continuing with his wider Invesco group responsibilities within the firm's Investor's Forum and Global Trading function. Bob remains an active Senior Managing Director of Invesco Ltd. and part of the Invesco Perpetual senior team, highly engaged with the industry. Bob holds an MA in Mathematics from Cambridge University and qualified as an Actuary at Equity & Law Life Assurance Society. He is a Fellow of the Institute of Actuaries (FIA) and is Deputy Chairman of the Investment Management Association, the trade body of the UK's asset management industry. Bob was honoured with a Lifetime Achievement Winner award at the UK's Investment Week-sponsored Fund Manager of the Year Awards in 2008.

Strategy:

Nick Hamilton, Head of Global Equity Products at Invesco Perpetual

Based in Henley-on-Thames, Nick is responsible for the strategic and operational oversight of Invesco Perpetual's global equity, fund-of-fund and multi-asset businesses. He is also responsible for representing these strategies to external and internal clients. Nick joined the company in October 2003 as a product director on the UK Equities team. After a brief return to Australia in 2007, Nick rejoined the company in October 2007 as Head of Global Equity Products. He began his investment career in Australia in 1997 as a member of Rothschild Australia Asset Management's International Equity team. From 2000, Nick worked in both the UK and US for Reuters International. Nick holds a postgraduate Diploma in Applied Finance & Investment (ASIA), a Bachelor of Economics from Sydney University and has studied Corporate Finance at The London Business School.

Martin Weiss, Senior Investment Strategist for Global Equity Products at Invesco Perpetual

Based in Henley-on-Thames, Martin joined the company in July 2005 as product director for the International Equities team, moving into the role of senior investment strategist for global equity products in 2009. Martin began his investment career at Cazenove in 1990 as an analyst/salesman covering Japanese equities. Remaining with Cazenove, he transferred into fund management in 1996, specialising in Japanese equities until, in 2002, moving to their global team. Here, his responsibilities covered the management of all industrials and consumer staples investments within global equity funds. Martin graduated from Bristol University with a BSc honours degree in Economics.

Arwel Green, Global Equity and Multi-Asset Product Manager at Invesco Perpetual

Based in Henley-on-Thames, Arwel joined the company in May 2001, and is responsible for providing support for the Global Equities team's global equity and fund-of-fund and multi-asset products. Arwel has held various positions since joining the company, including that of client service, RFP writer/marketing information specialist and product information specialist. He joined the global team in his current role in January 2008. Arwel graduated in 2000 from Cheltenham College of Higher Education (now known as the University of Gloucester) with a degree in Hospitality Management and holds the Investment Management Certificate qualification from the CFA Society of the UK.

Specialist regional fund managers:

Richard Smith, UK Small Cap Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Richard is responsible for the management of a number of UK small cap portfolios. Richard is one of the most experienced UK small cap professionals in the industry. He began his fund management career in 1973 with Triumph before moving to Lazard Asset Management in 1975. There, he was responsible for managing both North American and UK equity portfolios, before specialising in the small cap sector. He became an investment director of Lazard's small cap business in 1988 before joining our company in June 2002.

Stephanie Butcher, European Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Stephanie is responsible for a number of European equity portfolios, specialising in European equity income investing. She began her investment career at Lazard Asset Management as a graduate trainee in 1993 and progressed to become a US fund manager responsible for institutional and retail portfolios. Stephanie then joined Aberdeen Asset Management in 1997, initially as a US portfolio manager responsible for insurance and institutional funds, and then onto their European equities desk in 1998 as a fund manager responsible for a number of retail funds before joining our company in 2003. Stephanie holds an MA (Honours) in History from Cambridge University.

Erik Esselink, European Small Cap Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Erik specialises in the research and management of European small cap equities. His career started in 1997 with ING Barings in Amsterdam, where he worked within the Institutional Equity Sales team for three years, specialising in Dutch equities. In 2000, Erik worked with Morgan Stanley, most recently as a pan European small and mid cap specialist salesperson and covered their institutional equity sales into the Benelux region. He joined our company in October 2007. Erik graduated from the Rotterdam School of Economics (HES) where he studied Commercial Economics. He is fluent in English and Dutch with a working knowledge of French and German.

Ian Hargreaves, CFA, Asian Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Ian manages pan-Asian portfolios and covers the entire Asian region in his research. He started his investment career with Invesco Asia Pacific in Hong Kong in 1994 as an investment analyst where he was responsible for coverage of Indonesia, Korea and the Indian sub-continent, as well as managing several regional institutional client accounts. In January 2005, Ian decided to return to the UK to join Invesco Perpetual's Asian Equities team. Ian holds a BA (Honours) in Chinese Studies from Durham University and is a CFA charterholder.

Paul Chesson, Head of Japanese Equities at Invesco Perpetual

Based in Henley-on-Thames, Paul is Head of Japanese Equities at Invesco Perpetual and is responsible for the management of a number of Japanese equity portfolios alongside fellow fund manager, Tony Roberts. Paul began his investment career in 1990 at Touche Remnant, specialising in Japanese Equities before joining our company in 1993. He holds an MA in Law from Oxford University and is an associate member of the Association for Investment Management.

Dean Newman, Head of Emerging Markets Equities at Invesco Perpetual

Based in Henley-on-Thames, Dean is Head of Emerging Markets Equities at Invesco Perpetual, with responsibility for the management of global emerging markets and Latin American equity portfolios. Dean began his investment career in 1985 joining Legal & General where he covered UK equity markets, moving to Japanese bank Sanwa in 1991 where he was Head of UK Equities. He became Head of Emerging Markets Equities at Invesco Perpetual in April 2007, having joined the company in 1993 and the Emerging Markets Equities team in 1994. Dean has been a driving force behind the team's investment strategy with his many years' experience of investing across all emerging markets regions. Dean graduated from Durham University with a BA honours degree in Economics and Politics.

Specialist regional fund manager - Invesco, Houston, US:

Juliet Ellis - Managing Director

CIO of Invesco's Domestic Growth Investment Management Unit

Juliet Ellis, Managing Director, is a senior portfolio manager in the US Small Cap Core team. She also serves as CIO of Invesco's Domestic Growth Investment Management Unit. Prior to joining Invesco in 2004, Juliet was Managing Director of JP Morgan Fleming Asset Management. She also served as senior portfolio manager of JP Morgan's dynamic small cap growth and small cap core strategies and was responsible for the management of more than US\$2 billion in assets. Juliet began her investment career in 1981 as a financial consultant with Merrill Lynch. She joined JP Morgan in 1987 as a senior equity analyst, where she also served as assistant portfolio manager and Director of Equity Research before being promoted to senior portfolio manager in 1993 and Managing Director in 2000. Juliet is a Cum Laude and Phi Beta Kappa graduate of Indiana University with a Bachelor of Arts degree in Economics and Political Science, and is also a CFA charterholder.

Specialist regional fund manager – Concord Capital, Australia:

Matt Booker, Australian Small Companies Portfolio Manager at Concord Capital

Matt joined the Concord Capital team as an Australian small companies portfolio manager in May 2008. Prior to joining Concord, he held small cap portfolio management roles at Paradise Investment Management and Credit Suisse Asset Management. Matt has also held positions with Merrill Lynch, as lead insurance/financial services analyst, Tyndall Life as an actuarial analyst, and Deutsche Australia, as Head of Hedge Fund Sales. His investment career began in 1997. Matt holds a Bachelor of Economics majoring in Actuarial studies, and is an Associate of the Institute of Actuaries of Australia.

Contact details

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The information contained in this document relating to the composition of the portfolio of any strategy advised or managed by us or any of our associated companies is confidential. It is disclosed to you on the strict basis you will 1) use it only for the purpose of analysing this document, 2) disclose it only to those of your staff and professional advisers who need to know it for the purposes of such analysis and 3) not disclose it, or permit it to be disclosed, in any way, other than as mentioned in 2).

All data is as at 31 December 2011, sourced from Invesco Perpetual/Invesco unless otherwise stated.

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.

Where Invesco Perpetual/Invesco has expressed views and opinions, these may change.

Past performance is not a guide to future returns.

Invesco Perpetual is a business name of Invesco Asset Management Limited.



Strategy profile

Fixed interest

Invesco Perpetual

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Corporate overview

Invesco Ltd.

Invesco Ltd. is one of the world's leading independent global investment management organizations serving retail, institutional and high-net-worth clients around the world. Our sole focus is investment management; with no distractions from competing interests, all our global resources and local commitment are focused on providing clients with the investment expertise and client service they seek.

To achieve our mission of helping investors worldwide build their financial security, Invesco Ltd. draws on the strength of its global resources.

With US\$625.3 billion (£402.1 billion/EUR481.5 billion)¹ in assets under management, specialized investment teams with distinct perspectives deliver diversified investment strategies ranging from major equity and fixed income asset classes to other alternative asset classes including real estate, private equity and commodities. These strategies are managed across investment centers worldwide, each of which focuses on distinct asset classes, investment styles or regional expertise and adheres to clearly defined investment philosophies aligned with client expectations.

To further strengthen our investment culture, we also maintain an active Investors Forum that consists of senior investment professionals from each investment centre. Co-Chaired by Senior Managing Directors, Bob Yerbury and Karen Dunn Kelley, the role of the Investors Forum is primarily to foster, promote and grow investment excellence across the organisation.

Our distinctive combination of independent thought within individual investment centers and collaboration across investment centers provides clients the reach and resources of a global organization and the focus and attention of a boutique firm: our investment capabilities are both diverse and specialized; we are global in reach yet local in presence and our processes are disciplined yet can be delivered in customized ways. All of which distinctively positions Invesco Ltd. to keep pace with clients' evolving investment needs worldwide.

Invesco Perpetual

Invesco Perpetual is a business name of Invesco Asset Management Limited and forms part of Invesco Ltd.

With US\$88.3 billion (£56.8 billion/EUR68.0 billion)² in assets under management² and located in Henley on Thames (Henley), our investment team structure exhibits many of the advantages of a boutique firm structure, albeit part of a larger organization: small high-quality teams; the location of the team away from the main UK investment centers, fostering a culture of independent thought in an environment where challenge and discussion are encouraged, and thrive; the recognition of personal skill as a source of value; the 'world under one roof' – constant team-wide macroeconomic debate; typically roles of portfolio manager and analyst are combined.

Our highly experienced investment team consists of 43 investment professionals with an average 17 years' investment experience³. We believe that a focused and highly-experienced team provides the best means of maximizing value that we can generate for our clients by continuing to adopt a long-term, active approach to investment.

All data as at 31 December 2011 unless otherwise noted.

¹ Source: Invesco Ltd.

Invesco Ltd. AuM includes all assets under advisement, distributed and overseen by Invesco Ltd. and its affiliate Invesco Powershares which has an agreement with Deutsche Bank to provide certain marketing services for the Powershares DB products. Neither firm is affiliated with Deutsche Bank.

² Total assets managed by Invesco Perpetual's Henley-based investment centre.

³ Henley-based Invesco Perpetual portfolio managers and analysts only.

Our business

Investment firms can make claims regarding the benefits of their approach and organisation structure, whether that be an investment team that is centrally located, against one that is locally located, those that are aligned geographically versus those that are aligned by industry sector. Whilst there are pros and cons to each approach, IAML does not believe that this is an important factor in delivering long-term investment outperformance.

Invesco Perpetual's business is built on the following tenets:

Consistency:

Invesco Perpetual was founded in 1973 with the aim of being an autonomous global investment management team and today, as part of the larger Invesco group, we remain passionately focused on that original aim. Today, from our office in Henley, Oxfordshire, we invest across 40 stock markets, over 500 companies globally and travel extensively to meet companies and their management.

Stability:

Turnover within our investment team is low, and the stability of the team is a factor in helping us in our aim to deliver long-term sustainable outperformance. We believe that the unique location of our team in Henley, away from the main UK investment centres, between London and Oxford, assists in providing a balance between work, family and community that forms the basis of the team's stability.

Culture:

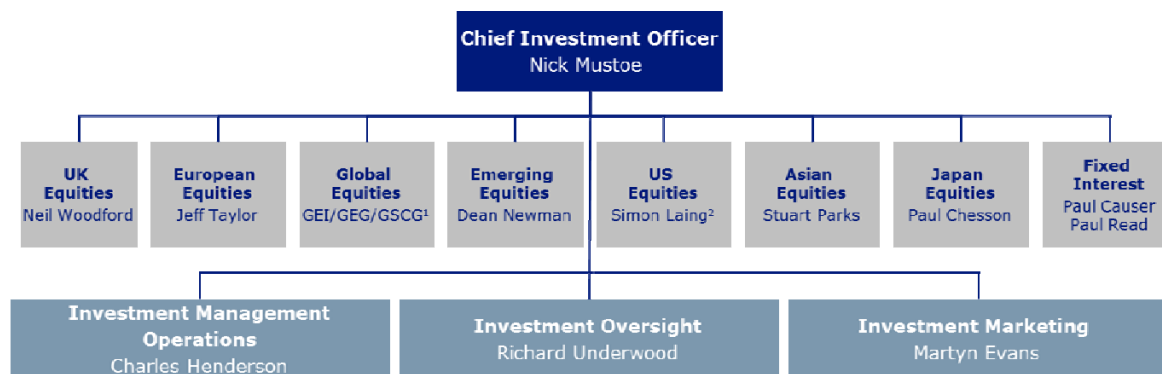
Another factor is the investment culture of the firm. We believe that investment management must be undertaken in an environment where the investment team are focused on longer-term performance and where portfolio managers are given the opportunity to stand by their convictions. Adopting this approach, however, means we may endure periods of underperformance.

We have always fostered a culture of accountability, with performance being the single largest contributor to a portfolio manager's remuneration. With that accountability comes greater responsibility, and our portfolio managers are aided in this by a robust risk management process.

Investment team & assets under management

Investment teams

IAML's Henley-based investment team is structured as follows:



¹ Global Equity Income team/Global Equity Group/Global Smaller Companies Group.

² With effect from 9 January 2012.

Henley-based Fixed Interest team

Name	Role	Years' tenure	Years' industry experience
Portfolio managers:			
Paul Causer	Co-Head of Fixed Interest	18	28
Paul Read	Co-Head of Fixed Interest	17	26
Mike Matthews	Fund Manager	18	18
Stuart Edwards	Fund Manager	8	15
Credit & risk analysts:			
Asad Bhatti	Senior Analyst, CFA	9	11
Rhys Davies	Senior Analyst, CFA	9	9
Julien Eberhardt	Senior Analyst, CFA	3	6
Tom Hemmant	Analyst, ACA	<1	9
Edward Craven	Analyst, ACA	<1	3
Dominic de Ban	Head of Markets & Risk	<1	23
Simon Cheng	Desk Analyst	8	8
Jack Parker	Desk Analyst	4	4
Other team members:			
Lewis Aubrey-Johnson	Product Director	12	15
Alister Brown	Product Manager	5	22

Biographies are included within **Appendix 1**.

Assets under management

As at 31 December 2011, the Fixed Interest team had US\$22.81billion (£14.68billion/EUR17.57billion) in assets under management. This covers all fixed interest (sub-) portfolios within segregated and pooled investment vehicles⁴.

Asset breakdown	US\$ million	£ million	EUR million
Investment grade	12,112.0	7,794.1	9,330.9
High yield	6,346.9	4,084.2	4,889.5
Government bond	797.4	513.1	614.3
Equity	1,771.8	1,140.2	1,365.0
Cash	1,129.3	726.7	870.0
Other ⁵	650.2	418.4	500.9
Total	22,807.6	14,676.7	17,570.6

⁴ Data includes all assets managed including carve-outs of international and multi-asset mandates

⁵ Other includes convertible & preference bonds, derivative instruments, emerging market debt and debentures

Investment philosophy & process

Investment philosophy

At the core of IAML's Henley-based investment center's investment philosophy is a belief in active investment management. Fundamental principles drive a genuinely unconstrained investment approach, which aims to deliver attractive total returns over the long term.

The team's investment philosophy is built on a belief that fixed interest markets are mostly efficient but continually present opportunities. For example:

- Markets have a tendency to overshoot, moving prices away from fundamental value.
- Investors have different objectives – for instance, investors that are required to match liabilities of a certain duration, or central bank intervention.
- Some institutional investors can have rigid investment constraints – changes in the credit rating of an issuer can force some investors to sell.

By exploiting market inefficiencies such as these through fundamental analysis and a strong emphasis on valuation, we aim to deliver consistent, long-term outperformance under most market conditions.

Investment process

The team's approach to investment management can be summarised as follows:

Active	The Henley Fixed Interest team do not track indices and their focus is on absolute risk and return
Flexible and pragmatic	Their approach is informal, iterative, flexible and changes according to market conditions
Market driven	The team exploit opportunities on a short-term as well as a longer-term basis
'All-weather' funds	The products are designed to be managed through the market cycle
Valuation driven	They place strong emphasis on assessing value, based on fundamental analysis of potential risk versus potential return

This philosophy and approach have shaped an investment process which adheres to the core disciplines of logical thought processes, comprehensive analysis and constant re-questioning of underlying assumptions. The investment process comprises three key elements which drive portfolio construction – macroeconomic analysis, credit analysis and value assessment.

Macroeconomic analysis

Our macroeconomic views play an integral role in all the main portfolio decisions. The focus of the team's macro work is on the development of a view about the general direction and structure of interest rates, and the trend in the pricing of credit risk. To a large extent these broad views set some important individual bond parameters, such as preferred maturities, yields, sectors and overall credit risk tolerances. The macro view and analysis also provides the foundation on which duration, yield curve and credit strategies are built.

The main elements of top down analysis that are important for the fund are the:

- General direction of monetary policy and developments in official interest rates
- Shape of the yield curve and its likely development
- General trend in the pricing of credit risk and 'credit spreads'

The first two factors are influential in determining the overall interest rate (or duration) risk which we take in the portfolio. The third factor will be a guiding force behind the level of credit risk we take in the portfolio.

However, the judgement on duration and credit risk is more refined than, say, simply lengthening duration in anticipation of falling interest rates or raising credit exposure in anticipation of credit spread narrowing. For example, there have been important and significant changes in the shape of yield curves around the world in recent years which have necessitated careful examination of the entire yield curve and the choice of strategies to capitalise from these developments.

Credit analysis

The assessment of individual corporate credits is central to the investment process. The external sources of research to which we have access are the starting point for that analysis. These external sources include the three main credit rating agencies – Standard and Poor's, Moodys and Fitch/IBCA. This external research often provides, however, a fairly "static" view of an individual credit and, as has been clearly demonstrated in recent years, credit assessment can change very quickly.

Partly for such reasons, our own analysis is of crucial importance. Our emphasis, however, will be on the dynamics and the evolution of these measures, rather than on the numerical value of the ratios at a particular point in time. For example, a company that is actively taking steps to reduce excessively high leverage will be more attractive than one with the same degree of leverage but taking few steps to address the situation.

The quality of management is an important factor in our qualitative assessment of high yield issuers. In that light, company visits are becoming more important for us. In this way, our research on companies is quite similar to that done by equity analysts. The financial measures we look at in assessing an individual company will tend to have a different focus to those used by equity analysts, emphasising the ability of a company to adequately service its debt. The measures we look at include: the extent of gearing; the relationship between a company's net debt and its EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation); and the relationship between EBITDA and the company's overall financing costs. EBITDA is used primarily as a proxy for a company's free cashflow and we will often make adjustments to EBITDA to take into account, for example, required capital expenditure. Different financial ratios will be appropriate for different companies operating in different sectors and at different stages of development. Our emphasis, however, will be on the dynamics and the evolution of these measures, rather than on the numerical value of the ratios at a particular point in time. Other technical considerations such as issue size, dealer sponsorship, supply and numerous other technical factors will also be considered.

The credit risk process is not designed to minimise risk in isolation from return considerations. The fund managers are looking to maximise returns from acceptable and well understood credit risk exposures.

Value assessment

Once a deep and informed credit risk opinion has been established about a particular corporate borrower, absolute and relative risk and value judgements can be made. We seek to understand why an opportunity may exist, including:

- Market overreaction to one aspect of a company's situation
- The effects of ratings moving below investment grade
- Issuance patterns
- Mis-pricing of covenant protection

In keeping with our absolute risk and return mentality, a judgement is made about whether the potential returns (both from income and capital) sufficiently justify the risks. We also consider the risk / return profile of a bond in relation to cash and government bonds, as well as corporate bonds. An appreciation of relative value enables us to select the best value corporate bonds given pre-determined variables such as maturity, sector and credit rating. This also helps us to identify credit trends and pricing anomalies.

Security research

The research function is not separated from the function of the fund manager. This is an important distinction and one we believe is central to the team's success. In addition, the Fixed Interest team includes a number of dedicated credit analysts who research specific sectors.

This allows us to take full advantage of our top-down macro work, by giving us the flexibility to focus our research in areas where we believe that the best investment opportunities are currently to be found, whilst at the same time ensuring that no part of the relevant market is left uncovered.

Top-down research

The majority of our research is qualitative and divides naturally between top-down macro analysis and bottom-up bond research. We dedicate significant time and effort to top-down analysis, seeking to understand the current macroeconomic environment and to make informed forecasts of future conditions.

Within our analysis, we consider how the environment might impact the relative attractiveness of individual sectors and the impact it may have on bonds at the micro level.

Bottom-up research

The focus of our bottom-up research is determined by a combination of the output of our top-down macro analysis and internally- or externally-generated bond ideas. Such ideas are derived from:

- Team-generated analysis
- Contact with companies
- Corporate news flow
- Regular review of relative price and valuation movements
- Discussions with colleagues
- A network of selected external research providers

We also have the support and benefit of sharing research and investment ideas with the Henley equity investment teams.

External research

In addition to original research, our fixed interest fund managers devote considerable resource to the assessment of research produced by external organisations, including that of brokerage houses, independent research firms and technical analysts. This helps develop an understanding of economies, bond valuations and credit quality. We believe that the resulting relationships with a small number of leading firms, based on mutual respect, enhances the quality of the investment dialogue. We are then able to compare our own research with consensus expectations, identifying gaps where the market is over-pessimistic and over-optimistic.

This combination of in-house analysis with the use of well-placed and well-informed contacts within the broking community provides the fund managers with the necessary basis for understanding their markets at all levels, allowing for a synthesis of 'top-down' and 'bottom-up' investment analysis.

Fund management is a judgemental business and the major scope to add value is in the interpretation that our fund management teams place on the available information. The experience of fund managers in this respect is critical and key to the team's success.

Fund managers make cross-border valuation assessments of similar companies in different countries. We consider cashflow as the leading valuation consideration. Primary in our analysis is an understanding of the underlying economics of a business and to that end we tend not to use accounting-related profit statements that can show earnings distorted by non-cash items such as asset revaluation. Instead we focus on analysing the true cashflow generative capability of a company which removes these accounting distortions.

When we consider cashflow, we look specifically at a measure of free cashflow. This represents the underlying and sustainable excess cash generated by a business after removing predetermined calls on that cash, such as maintenance capex. This measure is cashflow, unencumbered by other calls on its use.

A focus on free cash yields serves two functions:

- Free cashflow analysis facilitates an absolute valuation approach
- Identifying the amount of excess cash that a business generates focuses our analysis on how management choose to use that cash. This allows us to assess whether or not marginal return on capital is being maximised

Portfolio construction

The aim of the portfolio construction process is to gain exposure to the most attractive ideas within the investment parameters of each portfolio and to express our views on fixed interest markets. The process brings together the output of the team's top-down and bottom-up analysis. The emphasis between these two sources of added value changes over time.

Individual bond weightings are decided very much on a case-by-case basis using qualitative judgement and analysis.

The Invesco Perpetual Fixed Interest team believes this creates a portfolio sufficiently diverse to reduce risk and improve liquidity whilst maintaining its active nature. The number of securities held will vary according to the underlying investment strategy and preponderance of investment ideas. Generally, when the fund managers find more attractive opportunities in sectors of the market with a higher credit rating, the fund will tend to be less diversified. Conversely, if more attractive opportunities are found in the higher yielding areas of the market, they will tend to be more diversified. However, these are general considerations rather than tightly defined rules.

Scaling into and out of positions is sometimes viewed as appropriate, but once again is viewed on a case-by-case basis and not applied as a general rule.

Sector exposures

The team feels no obligation to own any sector or bond because, for example, it is a constituent of one of the main bond indices. On occasions it may be that an individual bond's weighting may compensate for not owning other bonds in that sector. However, the limit on this is made on judgemental rather than quantitative grounds.

Liquidity considerations

The liquidity in individual bonds or sectors will affect the positions the team takes. This does not mean that they will avoid owning illiquid bonds at all times. The fund managers may be prepared to own illiquid bonds for a relatively long period of time if they judge that the degree of mispricing justifies the risk. Equally, if trading conditions for a bond or sector become more liquid, this will not be a reason, in itself, for selling the bond.

Cash holdings

The fund managers regard the use of cash or cash proxies as a useful fixed income portfolio allocation option and will therefore utilise this option from time to time. Cash and near cash may only be held to assist in the redemption of shares, the efficient management of the fund or purposes regarded as ancillary to the fund.

Buy and sell discipline

Buy and sell decisions are made on a case-by-case basis, driven by qualitative judgement and analysis. Credits will be purchased if they offer good absolute and relative value, and the team believe they will be adequately rewarded for the associated risk. Credits will be considered for sale if they no longer sufficiently reward the associated risk, or if credit positions are rebalanced in line with macro views. The team tends to gradually scale in and out of major portfolio positions.

Any decision to sell will be the decision of the fund manager, normally following on from discussion and consultation with other members of the team.

Risk management

Each investment team, as a part of Invesco Ltd., employs a multi-faceted approach to oversight and risk management. In the first instance, each investment team has embedded risk controls within its investment management discipline, including review and oversight processes tailored to its philosophy and objectives. Details of this as it pertains to Invesco Perpetual are provided from **page 14, investment risk and Invesco Perpetual's Investment Oversight team.**

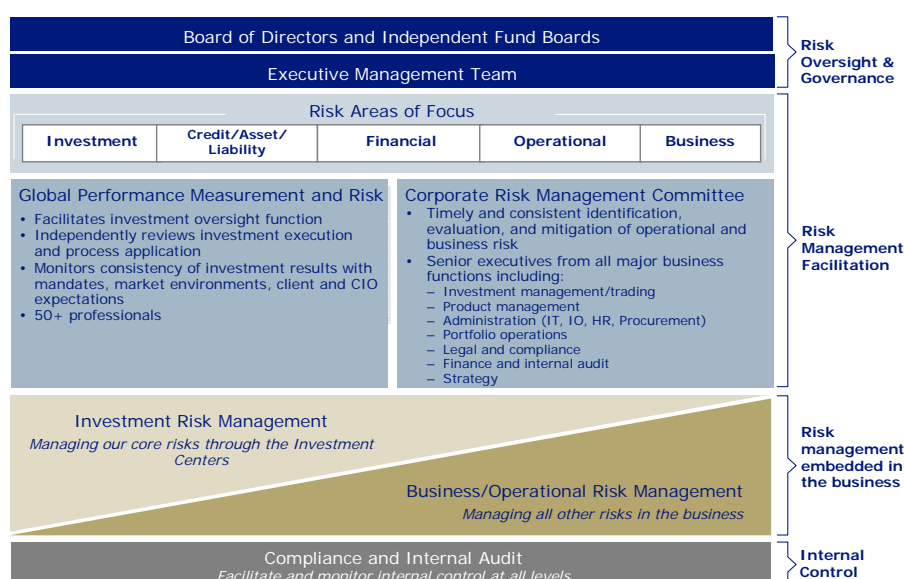
These investment teams' processes are bolstered and overseen by multi-dimensional independent controls. These controls include the Global Performance Measurement and Risk (GPMR) team with over 60 professionals dedicated to performance and risk activities. Invesco Ltd.'s GPMR team, independent from portfolio management teams, are charged with providing comprehensive reporting that facilitates better understanding of performance quality and risk. This team provides regular reviews of the performance and risk attributes of the various investment team disciplines to senior management.

Invesco Ltd.'s senior management oversight structures also include:

- Reporting lines running from investment team Chief Investment Officers (CIOs) who have day-to-day responsibility for investment team risk controls up to the Invesco Ltd. Senior Managing Director having management responsibility for the investment team.
- Quarterly and monthly reviews are performed based upon investment performance and risk analytics of each investment discipline produced by the GPMR. These reviews are conducted by the Chief Executive Officer (CEO) and those Senior Managing Directors who manage the investment teams.
- Review of operational controls and related corporate exposures by the Invesco Ltd. Corporate Risk Management Committee.
- Regular review of investment matters by the Invesco Ltd. Board of Directors, including quarterly reporting on investment performance data produced by the GPMR and related reviews by the CEO and Senior Managing Directors, as well as presentations (on a rotating basis) by investment team CIOs and other senior investment professionals.
- Additional reviews and support from Invesco Ltd.'s Compliance and Internal Audit functions.

These layers of controls are designed to provide enhanced transparency, reporting and risk assessment from and to the investment teams.

An effective foundation for a sound risk culture



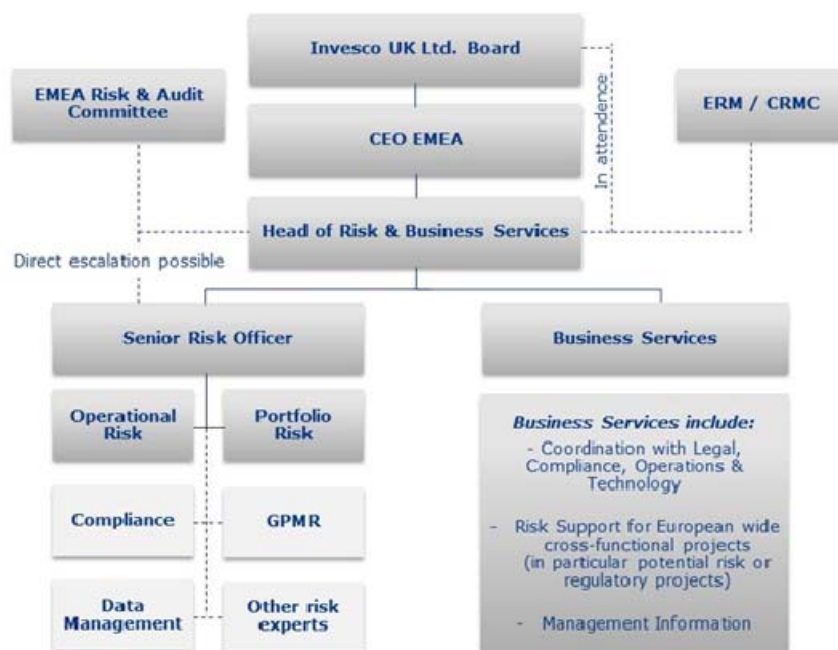
Invesco Ltd.'s Corporate Risk Management Committee consists of senior executives representing all of the company's major business functions including investment management, trading, information technology, portfolio operations, legal and compliance, finance and internal audit. The Committee exists to facilitate the timely and consistent top down identification, evaluation, monitoring and mitigation of operational and business risk on a consolidated basis. Relevant areas of focus have included operational controls regarding new investments (including matters such as the pricing and settlement of swaps and similar derivatives).

Augmenting this effort are strong internal audit and compliance teams. The Internal Audit team works closely with business units to improve the integrity, consistency and control of all operations. This team designs and leads audits of operations, compliance and financial reporting functions, and ensures appropriate implementation of Sarbanes-Oxley and other regulatory requirements. The Compliance team works with the business to establish and maintain policies and procedures designed to prevent, detect and correct violations of applicable laws and regulations and client investment guidelines. Portfolios are subject to daily compliance review. Compliance routinely monitors existing practices, policies and procedures, and reviews written policies and procedures at least annually. Reports on all exceptions, errors and other information are provided to senior management regularly or as necessary.

Independent risk function in Europe

Sybillé Hofmann, Head of Risk & Business Services - Europe, leads the firm's independent risk function (IRF) in Europe and has a team of risk specialists reporting to her who facilitate the risk monitoring process, covering both operational as well as portfolio risk, including credit, market and liquidity risk, for UCITS funds, a pooled vehicle structure that coordinates the distribution and management of unit trusts amongst countries within the European Union. Sybillé reports directly to James Robertson, Senior Managing Director of Invesco Ltd. and Head of Invesco in the UK and in Continental Europe.

Please refer to the diagram below which illustrates the framework in which the IRF in Europe functions:



Source: Invesco.

For illustration purposes only.

EMEA: Europe, the Middle East and Africa.

ERM: Enterprise Risk Management.

CRMC: Corporate Risk Management Committee.

The IRF is responsible for risk management policies and procedures which identify and mitigate risks relating to the firm's European business activities, processes and systems.

The role of risk includes ensuring compliance with the agreed risk profile and a defined risk alert system as well as regulatory limits, and adequate management reporting.

The IRF cooperates closely with other risk experts within the firm, in particular:

- **GPMR** focuses on the production of Value at Risk (VaR). Output from this measure is shared with the business, as well as the IRF for analysis and where, relevant, investigation.
- **Compliance** is responsible for monitoring all investment restrictions and risk alerts where set. Daily reports are produced and analysed; breaches of regulatory limits are immediately logged and allocated for resolution. Risk alerts trigger a discussion as to the reason and sensibility of the underlying investment and may not trigger any changes in the investments. Compliance also monitors general compliance with rules and regulations and escalates any risk findings to the IRF.
- **Data management** is responsible for security pricing or the oversight of it if completed by third party administrations. This includes OTC derivative pricing. Data management reports on stale pricing, pricing volatility and any other pricing matters.

The IRF is a key participant in the European New Instrument Committee (for the implementation of new instruments) as well as the European Pricing Committee (for the purpose of valuing securities for which market quotations are not readily available or other securities for which fair value needs to be determined).

Operational risk support the European functions and entities in setting risk appetite and risk tolerance levels where appropriate and monitoring linked Key Risk Indicators. An important part of the role is an independent challenge process in order to identify, assess and quantify risks in line with the set risk appetite.

The IRF also provides formal and informal reports to the firm's management on various topics, including capital adequacy or incidents. The IRF is also responsible for providing risk advice and facilitating the risk awareness culture across the business.

Although this document is not profiling UCITS, many of the risk controls that apply to these vehicles would also benefit the management of the underlying investment strategy within other investment vehicles.

Investment risk and Invesco Perpetual's Investment Oversight team

Invesco Perpetual's essential belief is that fund management is a skill and the inherent risks taken in managing money are those made by the fund managers themselves. One of the key tasks of the Henley-based Investment Oversight team, who report directly to Invesco Perpetual's CIO, is to facilitate the CIO challenge process. As described in greater detail overleaf, this process is implemented via challenge meetings that are attended by the CIO, the Head of Investment Oversight and the fund manager and seeks to check that the individuals managing money are doing so in a way that adds value to our clients. The objective is to review each fund manager bi-annually, although where particular issues are identified with performance or the investment process, these take precedence.

Risk management is an integral component of our investment process and is the product of the following factors:

Fund manager understanding

Fund managers effectively control stock-specific risk by ensuring that portfolios are always appropriately diversified. In-depth, continual analysis of the fundamentals of all holdings gives fund managers a comprehensive understanding of the financial risks associated with any particular stock.

Although we are always aware of the relative risk we are running – where relative risk is defined as the holding of investment positions that differ from the structure of the benchmark – we do not set out to manage the relative risk characteristics of our funds. A portfolio's relative risk characteristics will simply be a function of the investment decisions and absolute risk judgements that were made while constructing the portfolio.

Trading systems

All quantifiable portfolio investment parameters are entered into the internal portfolio management system which, subject to certain limitations, is designed to prevent inadmissible trades and to issue warnings to fund managers if a trade is likely to result in a parameter breach.

Continuous monitoring

At the total portfolio level, monthly performance and risk reports are produced by Invesco Perpetual's Investment Oversight team, ensuring that fund managers adhere to their investment objectives, guidelines and parameters. There is also a culture of challenge and debate between fund managers regarding portfolio construction and risk.

In addition to this, the Invesco Perpetual Fixed Interest team and its support professionals includes a Markets & Risk sub-function that is dedicated to:

- Gathering market intelligence
- Dealing
- Hedging
- Producing market and portfolio-related data
- Maintaining risk management tools

CIO challenge process

The CIO challenge process is implemented via challenge meetings that are attended by Invesco Perpetual's CIO, the Head of Investment Oversight and the fund manager. The CIO challenge process has four main aims:

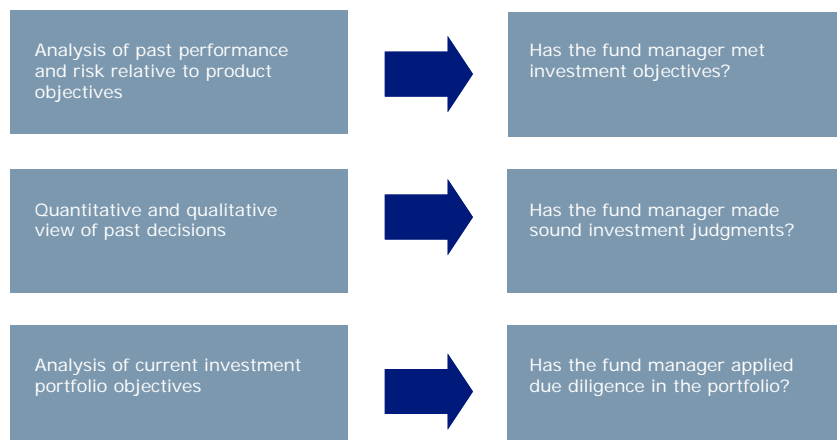
- **Transparency:** to understand a fund manager's rationale behind portfolio positioning and why certain decisions have been made.
- **Process:** to ensure that a fund manager is managing money in the way that has been clearly articulated to our clients.
- **Strategy:** to check that portfolio construction is consistent with the overall investment strategy and views of the fund manager.
- **Environment:** to ensure that fund managers are given the best environment to optimise their investment returns. This can range from exploring resourcing/personnel issues, looking at how teams are working/interacting together, ensuring that IT systems are adequate, individual contributions, capacity constraints, or any other issues that may adversely influence our ability to deliver quality investment decisions.

The challenge process is not prescriptive in its approach; it is both a qualitative and quantitative assessment of an individual or team's ability to successfully manage investments.

Our essential belief is that fund management is a skill and the inherent risks taken in managing money are those made by the fund managers themselves. The challenge process seeks to check that the individuals managing money are doing so in a way that adds value to our clients.

Fund managers are given the autonomy to back their investment judgment within the scope of fund mandates and regulations. We do not wish to put in place unnecessary restrictions which limit a fund manager's ability to back his/her own convictions in a stock or investment strategy. In an environment which allows such free thought, traditional controls and processes are limited in their application.

Although the CIO challenge process is a formal one, it is part of a cultural environment of challenge and rigor that exists on a day-to-day basis within our Henley investment centre. The chart below illustrates this process:



There is no set agenda for these challenge meetings; this is dependent on the findings of the Investment Oversight team through their continuous monitoring. The meeting may cover some or all of the following:

- **Trading activity:** portfolio changes. How successful trading activity has been?
- **Macro-economic views:** does the portfolio reflect the wider economic view of the fund manager?
- **Investment process:** is the fund manager working within the stated process?
- **Risk reporting:** to challenge/support where we believe our excess returns will come from.
- **Active positions:** where are major stock, industry, country or asset class bets being taken?

The aim of the CIO challenge process is to ensure that there is sufficient investment oversight in order that risks taken on behalf of our clients are understood and are considered appropriate. It is accepted that our business is judgemental and that potential impacts of these risks may materialise. However, core to the process is that risks taken are not incidental but are understood and taken with conviction.

Strategy overview

Fixed interest

Strategy name, management and objective
Invesco Perpetual Corporate Bond strategy Paul Causer and Paul Read The strategy aims to achieve a high level of overall return, with relative security of capital. It intends to invest primarily in fixed interest securities.
Invesco Perpetual Euro Corporate Bond strategy Paul Causer and Paul Read The strategy is invested to achieve, in the medium to long term, a competitive overall investment return in Euros with relative security of capital in comparison to equities. The strategy will invest at least two thirds of its total assets (without taking into account ancillary liquid assets) in debt securities or instruments denominated in Euro issued by corporate issuers.
Invesco Perpetual Global Unconstrained Bond strategy Paul Causer and Paul Read The strategy aims to maximise total return through investment in a flexible allocation of cash, debt securities and financial derivative instruments worldwide.
Invesco Perpetual Global Bond strategy Paul Causer and Paul Read The strategy aims to achieve a good overall investment return in the medium to long term with relative security of capital. The strategy intends to invest primarily in international bonds of differing interest yields and maturities.
Invesco Perpetual Global Financial Capital strategy Paul Causer and Paul Read The strategy aims to deliver an attractive total return, over the medium to long term, through a combination of income and capital growth by investing primarily in capital instruments (including equity and equity linked securities and instruments) and other debt securities issued by banks and financial institutions, cash and cash equivalents.
Invesco Perpetual European High Yield strategy Paul Causer and Paul Read The strategy aims to achieve a high level of income whilst seeking to maximise total return through investing in high yielding Corporate and Government bonds, together with UK and European equities.
Invesco Perpetual European High Income strategy Paul Causer and Paul Read The strategy aims to achieve a high level of income and capital growth through a portfolio of primarily European equity, and fixed interest securities.
Invesco Perpetual Pan European High Income strategy Paul Causer and Paul Read The strategy aims to provide to investors long-term total return growth from an actively managed, diversified portfolio investing primarily in higher yielding European debt securities and to a lesser extent, equities.

Invesco Perpetual's Fixed Interest team employ an active, unconstrained investment approach and do not manage mandates against any market benchmark indices.

Appendix 1 - Biographies

Paul Causer, Co-Head of Fixed Interest at Invesco Perpetual

Based in Henley-on-Thames, Paul co-leads Invesco Perpetual's Fixed Interest team with Paul Read, managing a number of government, corporate and non- investment grade portfolios. Paul began his investment career in 1983 in research and credit analysis with Asahi Bank, the large Japanese commercial bank. He then moved to the bank's treasury department and traded securities and derivative instruments until 1990 when he was given responsibility for managing the bank's multi-currency investment portfolio before joining our company in 1994. Paul holds a BSc in Economics from the London School of Economics.

Paul Read, Co-Head of Fixed Interest at Invesco Perpetual

Based in Henley-on-Thames, Paul co-leads Invesco Perpetual's Fixed Interest team with Paul Causer, managing a number of government, corporate and non- investment grade portfolios across the maturity spectrum. Paul began his investment career with UBS (Securities) Ltd in 1984, and then moved to Merrill Lynch International in 1986. Paul initially worked on the bond sales desk, covering institutional investment managers at Merrill Lynch, before moving on to debt trading and working as a director of fixed interest trading in Tokyo from 1991 and in Paris from 1993 before joining our company in 1995. He holds a BA in Economics and History from the University of Toronto and also has an MBA from INSEAD.

Michael Matthews, Fixed Interest Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Michael is responsible for the management of a number of government and corporate investment grade portfolios. Michael began his investment career in 1995, joining the co-heads of Invesco Perpetual's Fixed Interest team, Paul Read and Paul Causer, upon the team's foundation. He initially specialised in the team's money and foreign exchange market activities before predominantly focusing on government and investment grade credit markets. Michael has passed the associate examinations of the Association for Investment Management and Research (AIMR).

Stuart Edwards, Fixed Interest Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Stuart is responsible for a number of global bond and cash portfolios. Stuart began his investment career in 1997 at Standard & Poor's as an economist, initially specialising in analysis of the Benelux region and then covering the UK fixed income and money markets with responsibility for forecasting UK economic data and providing fixed income strategy. On joining our company in 2003, he was initially the fixed income specialist within our Investment Communication team before successfully transferring to the Fixed Interest team in January 2006 as a fixed income strategist, specialising in the analysis of macro economic data and trends. In March 2010 Stuart was promoted to the role of fund manager. He holds a BSc (Honours) in Business Economics with Computing from the University of Surrey and an MSc in Finance from Birkbeck College, University of London.

Dominic de Ban, Head of Markets and Risk, Fixed Interest at Invesco Perpetual

Based in Henley-on-Thames, Dominic is responsible for managing all of Invesco Perpetual's Fixed Interest team's trading activity. Dominic began his investment career with Merrill Lynch International in 1989 before he moved to Salomon Brothers International in 1990, completing the firm's graduate training programme in 1991. He initially worked on their fixed income sales desk, covering UK-based financial institutions, before being awarded international responsibilities in June 1992, servicing the firm's Middle East-based institutional clients. During his 20 years at Salomon Brothers International (which subsequently became part of Citigroup), Dominic marketed a wide range fixed income, cash and derivatives products. Prior to joining our company in April 2011, Dominic was a director within Citigroup's Central and Eastern Europe, the Middle East and Africa Sales team, with special responsibility for sovereign wealth fund and central bank coverage. Dominic holds a BSc in Psychology from Portsmouth Polytechnic.

Edward Craven, Fixed Interest Analyst at Invesco Perpetual

Based in Henley-on-Thames, Edward is a credit analyst in Invesco Perpetual's Fixed Interest team. Edward began his career with KPMG in 2003 working in Assurance Services before transferring to their Corporate Finance department in 2006. In 2008 he moved to The Royal Bank of Scotland, where he worked in structured finance executing leveraged transactions for mid-market corporate and private equity backed businesses before joining Invesco Perpetual in 2011. He is an ACA qualified Chartered Accountant and holds a Masters Degree in Physics, MPhys, from the University of Bath.

Tom Hemmant, Fixed Interest Analyst at Invesco Perpetual

Based in Henley-on-Thames, Tom is a credit analyst in Invesco Perpetual's Fixed Interest team. Tom began his career with PricewaterhouseCoopers in 2002 where he worked in their financial services tax practice and trained as a chartered accountant. In 2005 he joined the Corporate Finance team of International Power plc working on the acquisition and project financing of power generation assets, and corporate funding projects. He is an ACA qualified Chartered Accountant and holds a BSc in Economics from the University of Southampton.

Asad Bhatti, CFA, Fixed Interest Senior Analyst at Invesco Perpetual

Based in Henley-on-Thames, Asad is a credit analyst within Invesco Perpetual's Fixed Interest team. Asad started his investment career with Arthur Anderson and after 18 months joined Abbey National Treasury Services before joining our company in November 2002. He holds a BAcc (Honours) in Accounting from the University of Glasgow and is a CFA charterholder.

Rhys Davies, CFA, Fixed Interest Senior Analyst at Invesco Perpetual

Based in Henley-on-Thames, Rhys is a credit analyst within Invesco Perpetual's Fixed Interest team. Rhys began his investment career within Invesco Perpetual's Product Support team in January 2002 and transferred to the Henley-based Fixed Interest team in November 2003. He holds a BSc (Honours) in Management Science from the University of Manchester Management School and is a CFA charterholder.

Julien Eberhardt, CFA, Fixed Interest Senior Analyst at Invesco Perpetual

Based in Henley-on-Thames, Julien is a credit analyst within Invesco Perpetual's Fixed Interest team. Julien began his investment career in 2005 at Moody's as an analyst specialising in the analysis of high yield and investment grade corporate issuers in the EMEA region before joining the company in August 2008. He is a graduate of École Supérieure de Commerce de Montpellier (France) and holds a Masters degree in Finance from the University of Montpellier (France). He is also a CFA charterholder.

Jack Parker, Fixed Interest Desk Analyst at Invesco Perpetual

Based in Henley-on-Thames, Jack is currently a Desk Analyst within Invesco Perpetual's Fixed Interest team. Jack began his investment career with the firm within our investment operations functions in January 2008 before transferring to Invesco Perpetual's Fixed Interest team in August 2010. He graduated in 2007 and holds a BA (Honours) in Business Economics from the University of Exeter.

Simon Cheng, Fixed Interest Desk Analyst at Invesco Perpetual

Based in Henley-on-Thames, Simon is currently a Desk Analyst within Invesco Perpetual's Fixed Interest team. Simon began his investment career with the firm within our Client Services department in June 2004 before transferring to Invesco Perpetual's Fixed Interest team in May 2008. He graduated in 1999 and holds a BA in Languages & Business from the Hong Kong Polytechnic University.

Lewis Aubrey-Johnson, Fixed Interest Product Director at Invesco Perpetual

Based in Henley-on-Thames, Lewis is responsible for representing Invesco Perpetual's fixed interest investment capabilities to external and internal clients. Lewis began his investment career with the firm within its Investment Communication team in 2000 before successfully transferring to Invesco Perpetual's Global Equities team as product manager in 2002 and then onto his current product director responsibilities with the Fixed Interest team in 2003. He holds a BA (Honours) in International Relations from Sussex University.

Alister Brown, Fixed Interest Product Manager at Invesco Perpetual

Based in Henley-on-Thames, Alister is responsible for representing Invesco Perpetual's fixed interest investment capabilities to external and internal clients. Alister began his investment career in 1990, having worked at HSBC Bank and HSBC Asset Management in various roles covering investment communications, fund selection, performance monitoring, unit pricing and fund accounting by 1997. He joined Invesco Perpetual in April 2007 as a fixed interest specialist with the Investment Communications team, transferring to the Fixed Interest team as product manager in April 2011.

Contact details

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Job title: Director of European Compliance

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Fax number: +44 (0) 20 70653143

The information contained in this document relating to the composition of the portfolio of any portfolio advised or managed by us or any of our associated companies is confidential. It is disclosed to you on the strict basis you will 1) use it only for the purpose of analysing this document, 2) disclose it only to those of your staff and professional advisers who need to know it for the purposes of such analysis and 3) not disclose it, or permit it to be disclosed, in any way, other than as mentioned in 2).

All data is as at 31 December 2011, sourced from Invesco Perpetual/Invesco unless otherwise stated.

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.

Where Invesco Perpetual/Invesco has expressed views and opinions, these may change.

Past performance is not a guide to future returns.

Invesco Perpetual is a business name of Invesco Asset Management Limited.



Strategy profile
Emerging markets equities
Invesco Perpetual

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Corporate overview

Invesco Ltd.

Invesco Ltd. is one of the world's leading independent global investment management organizations serving retail, institutional and high-net-worth clients around the world. Our sole focus is investment management; with no distractions from competing interests, all our global resources and local commitment are focused on providing clients with the investment expertise and client service they seek.

To achieve our mission of helping investors worldwide build their financial security, Invesco Ltd. draws on the strength of its global resources.

With US\$625.3 billion (£402.1 billion/EUR481.5 billion)¹ in assets under management, specialized investment teams with distinct perspectives deliver diversified investment strategies ranging from major equity and fixed income asset classes to other alternative asset classes including real estate, private equity and commodities. These strategies are managed across investment centers worldwide, each of which focuses on distinct asset classes, investment styles or regional expertise and adheres to clearly defined investment philosophies aligned with client expectations.

To further strengthen our investment culture, we also maintain an active Investors Forum that consists of senior investment professionals from each investment centre. Co-Chaired by Senior Managing Directors, Bob Yerbury and Karen Dunn Kelley, the role of the Investors Forum is primarily to foster, promote and grow investment excellence across the organisation.

Our distinctive combination of independent thought within individual investment centers and collaboration across investment centers provides clients the reach and resources of a global organization and the focus and attention of a boutique firm: our investment capabilities are both diverse and specialized; we are global in reach yet local in presence and our processes are disciplined yet can be delivered in customized ways. All of which distinctively positions Invesco Ltd. to keep pace with clients' evolving investment needs worldwide.

Invesco Perpetual

Invesco Perpetual is a business name of Invesco Asset Management Limited and forms part of Invesco Ltd.

With US\$88.3 billion (£56.8 billion/EUR68.0 billion) in assets under management² and located in Henley on Thames (Henley), our investment team structure exhibits many of the advantages of a boutique firm structure, albeit part of a larger organization: small high-quality teams; the location of the team away from the main UK investment centers, fostering a culture of independent thought in an environment where challenge and discussion are encouraged, and thrive; the recognition of personal skill as a source of value; the 'world under one roof' – constant team-wide macroeconomic debate; typically roles of portfolio manager and analyst are combined.

Our highly experienced investment team consists of 43 investment professionals with an average 17 years' investment experience³. We believe that a focused and highly-experienced team provides the best means of maximizing value that we can generate for our clients by continuing to adopt a long-term, active approach to investment.

All data as at 31 December 2011 unless otherwise noted.

¹ Source: Invesco Ltd.

Invesco Ltd. AuM includes all assets under advisement, distributed and overseen by Invesco Ltd. and its affiliate Invesco Powershares which has an agreement with Deutsche Bank to provide certain marketing services for the Powershares DB products. Neither firm is affiliated with Deutsche Bank.

² Total assets managed by Invesco Perpetual's Henley-based investment centre.

³ Henley-based Invesco Perpetual portfolio managers and analysts only.

Our business

Investment firms can make claims regarding the benefits of their approach and organisation structure, whether that be an investment team that is centrally located, against one that is locally located, those that are aligned geographically versus those that are aligned by industry sector. Whilst there are pros and cons to each approach, Invesco Perpetual does not believe that this is an important factor in delivering long-term investment outperformance.

Invesco Perpetual's business is built on the following tenets:

Consistency:

Perpetual was founded in 1973 with the aim of being an autonomous global investment management team and today, as part of the larger Invesco group, we remain passionately focused on that original aim. Today, from our office in Henley, Oxfordshire, we invest across 40 stock markets, over 500 companies globally and travel extensively to meet companies and their management.

Stability:

Turnover within our investment team is low, and the stability of the team is a factor in helping us in our aim to deliver long-term sustainable outperformance. We believe that the unique location of our team in Henley, away from the main UK investment centres, between London and Oxford, assists in providing a balance between work, family and community that forms the basis of the team's stability.

Culture:

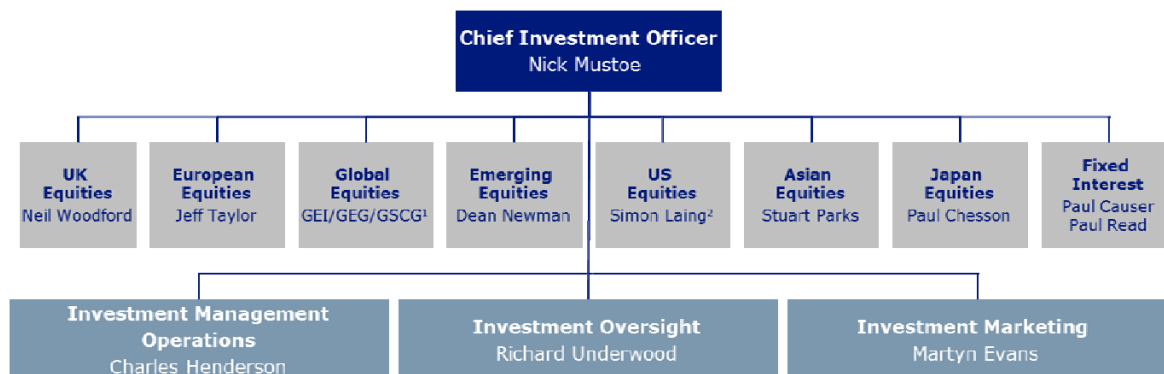
Another factor is the investment culture of the firm. We believe that investment management must be undertaken in an environment where the investment team are focused on longer-term performance and where fund managers are given the opportunity to stand by their convictions. Adopting this approach, however, means we may endure periods of underperformance.

We have always fostered a culture of accountability, with performance being the single largest contributor to a fund manager's remuneration. With that accountability comes greater responsibility, and our fund managers are aided in this by a robust risk management process.

Investment teams & assets under management

Investment team

IAML's Henley-based investment team is structured as follows:



¹ Global Equity Income team/Global Equity Group/Global Smaller Companies Group.

² With effect from 9 January 2012.

Led by Dean Newman, the Emerging Markets Equities team comprises five members:

Name	Responsibility	Years' tenure	Years' industry experience
Dean Newman	Head of Emerging Markets Equities	18	26
Liesbeth Rubinstein	EMEA ⁴ fund manager	5	18
Nicholas Mason	Latin American fund manager	5	12
Syona Munz-Shingla	Senior analyst	3	6

Ian Hargreaves, a member of Invesco Perpetual's Asian Equities team, also contributes to our global emerging markets equities strategy.

Biographies are included within **Appendix 1**.

Assets under management

Assets under management for the team total US\$1.03 billion (£662.3 million/Euro 792.9 million). The following table details these assets by region:

Region	AuM US\$ million	AuM £ million	AuM EUR million
Global	224.10	144.20	172.64
Latin America	604.51	388.98	465.69
EMEA	127.50	82.04	98.22
Carve-out of international mandates	73.10	47.04	56.31
Total	1,029.22	662.26	792.86

⁴ Europe, the Middle East and Africa.

Investment philosophy & process

Investment philosophy

At Invesco Perpetual we firmly believe that investors are best served by a focus on long-term investing, avoiding an over focus on current trends and consensus. Companies operate in long-term cycles and so does the focus of the investment team's research.

The Emerging Markets Equities team believes in building portfolios where each holding has the potential to deliver absolute upside. The team also assesses the relative valuation attractiveness of stocks at both a country and sector level within a benchmark aware approach. Against this background, their universe of opportunities is large and the team strive to invest in stocks where they have high conviction.

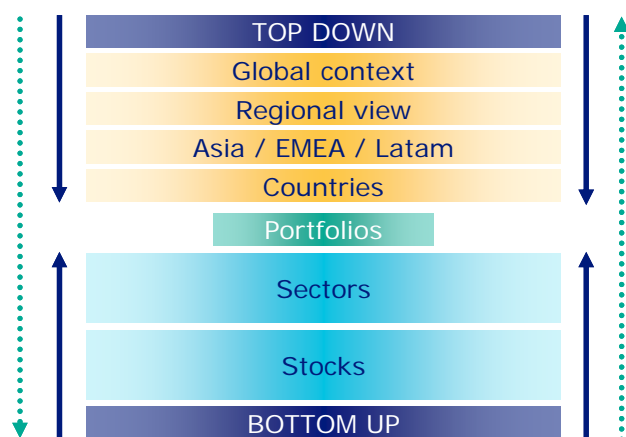
The team's key focus is stock selection although our fund managers consider the implications of macro issues across emerging equity markets and their potential impact; however, the assessment of a company and its valuation is the key driver in their decision-making process.

Investment style

The team describes their investment process as pragmatic and flexible. By this they mean that there are no inherent style biases within their process; portfolios are positioned according to underlying market conditions and are tilted neither to value nor growth, but are valuation driven. The team looks for valuation anomalies, paying particular attention to value creation and growth not reflected in prices and free cashflow generation to finance growth and dividends.

Investment process

Invesco Perpetual's Emerging Markets Equities team's investment process can be illustrated as follows:



Active

The team invests where they feel the best returns are to be found.

Top-down meets bottom-up analysis in an iterative process

Within their top-down analysis the team seek to understand the macroeconomic, political and social environment, thereby providing a background for regional and country allocation decisions. Bottom-up analysis is a key driver of stock selection, while portfolio construction at sector level is largely determined by the bottom-up process, but is also influenced by the team's top-down macroeconomic views.

Fundamental analysis

Fundamental analysis is the key input to the process and a principal driver of stock selection. The team uses a combination of internal proprietary research and selected externally-sourced analysis including extensive company contacts.

Valuation driven

Valuation determines whether or not a stock is attractive. The team focuses their stock picking on those companies whose potential is not reflected in their valuations.

Pragmatic and flexible

The team's investment process has no inherent style bias favouring particular sectors, stocks or market caps. This gives them the freedom to respond to changing market conditions and opportunities without restrictions, and to position their portfolios in response to underlying market conditions. Such flexibility is particularly important in emerging markets, where foreign sentiment is volatile and liquidity conditions can shift quickly, dramatically affecting equity valuations in the region.

Conviction investing

The team often take contrarian views but this is on a considered, not an automatic, basis. The composition of their portfolios reflects the level of their conviction. The trust the investment team have in a management team will often allow them the confidence to make an investment into a company that is in a period of underperformance and strongly out of favour with the market.

Benchmark aware

While the team is aware of the composition of the benchmark, and this will influence their judgement on country and sector exposure, they are not driven by it.

Asset allocation

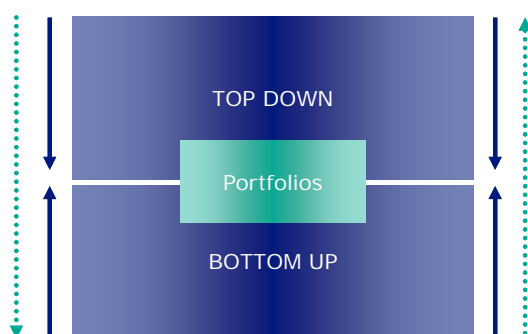
Asset allocation for the Emerging Markets Equities team's portfolios is driven by a series of bi-monthly stock and portfolios team meetings. Ahead of each meeting, comprehensive papers covering a number of investment indicators and valuation tools are produced. At these meetings the team will discuss:

- Macro environment
- Number of attractive opportunities in each of the regions
- Average regional weightings of the peer group
- Review of portfolio performance
- Research/stock discussion

Research

Regional equity team members in our Henley investment centre are generalist fund managers and undertake original research into all companies which they invest into. This dual fund management/research role delivers ownership and responsibility for each investment decision that is made. This is an important distinction and one that we believe is central to the success of the team.

The Emerging Markets Equities team's top-down macro analysis and bottom-up stock research approach, as illustrated below, is seen as an iterative process:



Top-down research

Significant time is dedicated to the understanding and forecasting of current and future macroeconomic conditions. Within their analysis our fund managers consider how the environment might impact the relative attractiveness of individual sectors and the impact it may have on stocks at a micro level. Our fund managers believe that a company's operating conditions are largely determined by the broader macroeconomic environment, also recognising that the influence of macro conditions on sector and stock fundamentals will vary over the course of the economic cycle. It is critical that the macro context is accurately reflected in the structure of the investment team's portfolios and in the emphasis of their bottom-up research described below.

Bottom-up research

Fundamental analysis is the key input to the investment process and a principal driver of stock selection.

Stock ideas are generated from a number of sources including that of brokerage houses, independent research firms and analysts who will regularly introduce our fund managers to potential investments. Their macroeconomic views may also highlight a particular area of the market for closer inspection. Company meetings are also an important aspect of idea generation, in that they often expose competitors, customers or suppliers that could be of interest.

The investment decisions that shape each portfolio are the consequence of a fund manager's assessment of the information inputs. Our investment process does not rely on the use of any proprietary analytical tools; rather we believe that value is added as a consequence of the insights of our fund managers, their understanding of market conditions and the quality of their data interpretation.

Once an idea has been generated, it is then subject to further analysis to allow a considered judgement to be reached on the stock's valuation and to arrive at an investment decision. This further analysis can be broken down into three components:

- **Examination of broker research on the company, and discussion with relevant investment analysts**

This external analysis is not used for its ultimate buy/sell recommendation; rather a fund manager compares the assumptions behind this research to their own, in order to form a judgement on valuation.

- **Meeting company management**

This is to obtain a better understanding of the nature of the business, its key drivers, competitive position and the achievability of management goals.

A fund manager's research is structured to give them a detailed understanding of a company's key historical and future business drivers, such as demand for its products, pricing power, market share trends, cashflow and management strategy. This enables a fund manager to form an opinion on a company's competitive position, its strategic advantages/disadvantages and the quality of its management.

From such meetings:

- The fund manager believes they can garner an improved understanding of the near- and longer-term prospects of a company and the quality of its management.
- Gives them a forum to challenge their assumptions and predictions in person as well as ensuring that management understands Invesco Perpetual's priorities as a shareholder.
- Provides the fund manager with valuable information regarding the state of the broader economy and the businesses of a company's suppliers, customers and competitors. This analysis is then considered in conjunction with a stock's current and prospective valuation, enabling the fund manager to determine whether or not the stock is attractively valued.
- Determine where there are sizable differences between consensus expectations and what the company expects to realistically achieve.

- **Proprietary research**

This is to arrive at a judgement on valuation. A fund manager can look at quantitative measures as a guide to this, but it will also involve qualitative judgements on aspects such as the quality of a company's products and services, the risks to which it is exposed, the strength of its management team and the presence of any unique characteristics or tangible advantage over competitors.

Valuation

In addition to proprietary research, as explained above, our fund managers selectively use valuation models in order to understand the assumptions that the brokers/analysts have incorporated into their valuation conclusions and as a structure into which they can input their own scenarios.

External research

In addition to original research, our fund managers devote considerable resource to the assessment of research produced by external organisations, including that of brokerage houses, independent research firms and analysts. We believe that the resulting relationship with these firms, based on mutual respect, enhances the quality of the investment dialogue. For each sector, fund managers typically have two or three external analysts with whom they maintain close contact and whose judgement they value. They are then able to compare their own research with consensus expectations, identifying opportunities where the market is overly-pessimistic or overly-optimistic. It should be emphasised that external research is used purely as an input, as opposed to being the driver of the decision-making process.

This combination of in-house analysis with the use of well-placed and well-informed contacts within the broking community provides our fund managers with the necessary basis for understanding their markets at all levels, allowing for a synthesis of 'bottom-up' and 'top-down' investment analysis.

Fund management is a judgemental business and the major scope to add value is in the interpretation of the available information by our investment team. The experience of fund managers in this respect is critical and key to the success of the team.

Portfolio construction

The aim of the Emerging Markets Equities team's portfolio construction process is to maximise exposure to the most attractive countries, sectors and stocks within the investment parameters of their portfolios.

Portfolio construction is based on a combination of the outputs from their top-down macro analysis and bottom-up stock research. The former will be the primary influence on regional and country allocation, while the latter determines the stock selection within these countries/sectors.

Individual stock weights are primarily influenced by the team's conviction on both the perceived degree of under-valuation of the stock and the need to ensure that the stock idea has the maximum impact on the portfolio's performance within the agreed risk parameters. However, they can also be influenced by the:

- Number of attractive opportunities available
- Value of the stock as a diversifier
- Regulatory/liquidity constraints

While the team is aware of the composition of the benchmark, and this will influence their judgement on country/sector exposure, they are not driven by it. They are not afraid to deviate from the benchmark where their conviction is high. The team does not hold underweight positions in companies as expressions of negative views. If they do not consider a stock to be a good investment then they will not invest in it, irrespective of its weight in the benchmark.

Buy/sell discipline

Our fund managers actively monitor their portfolios on an ongoing basis, making investment decisions based on the output of the investment process and any investment parameters. Our buy/sell decision-making process is driven by qualitative analysis. Consequently, such decisions are at the fund manager's discretion, normally following discussion and consultation with other members of the team.

Stocks will be purchased if they demonstrate sufficient share price appreciation potential and their inclusion is within any permitted investment parameters. There are three reasons why we sell a stock: if the stock is fully valued and discounting our expectation of forward looking returns, where we have revisited the initial investment case and determined it needs to be revised or where a better relative investment opportunity exists.

Risk management

Each investment team, as a part of Invesco Ltd., employs a multi-faceted approach to oversight and risk management. In the first instance, each investment team has embedded risk controls within its investment management discipline, including review and oversight processes tailored to its philosophy and objectives. Details of this as it pertains to Invesco Perpetual are provided from **page 13, Investment risk and Invesco Perpetual's Investment Oversight team.**

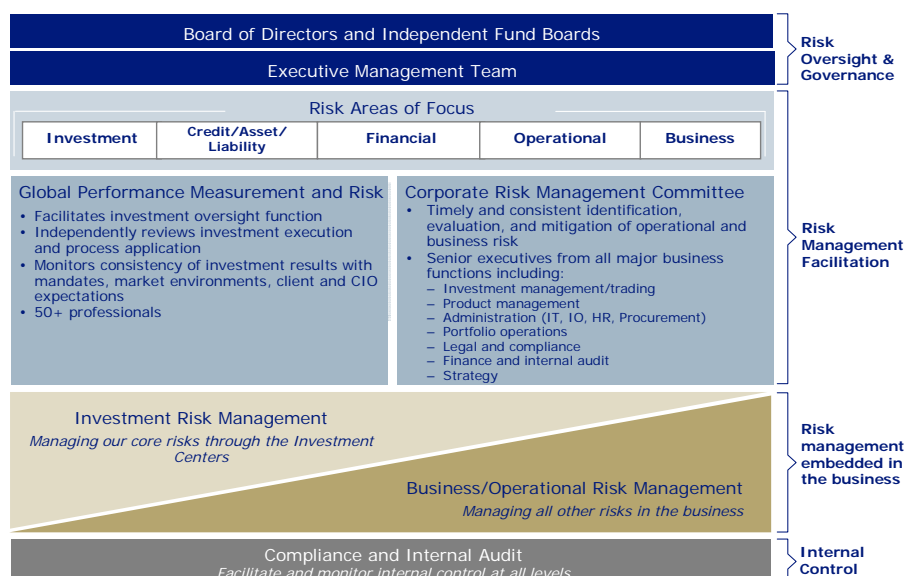
These investment teams' processes are bolstered and overseen by multi-dimensional independent controls. These controls include the Global Performance Measurement and Risk (GPMR) team with over 60 professionals dedicated to performance and risk activities. Invesco Ltd.'s GPMR team, independent from portfolio management teams, are charged with providing comprehensive reporting that facilitates better understanding of performance quality and risk. This team provides regular reviews of the performance and risk attributes of the various investment team disciplines to senior management.

Invesco Ltd.'s senior management oversight structures also include:

- Reporting lines running from investment team CIOs who have day-to-day responsibility for investment team risk controls up to the Invesco Ltd. Senior Managing Director having management responsibility for the investment team.
- Quarterly and monthly reviews are performed based upon investment performance and risk analytics of each investment discipline produced by the GPMR. These reviews are conducted by the Chief Executive Officer (CEO) and those Senior Managing Directors who manage the investment teams.
- Review of operational controls and related corporate exposures by the Invesco Ltd. Corporate Risk Management Committee.
- Regular review of investment matters by the Invesco Ltd. Board of Directors, including quarterly reporting on investment performance data produced by the GPMR and related reviews by the CEO and Senior Managing Directors, as well as presentations (on a rotating basis) by investment team CIOs and other senior investment professionals.
- Additional reviews and support from Invesco Ltd.'s Compliance and Internal Audit functions.

These layers of controls are designed to provide enhanced transparency, reporting and risk assessment from and to the investment teams.

An effective foundation for a sound risk culture



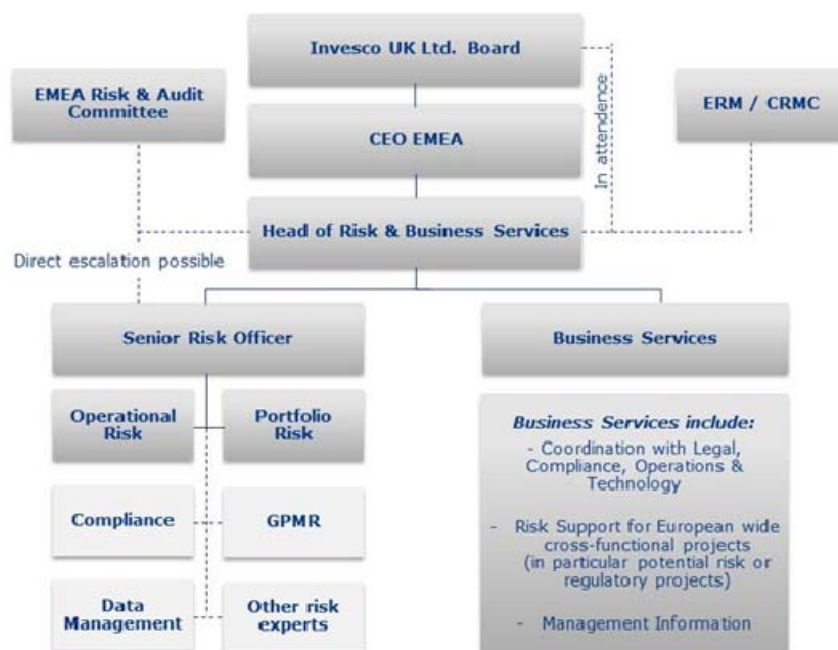
Invesco Ltd.'s Corporate Risk Management Committee consists of senior executives representing all of the company's major business functions including investment management, trading, information technology, portfolio operations, legal and compliance, finance and internal audit. The Committee exists to facilitate the timely and consistent top down identification, evaluation, monitoring and mitigation of operational and business risk on a consolidated basis. Relevant areas of focus have included operational controls regarding new investments (including matters such as the pricing and settlement of swaps and similar derivatives).

Augmenting this effort are strong internal audit and compliance teams. The Internal Audit team works closely with business units to improve the integrity, consistency and control of all operations. This team designs and leads audits of operations, compliance and financial reporting functions, and ensures appropriate implementation of Sarbanes-Oxley and other regulatory requirements. The Compliance team works with the business to establish and maintain policies and procedures designed to prevent, detect and correct violations of applicable laws and regulations and client investment guidelines. Portfolios are subject to daily compliance review. Compliance routinely monitors existing practices, policies and procedures, and reviews written policies and procedures at least annually. Reports on all exceptions, errors and other information are provided to senior management regularly or as necessary.

Independent risk function in Europe

Sybillé Hofmann, Head of Risk & Business Services - Europe, leads the firm's independent risk function (IRF) in Europe and has a team of risk specialists reporting to her who facilitate the risk monitoring process, covering both operational as well as portfolio risk, including credit, market and liquidity risk, for UCITS funds, a pooled vehicle structure that coordinates the distribution and management of unit trusts amongst countries within the European Union. Sybillé reports directly to James Robertson, Senior Managing Director of Invesco Ltd. and Head of Invesco in the UK and in Continental Europe.

Please refer to the diagram below which illustrates the framework in which the IRF in Europe functions:



Source: Invesco.

For illustration purposes only.

EMEA: Europe, the Middle East and Africa.

ERM: Enterprise Risk Management.

CRMC: Corporate Risk Management Committee.

The IRF is responsible for risk management policies and procedures which identify and mitigate risks relating to the firm's European business activities, processes and systems.

The role of risk includes ensuring compliance with the agreed risk profile and a defined risk alert system as well as regulatory limits, and adequate management reporting.

The IRF cooperates closely with other risk experts within the firm, in particular:

- **GPMR** focuses on the production of Value at Risk (VaR). Output from this measure is shared with the business, as well as the IRF for analysis and where, relevant, investigation.
- **Compliance** is responsible for monitoring all investment restrictions and risk alerts where set. Daily reports are produced and analysed; breaches of regulatory limits are immediately logged and allocated for resolution. Risk alerts trigger a discussion as to the reason and sensibility of the underlying investment and may not trigger any changes in the investments. Compliance also monitors general compliance with rules and regulations and escalates any risk findings to the IRF.
- **Data management** is responsible for security pricing or the oversight of it if completed by third party administrations. This includes OTC derivative pricing. Data management reports on stale pricing, pricing volatility and any other pricing matters.

The IRF is a key participant in the European New Instrument Committee (for the implementation of new instruments) as well as the European Pricing Committee (for the purpose of valuing securities for which market quotations are not readily available or other securities for which fair value needs to be determined).

Operational risk support the European functions and entities in setting risk appetite and risk tolerance levels where appropriate and monitoring linked Key Risk Indicators. An important part of the role is an independent challenge process in order to identify, assess and quantify risks in line with the set risk appetite.

The IRF also provides formal and informal reports to the firm's management on various topics, including capital adequacy or incidents. The IRF is also responsible for providing risk advice and facilitating the risk awareness culture across the business.

Although this document is not profiling UCITS, many of the risk controls that apply to these vehicles would also benefit the management of the underlying investment strategy within other investment vehicles.

Investment risk and Invesco Perpetual's Investment Oversight team

Invesco Perpetual's essential belief is that fund management is a skill and the inherent risks taken in managing money are those made by the fund managers themselves. One of the key tasks of the Henley-based Investment Oversight team, who report directly to Invesco Perpetual's CIO, is to facilitate the CIO challenge process. As described in greater detail overleaf, this process is implemented via challenge meetings that are attended by the CIO, the Head of Investment Oversight and the fund manager and seeks to check that the individuals managing money are doing so in a way that adds value to our clients. The objective is to review each fund manager bi-annually, although where particular issues are identified with performance or the investment process, these take precedence.

Risk management is an integral component of our investment process and is the product of the following factors:

Fund manager understanding

Fund managers effectively control stock-specific risk by ensuring that portfolios are always appropriately diversified. In-depth, continual analysis of the fundamentals of all holdings gives fund managers a comprehensive understanding of the financial risks associated with any particular stock.

Although we are always aware of the relative risk we are running – where relative risk is defined as the holding of investment positions that differ from the structure of the benchmark – we do not set out to manage the relative risk characteristics of our funds. A portfolio's relative risk characteristics will simply be a function of the investment decisions and absolute risk judgements that were made while constructing the portfolio.

Trading systems

All quantifiable portfolio investment parameters are entered into the internal portfolio management system which, subject to certain limitations, is designed to prevent inadmissible trades and to issue warnings to fund managers if a trade is likely to result in a parameter breach.

Continuous monitoring

At the total portfolio level, monthly performance, attribution and risk reports are produced by the Investment Oversight team, ensuring that fund managers adhere to their investment objectives, guidelines and parameters. There is also a culture of challenge and debate between fund managers regarding portfolio construction and risk.

CIO challenge process

The CIO challenge process is implemented via challenge meetings that are attended by the CIO, the Head of Investment Oversight and the fund manager. The CIO challenge process has four main aims:

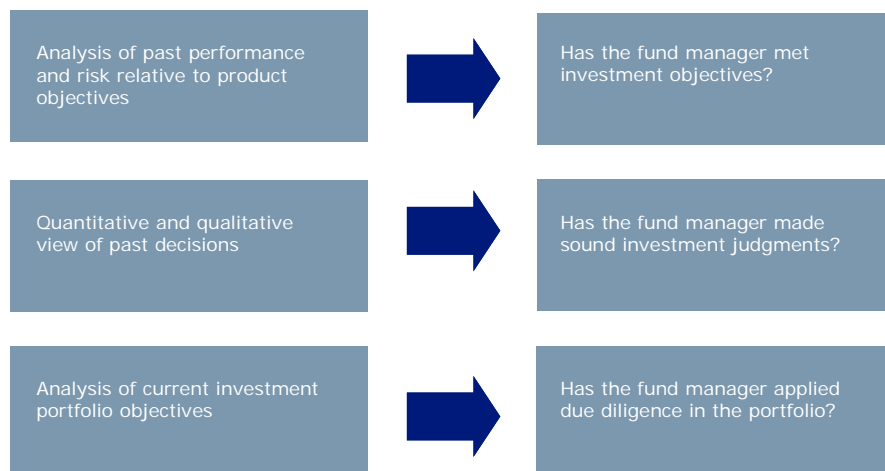
- **Transparency:** to understand a fund manager's rationale behind portfolio positioning and why certain decisions have been made.
- **Process:** to ensure that a fund manager is managing money in the way that has been clearly articulated to our clients.
- **Strategy:** to check that portfolio construction is consistent with the overall investment strategy and views of the fund manager.
- **Environment:** to ensure that fund managers are given the best environment to optimise their investment returns. This can range from exploring resourcing/personnel issues, looking at how teams are working/interacting together, ensuring that IT systems are adequate, individual contributions, capacity constraints, or any other issues that may adversely influence our ability to deliver quality investment decisions.

The challenge process is not prescriptive in its approach; it is both a qualitative and quantitative assessment of an individual or team's ability to successfully manage investments.

Our essential belief is that fund management is a skill and the inherent risks taken in managing money are those made by the fund managers themselves. The challenge process seeks to check that the individuals managing money are doing so in a way that adds value to our clients.

Fund managers are given the autonomy to back their investment judgment within the scope of fund mandates and regulations. We do not wish to put in place unnecessary restrictions which limit a fund manager's ability to back his/her own convictions in a stock or investment strategy. In an environment which allows such free thought, traditional controls and processes are limited in their application.

Although the CIO challenge process is a formal one, it is part of a cultural environment of challenge and rigor that exists on a day-to-day basis within our Henley investment center. The chart below illustrates this process:



There is no set agenda for these challenge meetings; this is dependent on the findings of the Investment Oversight team through their continuous monitoring. The meeting may cover some or all of the following:

- **Performance attribution:** where have portfolio returns been derived from?
- **Trading activity:** portfolio changes. How successful trading activity has been?
- **Macro-economic views:** does the portfolio reflect the wider economic view of the fund manager?
- **Investment process:** is the fund manager working within the stated process?
- **Style analysis:** what style is the fund manager adopting? While fund managers do not usually stipulate a particular style bias to their overall process, this analysis seeks to explain where their portfolio is positioned relative to the market in terms of financial characteristics, momentum measures and market-cap bias. This enables us to check the understanding of a fund manager's active positions against their investable universe.
- **Risk reporting:** to challenge/support where we believe our excess returns will come from.
- **Active positions:** where are major stock, industry, country or asset class bets being taken?

The aim of the CIO challenge process is to ensure that there is sufficient investment oversight in order that risks taken on behalf of our clients are understood and are considered appropriate. It is accepted that our business is judgemental and that potential impacts of these risks may materialise. However, core to the process is that risks taken are not incidental but are understood and taken with conviction.

Strategy overview

Strategy name , manager and objective	Benchmark	Number of stocks
Invesco Perpetual Emerging Countries strategy Dean Newman The strategy aims to achieve capital growth primarily through a portfolio of shares in companies established and/or operating in countries where, in the opinion of the manager, there is an emerging market.	MSCI Emerging Markets	80 - 110
Invesco Perpetual Latin American strategy Dean Newman The strategy aims to achieve capital growth in Latin America. The strategy intends to invest primarily in shares of companies in South and Central America (including Mexico) and the Caribbean, although it may include other Latin American related investments	MSCI EM Latin America	40 - 60
Invesco Perpetual Emerging European strategy Liesbeth Rubinstein The strategy aims to achieve long-term capital growth from investment primarily in shares of companies in emerging European countries, and also in Russia	MSCI EM Eastern Europe	30 - 40

Appendix 1 - Biographies

Dean Newman, Head of Emerging Markets Equities at Invesco Perpetual

Based in Henley-on-Thames, Dean is Head of Emerging Markets Equities at Invesco Perpetual, with responsibility for the management of global emerging markets and Latin American equity portfolios. Dean began his investment career in 1985 joining Legal & General where he covered UK equity markets, moving to Japanese bank Sanwa in 1991 where he was Head of UK Equities. He became Head of Emerging Markets Equities at Invesco Perpetual in April 2007, having joined the company in 1993 and the Emerging Markets Equities team in 1994. Dean has been a driving force behind the team's investment strategy with his many years' experience of investing across all emerging markets regions. Dean graduated from Durham University with a BA honours degree in Economics and Politics.

Liesbeth Rubinstein, Emerging Markets Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Liesbeth joined the company in February 2007, and is responsible for the management of emerging and Eastern European equity portfolios. Liesbeth began her investment career at Fidelity Investments in 1993 within their UK Institutional Funds team. She moved to JP Morgan Asset Management in 1995 as an equity analyst, taking on fund management responsibilities in 2000, specialising in the emerging markets of Latin America and the Europe, Middle East and Africa (EMEA) region. She joined Schroder Investment Management as Head of EMEA Equities in 2005, and was responsible for managing dedicated regional portfolios. Liesbeth graduated from the London School of Economics and Political Science with an MSc (Econs), Industrial Relations/Labour Market Economics and holds a BA honours degree in European Studies from the University of Bath.

Nicholas Mason, Emerging Markets Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Nicholas joined the company in September 2006 as a senior analyst/trainee fund manager within our Emerging Markets Equities team, specialising in Latin America, becoming a fund manager in August 2008. Nicholas began his investment career in the Global Growth Equities division at Putnam Investments in 1999, supporting a team of fund managers with equity research and portfolio analysis. From 2003, he worked as an investment strategist in the Development Department of the Scottish Executive, where he developed a strategic investment framework for the allocation of housing and area regeneration funds. Nicholas graduated with a BSc in Political Science from the Massachusetts Institute of Technology (MIT) and an MSc (Research) in Political and Social Studies from the University of Edinburgh. He also holds the Investment Management Certificate qualification from the CFA Society of the UK.

Syona Munz-Shingla, Emerging Markets Equities Senior Analyst at Invesco Perpetual

Based in Henley-on-Thames, Syona joined the company in March 2009 as a senior analyst within our Emerging Markets Equities team. Syona began her career in 2005 at Trucost Plc, an environmental research organisation, researching and analysing the environmental performance of companies in financial terms. In 2007, she joined Deutsche Insurance Asset Management where she was responsible for managing relationships for their UK-based clients. She also produced written research on prospective clients, and supported fund managers with market reviews and analysis. Syona graduated from the University of Delhi with a BA honours degree in Economics and the University of Exeter with an MA in Finance and Investments. She also holds the Investment Management Certificate qualification from the CFA Society of the UK.

Contact details

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The information contained in this document relating to the composition of the portfolio of any strategy advised or managed by us or any of our associated companies is confidential. It is disclosed to you on the strict basis you will 1) use it only for the purpose of analysing this document, 2) disclose it only to those of your staff and professional advisers who need to know it for the purposes of such analysis and 3) not disclose it, or permit it to be disclosed, in any way, other than as mentioned in 2). All data is as at 31 December 2011, sourced from Invesco/Invesco Perpetual unless otherwise stated.

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.

Where Invesco/Invesco Perpetual has expressed views and opinions, these may change.

Invesco Perpetual is a business name of Invesco Asset Management Limited.



Strategy profile

Global ex US Smaller Companies strategy

Invesco Perpetual

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Corporate overview

Invesco Ltd.

Invesco Ltd. is one of the world's leading independent global investment management organizations serving retail, institutional and high-net-worth clients around the world. Our sole focus is investment management; with no distractions from competing interests, all our global resources and local commitment are focused on providing clients with the investment expertise and client service they seek.

To achieve our mission of helping investors worldwide build their financial security, Invesco Ltd. draws on the strength of its global resources.

With US\$625.3 billion (£402.1 billion/EUR481.5 billion)¹ in assets under management, specialized investment teams with distinct perspectives deliver diversified investment strategies ranging from major equity and fixed income asset classes to other alternative asset classes including real estate, private equity and commodities. These strategies are managed across investment centers worldwide, each of which focuses on distinct asset classes, investment styles or regional expertise and adheres to clearly defined investment philosophies aligned with client expectations.

To further strengthen our investment culture, we also maintain an active Investors Forum that consists of senior investment professionals from each investment centre. Co-Chaired by Senior Managing Directors, Bob Yerbury and Karen Dunn Kelley, the role of the Investors Forum is primarily to foster, promote and grow investment excellence across the organisation.

Our distinctive combination of independent thought within individual investment centers and collaboration across investment centers provides clients the reach and resources of a global organization and the focus and attention of a boutique firm: our investment capabilities are both diverse and specialized; we are global in reach yet local in presence and our processes are disciplined yet can be delivered in customized ways. All of which distinctively positions Invesco Ltd. to keep pace with clients' evolving investment needs worldwide.

Invesco Perpetual

Invesco Perpetual is a business name of Invesco Asset Management Limited and forms part of Invesco Ltd.

With US\$88.3 billion (£56.8 billion/EUR68.0 billion) in assets under management² and located in Henley on Thames (Henley), our investment team structure exhibits many of the advantages of a boutique firm structure, albeit part of a larger organization: small high-quality teams; the location of the team away from the main UK investment centers, fostering a culture of independent thought in an environment where challenge and discussion are encouraged, and thrive; the recognition of personal skill as a source of value; the 'world under one roof' – constant team-wide macroeconomic debate; typically roles of portfolio manager and analyst are combined.

Our highly experienced investment team consists of 43 investment professionals with an average 17 years' investment experience³. We believe that a focused and highly-experienced team provides the best means of maximizing value that we can generate for our clients by continuing to adopt a long-term, active approach to investment.

All data as at 31 December 2011 unless otherwise noted.

¹ Source: Invesco Ltd.

Invesco Ltd. AuM includes all assets under advisement, distributed and overseen by Invesco Ltd. and its affiliate Invesco Powershares which has an agreement with Deutsche Bank to provide certain marketing services for the Powershares DB products. Neither firm is affiliated with Deutsche Bank.

² Total assets managed by Invesco Perpetual's Henley-based investment centre.

³ Henley-based Invesco Perpetual portfolio managers and analysts only.

Our business

Investment firms can make claims regarding the benefits of their approach and organization structure, whether that be an investment team that is centrally located, against one that is locally located, those that are aligned geographically versus those that are aligned by industry sector. Whilst there are pros and cons to each approach, Invesco Perpetual does not believe that this is an important factor in delivering long-term investment outperformance.

Invesco Perpetual's business is built on the following tenets:

Consistency:

Perpetual was founded in 1973 with the aim of being an autonomous global investment management team and today, as part of the larger Invesco group, we remain passionately focused on that original aim. Today, from our office in Henley, Oxfordshire, we invest across 40 stock markets, over 500 companies globally and travel extensively to meet companies and their management.

Stability:

Turnover within our investment team is low, and the stability of the team is a factor in helping us in our aim to deliver long-term sustainable outperformance. We believe that the unique location of our team in Henley, away from the main UK investment centers, between London and Oxford, assists in providing a balance between work, family and community that forms the basis of the team's stability.

Culture:

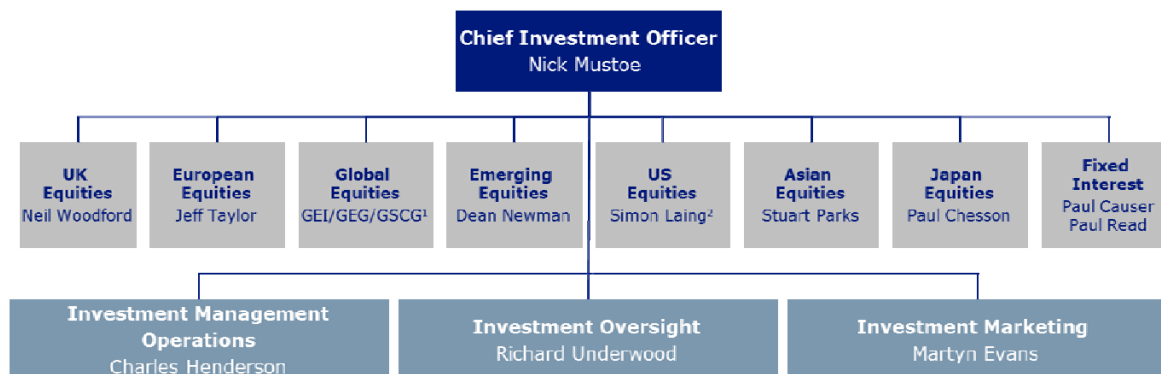
Another factor is the investment culture of the firm. We believe that investment management must be undertaken in an environment where the investment team are focused on longer-term performance and where portfolio managers are given the opportunity to stand by their convictions. Adopting this approach, however, means we may endure periods of underperformance.

We have always fostered a culture of accountability, with performance being the single largest contributor to a portfolio manager's remuneration. With that accountability comes greater responsibility, and our portfolio managers are aided in this by a robust risk management process.

Investment team & assets under management

Investment team

IAML's Henley-based investment team is structured as follows:



¹ Global Equity Income team/Global Equity Group/Global Smaller Companies Group.

² With effect from 9 January 2012.

Invesco Perpetual's global smaller companies strategy is managed as a series of regional sub-portfolios, with asset allocation driven by Invesco Perpetual's Global Smaller Companies Group, as detailed in the table below. This Group is chaired by Chief Investment Officer (CIO), Nick Mustoe. Day-to-day discretion for stock selection lies with a team of seven specialist regional portfolio managers.

Global Smaller Companies Group	Responsibility	Years' tenure	Years' industry experience
Senior management			
Nick Mustoe	Chief Investment Officer - Chair	2	27
Bob Yerbury	Senior Managing Director - Co Chair	29	43
Strategy			
Nick Hamilton	Head of Global Equity Products	7 ⁴	16
Martin Weiss	Investment Strategist	6	21
Arwel Green	Global Equity and Multi-Asset Product Manager	11	11
Specialist regional portfolio managers			
Richard Smith	UK equities	10	38
Stephanie Butcher*	European equities	8	18
Erik Esselink*	European equities	4	12
Ian Hargreaves	Asian equities	17	17
Paul Chesson	Japanese equities	19	21
Dean Newman	Latin American/EMEA** equities	18	26

* Co-portfolio managers.

** Emerging Europe, the Middle East and Africa.

Biographies are included within **Appendix 1**.

⁴ Nick Hamilton joined the company in October 2003, working in the UK Equity team. He left the company in September 2006 for 12 months, returning in October 2007 to his current role as Head of Global Equity Products.

Assets under management

As at 31 December 2011, assets under management for Invesco Perpetual's global equity strategies totalled US\$3.40 billion (£2.19 billion/EUR2.62 billion) of which our global ex US smaller companies strategy accounted for US\$260.63 (£167.71 million/EUR200.78 million).

Global smaller companies strategy	AuM US\$ million	AuM £ million	AuM EUR million
Invesco Perpetual global smaller companies strategy	717.47	461.66	552.71
Global ex US smaller companies strategy	260.63	167.71	200.78
Total	978.10	629.37	753.49

Investment philosophy & process

Investment philosophy

At IAML's Henley-based investment center, we firmly believe that investors are best served by a focus on long-term investing, avoiding an over focus on current trends and consensus. Companies operate in long-term cycles and so does the focus of our investment team's research.

We believe in building portfolios where each stock has the potential to deliver positive returns over a full market cycle. Relative valuation is assessed, but absolute valuation is a pre-requisite. As high conviction investors, if we don't like a stock we don't hold it, regardless of how large its weighting in the index is.

Our key focus is stock selection and our assessment of a company and its valuation is the key driver in our decision-making process. As part of the investment process, our fund managers consider the broader implications of macro issues across global markets and their potential impact on an individual stock price, but valuation is key.

Investment approach

Our investment approach for our global smaller companies strategy comprises the following principal components:

Stock selection:

Portfolio construction is driven by bottom-up fundamental research to generate new ideas and to evaluate existing holdings in our portfolios. Our bottom-up research is driven by the investment work of our regional equity investment teams. Fundamental analysis is the key input to the investment process and a principal driver of stock selection.

Active management:

We are high conviction investors, who are prepared to hold contrarian views. We actively manage portfolios and invest where we believe the best returns are to be found irrespective of the benchmark composition.

Long-term focus:

We believe in building portfolios where each holding has the potential to deliver absolute upside. Typically, our long-term approach to investing covers an investment horizon of between three and five years.

Valuation:

We are valuation driven. Valuation determines whether a stock is an attractive investment or not. Our focus is on identifying companies whose current and future prospects are not reflected in their current valuations.

Pragmatic and flexible:

Our funds have no in-built country, sector, stock or style bias. Exposure to these factors is purely a function of where we believe the best opportunities are to be found in the market place at any particular point in time.

Investment process

As Chairman of the Global Smaller Companies Group, Nick Mustoe is ultimately responsible for all asset allocation decisions. Each regional allocation is managed by the appropriate regional specialist who has complete autonomy over that portion of the total portfolio.

We describe the asset allocation process below:

Asset allocation

Macro views of the regional economies and stock markets, taking into account the prevailing themes impacting stock selection and regional performance, are expressed at two levels; a global investment strategy meeting and a smaller companies asset allocation meeting. Within these forums the investment team dedicate significant time and effort to top-down analysis, seeking to understand the current macroeconomic environment through:

- Consideration of a broad range of economic indicators
- Assessing the political landscape
- Reviewing analysis of external economists and strategists
- Company meetings

Global investment strategy meeting:

A monthly global investment strategy meeting is held which is chaired by Invesco Perpetual's CIO and Neil Woodford, Head of Investments. Attendees at this meeting include all members of the investment team in Henley and Invesco Ltd.'s Chief Economist, John Greenwood. Using the meeting as a forum, key economic and market themes are considered and discussed. The geographic breadth of the investment team in Henley is significant, and this meeting is seen as an ongoing conversation about individual markets with fund managers providing their own perceptions for their regions. Individuals are encouraged to actively challenge and debate ideas and views.

Smaller companies asset allocation meeting:

Asset allocation is driven by a monthly smaller companies asset allocation meeting. There is an option for adhoc meetings to be held, should circumstances arise that require discussion. Chaired by the CIO, this meeting is attended by the fund managers of the regional sub-portfolios⁵. The agenda of this meeting is influenced by the outcome of the topics discussed at the global investment strategy meeting.

Once asset allocation has been agreed, each fund manager is then responsible for the stock, country and sector weights for their region:

Regional fund manager	Country/sector coverage
Richard Smith	UK
Stephanie Butcher	Europe
Erik Esselink	Europe
Ian Hargreaves	Asia
Paul Chesson	Japan
Dean Newman	Latin America/EMEA
Matt Booker	Australia

⁵ Matt Booker from the Concord Capital team in Sydney attends via conference call.

In his role as Chair of the Global Smaller Companies Group, Nick Mustoe is ultimately accountable for the performance of these portfolios. His main responsibilities include:

- Leading asset allocation decisions, reflecting top-down and bottom-up views
- Ensure effective implementation of asset allocation
- Challenge views and performance of the Henley-based regional fund managers via the CIO Challenge process (described later in this document)

A comprehensive understanding of these portfolios is obtained through asset allocation and challenging the sub-portfolio fund manager's views and performance. An awareness of each of the regional-portfolio sensitivities and market drivers enhances the asset allocation process.

Global smaller companies – Australian equity sub-portfolio

The global smaller companies - Australian equity sub-portfolio is managed by Concord Capital Ltd., a fully owned subsidiary of Invesco Australia Ltd., an Investment Advisor affiliated with IAML; both are independently, wholly-owned subsidiaries of Invesco Ltd.

Research

Henley's regional equity investment teams provide the primary research for their global investment universe. Team members, who are specialists within their region, are generalist fund managers and undertake original research into all companies they invest into. This dual role delivers ownership and responsibility for each investment decision. We believe that each regional equity team's expertise and knowledge delivers breadth of knowledge across stocks, sectors and countries.

Top-down research

Significant time is dedicated to the understanding and forecasting of current and future macroeconomic conditions.

Within our analysis we consider how the environment might impact the relative attractiveness of individual sectors and the impact it may have on stocks at a micro level. We believe that a company's operating conditions are largely determined by the broader macroeconomic environment, also recognising that the influence of macro conditions on sector and stock fundamentals will vary over the course of the economic cycle. It is critical that the macro context is accurately reflected in the structure of our portfolios and in the emphasis of their bottom-up research described below.

Bottom-up research

Our bottom-up research is driven by the investment work of our regional equity investment teams. Fundamental analysis is the key input to the investment process and a principal driver of stock selection.

Stock ideas are generated from a number of sources including market screens, brokerage houses, independent research firms and analysts. Macroeconomic views may also highlight a particular area of the market for closer inspection. Company meetings are also an important aspect of idea generation, in that they often expose competitors, customers or suppliers that could be of interest.

The investment decisions that shape each portfolio are the consequence of a fund manager's assessment of the information inputs. Our investment process does not rely on the use of any proprietary analytical tools; rather we believe that value is added as a consequence of the insights of our fund managers, our understanding of market conditions and high quality investment research.

Once an idea has been generated, it is then subject to further analysis to allow a considered judgement to be reached on the stock's valuation and to arrive at an investment decision. This further analysis can be broken down into three components:

- **Proprietary research**

This is to arrive at a judgement on valuation. A fund manager can look at quantitative measures as a guide to this, but it will also involve qualitative judgements on aspects such as the quality of a company's products and services, the risks to which it is exposed, the strength of its management team and the presence of any unique characteristics or tangible advantage over competitors.

- **Examination of broker research on the company, and discussion with relevant investment analysts**

This external analysis is not used for its ultimate buy/sell recommendation; rather a fund manager compares the assumptions behind this research to their own, in order to form a judgement on valuation. In addition, we maintain contacts with industry analysts that we consider have superior analytical insights.

- **Meeting company management**

This is to obtain a better understanding of the nature of the business, its key drivers, competitive position and the achievability of management goals.

A fund manager's research is structured to give them a detailed understanding of a company's key historical and future business drivers, such as demand for its products, pricing power, market share trends, cashflow and management strategy. This enables a fund manager to form an opinion on a company's competitive position, its strategic advantages/disadvantages and the quality of its management.

From such meetings:

- The fund manager believes they can garner an improved understanding of the near- and longer-term prospects of a company and the quality of its management.
- Gives them a forum to challenge their assumptions and predictions in person as well as ensuring that management understands Invesco Perpetual's priorities as a shareholder.
- Provides the fund manager with valuable information regarding the state of the broader economy and the businesses of a company's suppliers, customers and competitors. This analysis is then considered in conjunction with a stock's current and prospective valuation, enabling the fund manager to determine whether or not the stock is attractively valued.
- Determine where there are sizable differences between consensus expectations and what the company expects to realistically achieve.

Valuation

In addition to proprietary research, as explained above, our fund managers selectively use valuation models in order to understand the assumptions that the brokers/analysts have incorporated into their valuation conclusions and as a structure into which they can input their own scenarios.

External research

In addition to original research, our fund managers devote considerable resource to the assessment of research produced by external organisations, including that of brokerage houses, independent research firms and analysts. We believe that the resulting relationship with these firms, based on mutual respect, enhances the quality of the investment dialogue. For each sector, fund managers typically have two or three external analysts with whom they maintain close contact and whose judgement they value. They are then able to compare their own research with consensus expectations, identifying opportunities where the market is overly-pessimistic or overly-optimistic. It should be emphasised that external research is used purely as an input, as opposed to being the driver of the decision-making process.

This combination of in-house analysis with the use of well-placed and well-informed contacts within the broking community provides our fund managers with the necessary basis for understanding their markets at all levels, allowing for a synthesis of 'bottom-up' and 'top-down' investment analysis.

Fund management is a judgemental business and the major scope to add value is in the interpretation of the available information by our investment team. The experience of fund managers in this respect is critical and key to the success of the team.

Portfolio construction

The aim of the construction process for our global smaller companies portfolios is to maximize exposure to the most attractive countries, sectors and stocks within their investment parameters. Within our global smaller companies strategy we aim to have 80% of each portfolio invested in companies whose market capitalization qualifies for inclusion in the MSCI World Small Cap index.

Portfolio construction is based on a combination of the outputs from the team's top-down macro analysis and bottom-up stock research, with the latter being the key driver. The former will be the primary influence on the regional allocation, while the latter determines the stock selection within these countries/sectors.

Individual stock weights are primarily influenced by the team's conviction on the perceived degree of under-valuation of the stock. However, they are also influenced by the:

- Number of attractive opportunities available
- Value of the stock as a diversifier
- Regulatory/liquidity constraints

Buy/sell discipline

Our portfolio managers actively monitor their portfolios on an ongoing basis, making investment decisions based on the output of the investment process and any investment parameters. Our buy/sell decision-making process is driven by qualitative analysis. Consequently, such decisions are at the portfolio manager's discretion, normally following discussion and consultation with other members of the team.

Stocks will be purchased if they demonstrate sufficient share price appreciation potential and their inclusion is within any permitted investment parameters. There are three reasons why we sell a stock: if the stock is fully valued and discounting our expectation of forward looking returns, where we have revisited the initial investment case and determined it needs to be revised or where a better relative investment opportunity exists.

Risk management

Each investment team, as a part of Invesco Ltd., employs a multi-faceted approach to oversight and risk management. In the first instance, each investment team has embedded risk controls within its investment management discipline, including review and oversight processes tailored to its philosophy and objectives. Details of this as it pertains to Invesco Perpetual are provided from **page 15, Investment risk and Invesco Perpetual's Investment Oversight team.**

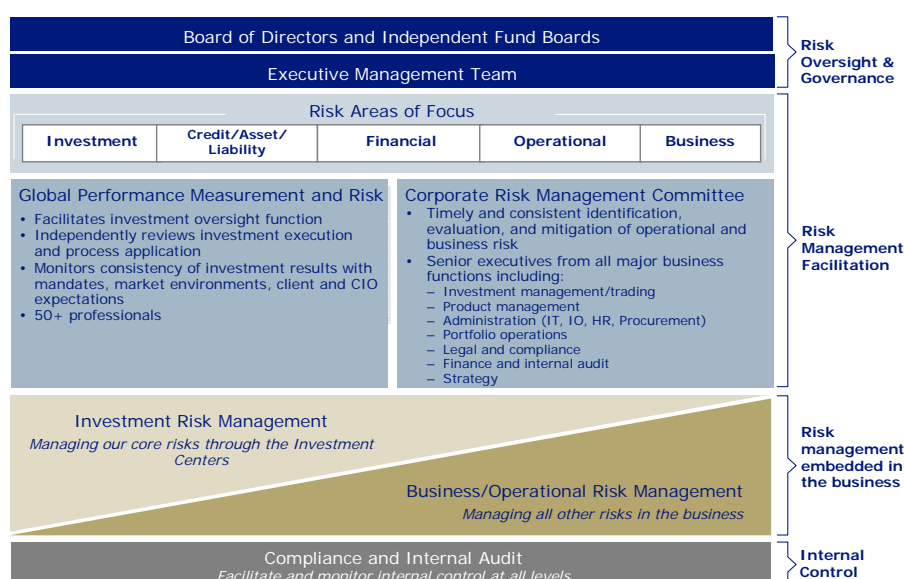
These investment teams' processes are bolstered and overseen by multi-dimensional independent controls. These controls include the Global Performance Measurement and Risk (GPMR) team with over 60 professionals dedicated to performance and risk activities. Invesco Ltd.'s GPMR team, independent from portfolio management teams, are charged with providing comprehensive reporting that facilitates better understanding of performance quality and risk. This team provides regular reviews of the performance and risk attributes of the various investment team disciplines to senior management.

Invesco Ltd.'s senior management oversight structures also include:

- Reporting lines running from investment team CIOs who have day-to-day responsibility for investment team risk controls up to the Invesco Ltd. Senior Managing Director having management responsibility for the investment team.
- Quarterly and monthly reviews are performed based upon investment performance and risk analytics of each investment discipline produced by the GPMR. These reviews are conducted by the Chief Executive Officer (CEO) and those Senior Managing Directors who manage the investment teams.
- Review of operational controls and related corporate exposures by the Invesco Ltd. Corporate Risk Management Committee.
- Regular review of investment matters by the Invesco Ltd. Board of Directors, including quarterly reporting on investment performance data produced by the GPMR and related reviews by the CEO and Senior Managing Directors, as well as presentations (on a rotating basis) by investment team CIOs and other senior investment professionals.
- Additional reviews and support from Invesco Ltd.'s Compliance and Internal Audit functions.

These layers of controls are designed to provide enhanced transparency, reporting and risk assessment from and to the investment teams.

An effective foundation for a sound risk culture



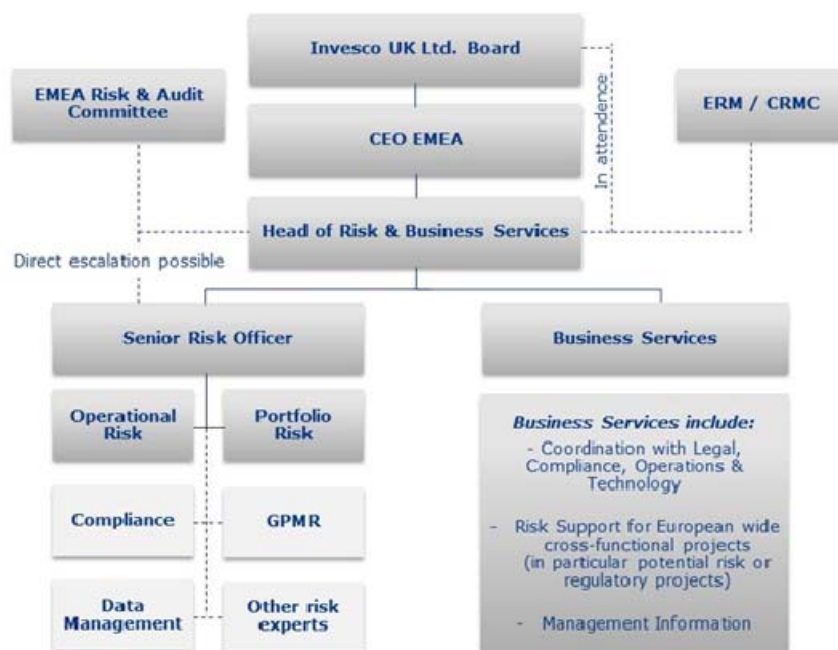
Invesco Ltd.'s Corporate Risk Management Committee consists of senior executives representing all of the company's major business functions including investment management, trading, information technology, portfolio operations, legal and compliance, finance and internal audit. The Committee exists to facilitate the timely and consistent top down identification, evaluation, monitoring and mitigation of operational and business risk on a consolidated basis. Relevant areas of focus have included operational controls regarding new investments (including matters such as the pricing and settlement of swaps and similar derivatives).

Augmenting this effort are strong internal audit and compliance teams. The Internal Audit team works closely with business units to improve the integrity, consistency and control of all operations. This team designs and leads audits of operations, compliance and financial reporting functions, and ensures appropriate implementation of Sarbanes-Oxley and other regulatory requirements. The Compliance team works with the business to establish and maintain policies and procedures designed to prevent, detect and correct violations of applicable laws and regulations and client investment guidelines. Portfolios are subject to daily compliance review. Compliance routinely monitors existing practices, policies and procedures, and reviews written policies and procedures at least annually. Reports on all exceptions, errors and other information are provided to senior management regularly or as necessary.

Independent risk function in Europe

Sybillé Hofmann, Head of Risk & Business Services - Europe, leads the firm's independent risk function (IRF) in Europe and has a team of risk specialists reporting to her who facilitate the risk monitoring process, covering both operational as well as portfolio risk, including credit, market and liquidity risk, for UCITS funds, a pooled vehicle structure that coordinates the distribution and management of unit trusts amongst countries within the European Union. Sybillé reports directly to James Robertson, Senior Managing Director of Invesco Ltd. and Head of Invesco in the UK and in Continental Europe.

Please refer to the diagram below which illustrates the framework in which the IRF in Europe functions:



Source: Invesco.

For illustration purposes only.

EMEA: Europe, the Middle East and Africa.

ERM: Enterprise Risk Management.

CRMC: Corporate Risk Management Committee.

The IRF is responsible for risk management policies and procedures which identify and mitigate risks relating to the firm's European business activities, processes and systems.

The role of risk includes ensuring compliance with the agreed risk profile and a defined risk alert system as well as regulatory limits, and adequate management reporting.

The IRF cooperates closely with other risk experts within the firm, in particular:

- **GPMR** focuses on the production of Value at Risk (VaR). Output from this measure is shared with the business, as well as the IRF for analysis and where, relevant, investigation.
- **Compliance** is responsible for monitoring all investment restrictions and risk alerts where set. Daily reports are produced and analysed; breaches of regulatory limits are immediately logged and allocated for resolution. Risk alerts trigger a discussion as to the reason and sensibility of the underlying investment and may not trigger any changes in the investments. Compliance also monitors general compliance with rules and regulations and escalates any risk findings to the IRF.
- **Data management** is responsible for security pricing or the oversight of it if completed by third party administrations. This includes OTC derivative pricing. Data management reports on stale pricing, pricing volatility and any other pricing matters.

The IRF is a key participant in the European New Instrument Committee (for the implementation of new instruments) as well as the European Pricing Committee (for the purpose of valuing securities for which market quotations are not readily available or other securities for which fair value needs to be determined).

Operational risk support the European functions and entities in setting risk appetite and risk tolerance levels where appropriate and monitoring linked Key Risk Indicators. An important part of the role is an independent challenge process in order to identify, assess and quantify risks in line with the set risk appetite.

The IRF also provides formal and informal reports to the firm's management on various topics, including capital adequacy or incidents. The IRF is also responsible for providing risk advice and facilitating the risk awareness culture across the business.

Although this document is not profiling UCITS, many of the risk controls that apply to these vehicles would also benefit the management of the underlying investment strategy within other investment vehicles.

Investment risk and Invesco Perpetual's Investment Oversight team

Invesco Perpetual's essential belief is that fund management is a skill and the inherent risks taken in managing money are those made by the fund managers themselves. One of the key tasks of the Henley-based Investment Oversight team, who report directly to Invesco Perpetual's CIO, is to facilitate the CIO challenge process. As described in greater detail overleaf, this process is implemented via challenge meetings that are attended by the CIO, the Head of Investment Oversight and the fund manager and seeks to check that the individuals managing money are doing so in a way that adds value to our clients. The objective is to review each fund manager bi-annually, although where particular issues are identified with performance or the investment process, these take precedence.

Risk management is an integral component of our investment process and is the product of the following factors:

Fund manager understanding

Fund managers effectively control stock-specific risk by ensuring that portfolios are always appropriately diversified. In-depth, continual analysis of the fundamentals of all holdings gives fund managers a comprehensive understanding of the financial risks associated with any particular stock.

Although we are always aware of the relative risk we are running – where relative risk is defined as the holding of investment positions that differ from the structure of the benchmark – we do not set out to manage the relative risk characteristics of our funds. A portfolio's relative risk characteristics will simply be a function of the investment decisions and absolute risk judgements that were made while constructing the portfolio.

Trading systems

All quantifiable portfolio investment parameters are entered into the internal portfolio management system which, subject to certain limitations, is designed to prevent inadmissible trades and to issue warnings to fund managers if a trade is likely to result in a parameter breach.

Continuous monitoring

At the total portfolio level, monthly performance, attribution and risk reports are produced by the Investment Oversight team, ensuring that fund managers adhere to their investment objectives, guidelines and parameters. There is also a culture of challenge and debate between fund managers regarding portfolio construction and risk.

CIO challenge process

The CIO challenge process is implemented via challenge meetings that are attended by the CIO, the Head of Investment Oversight and the fund manager. The CIO challenge process has four main aims:

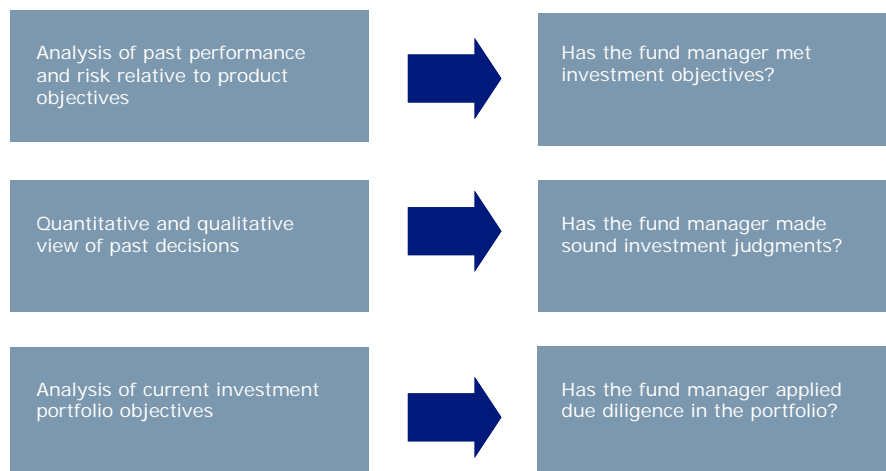
- **Transparency:** to understand a fund manager's rationale behind portfolio positioning and why certain decisions have been made.
- **Process:** to ensure that a fund manager is managing money in the way that has been clearly articulated to our clients.
- **Strategy:** to check that portfolio construction is consistent with the overall investment strategy and views of the fund manager.
- **Environment:** to ensure that fund managers are given the best environment to optimise their investment returns. This can range from exploring resourcing/personnel issues, looking at how teams are working/interacting together, ensuring that IT systems are adequate, individual contributions, capacity constraints, or any other issues that may adversely influence our ability to deliver quality investment decisions.

The challenge process is not prescriptive in its approach; it is both a qualitative and quantitative assessment of an individual or team's ability to successfully manage investments.

Our essential belief is that fund management is a skill and the inherent risks taken in managing money are those made by the fund managers themselves. The challenge process seeks to check that the individuals managing money are doing so in a way that adds value to our clients.

Fund managers are given the autonomy to back their investment judgment within the scope of fund mandates and regulations. We do not wish to put in place unnecessary restrictions which limit a fund manager's ability to back his/her own convictions in a stock or investment strategy. In an environment which allows such free thought, traditional controls and processes are limited in their application.

Although the CIO challenge process is a formal one, it is part of a cultural environment of challenge and rigor that exists on a day-to-day basis within our Henley investment center. The chart below illustrates this process:



There is no set agenda for these challenge meetings; this is dependent on the findings of the Investment Oversight team through their continuous monitoring. The meeting may cover some or all of the following:

- **Performance attribution:** where have portfolio returns been derived from?
- **Trading activity:** portfolio changes. How successful trading activity has been?
- **Macro-economic views:** does the portfolio reflect the wider economic view of the fund manager?
- **Investment process:** is the fund manager working within the stated process?
- **Style analysis:** what style is the fund manager adopting? While fund managers do not usually stipulate a particular style bias to their overall process, this analysis seeks to explain where their portfolio is positioned relative to the market in terms of financial characteristics, momentum measures and market-cap bias. This enables us to check the understanding of a fund manager's active positions against their investable universe.
- **Risk reporting:** to challenge/support where we believe our excess returns will come from.
- **Active positions:** where are major stock, industry, country or asset class bets being taken?

The aim of the CIO challenge process is to ensure that there is sufficient investment oversight in order that risks taken on behalf of our clients are understood and are considered appropriate. It is accepted that our business is judgemental and that potential impacts of these risks may materialise. However, core to the process is that risks taken are not incidental but are understood and taken with conviction.

Strategy overview

Global ex US Smaller Companies

Strategy name, management and objective	Benchmark	Concentration
Invesco Perpetual Global ex US Smaller companies strategy Global Smaller Companies Group The objective of this strategy aims to achieve capital growth through a portfolio of investments in international securities. The strategy intends to invest mainly in shares of smaller companies ex US, which are quoted on the world's stockmarkets.	MSCI World ex US Small Cap index	Diversified

Appendix 1 - Biographies

Senior management:

Nick Mustoe, Chief Investment Officer of Invesco Perpetual

Based in Henley-on-Thames, Nick is Chief Investment Officer of Invesco Perpetual. Nick joined the company in June 2010. His investment career spans over 25 years to date, having started with Phillips & Drew Fund Management as a UK equity manager in 1985. More recently, he was appointed CIO of Pictet Asset Management in 2006 after joining Hermes Pensions Management as CIO in 2002. He holds a first class honours degree in Business Studies from Bradford University.

Bob Yerbury, Senior Managing Director of Invesco Ltd. and co-chair of Invesco Perpetual's Global Equity Group

Based in Henley-on-Thames, Bob joined the company in 1983. His investment career now spans over 40 years, having led the North American equities team at Invesco Perpetual for 14 years, becoming CIO in 1997 and Chief Executive Officer (CEO) in 2004. As part of an orderly succession plan, Bob handed over his CEO and CIO responsibilities in September 2008 and June 2010 respectively, continuing with his wider Invesco group responsibilities within the firm's Investor's Forum and Global Trading function. Bob remains an active Senior Managing Director of Invesco Ltd. and part of the Invesco Perpetual senior team, highly engaged with the industry. Bob holds an MA in Mathematics from Cambridge University and qualified as an Actuary at Equity & Law Life Assurance Society. He is a Fellow of the Institute of Actuaries (FIA) and is Deputy Chairman of the Investment Management Association, the trade body of the UK's asset management industry. Bob was honoured with a Lifetime Achievement Winner award at the UK's Investment Week-sponsored Fund Manager of the Year Awards in 2008.

Strategy:

Nick Hamilton, Head of Global Equity Products at Invesco Perpetual

Based in Henley-on-Thames, Nick is responsible for the strategic and operational oversight of Invesco Perpetual's global equity, fund-of-fund and multi-asset businesses. He is also responsible for representing these strategies to external and internal clients. Nick joined the company in October 2003 as a product director on the UK Equities team. After a brief return to Australia in 2007, Nick rejoined the company in October 2007 as Head of Global Equity Products. He began his investment career in Australia in 1997 as a member of Rothschild Australia Asset Management's International Equity team. From 2000, Nick worked in both the UK and US for Reuters International. Nick holds a postgraduate Diploma in Applied Finance & Investment (ASIA), a Bachelor of Economics from Sydney University and has studied Corporate Finance at The London Business School.

Martin Weiss, Senior Investment Strategist for Global Equity Products at Invesco Perpetual

Based in Henley-on-Thames, Martin joined the company in July 2005 as product director for the International Equities team, moving into the role of senior investment strategist for global equity products in 2009. Martin began his investment career at Cazenove in 1990 as an analyst/salesman covering Japanese equities. Remaining with Cazenove, he transferred into fund management in 1996, specialising in Japanese equities until, in 2002, moving to their global team. Here, his responsibilities covered the management of all industrials and consumer staples investments within global equity funds. Martin graduated from Bristol University with a BSc honours degree in Economics.

Arwel Green, Global Equity and Multi-Asset Product Manager at Invesco Perpetual

Based in Henley-on-Thames, Arwel joined the company in May 2001, and is responsible for providing support for the Global Equities team's global equity and fund-of-fund and multi-asset products. Arwel has held various positions since joining the company, including that of client service, RFP writer/marketing information specialist and product information specialist. He joined the global team in his current role in January 2008. Arwel graduated in 2000 from Cheltenham College of Higher Education (now known as the University of Gloucester) with a degree in Hospitality Management and holds the Investment Management Certificate qualification from the CFA Society of the UK.

Specialist regional fund managers:

Richard Smith, UK Small Cap Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Richard is responsible for the management of a number of UK small cap portfolios. Richard is one of the most experienced UK small cap professionals in the industry. He began his fund management career in 1973 with Triumph before moving to Lazard Asset Management in 1975. There, he was responsible for managing both North American and UK equity portfolios, before specialising in the small cap sector. He became an investment director of Lazard's small cap business in 1988 before joining our company in June 2002.

Stephanie Butcher, European Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Stephanie is responsible for a number of European equity portfolios, specialising in European equity income investing. She began her investment career at Lazard Asset Management as a graduate trainee in 1993 and progressed to become a US fund manager responsible for institutional and retail portfolios. Stephanie then joined Aberdeen Asset Management in 1997, initially as a US portfolio manager responsible for insurance and institutional funds, and then onto their European equities desk in 1998 as a fund manager responsible for a number of retail funds before joining our company in 2003. Stephanie holds an MA (Honours) in History from Cambridge University.

Erik Esselink, European Small Cap Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Erik specialises in the research and management of European small cap equities. His career started in 1997 with ING Barings in Amsterdam, where he worked within the Institutional Equity Sales team for three years, specialising in Dutch equities. In 2000, Erik worked with Morgan Stanley, most recently as a pan European small and mid cap specialist salesperson and covered their institutional equity sales into the Benelux region. He joined our company in October 2007. Erik graduated from the Rotterdam School of Economics (HES) where he studied Commercial Economics. He is fluent in English and Dutch with a working knowledge of French and German.

Ian Hargreaves, CFA, Asian Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Ian manages pan-Asian portfolios and covers the entire Asian region in his research. He started his investment career with Invesco Asia Pacific in Hong Kong in 1994 as an investment analyst where he was responsible for coverage of Indonesia, Korea and the Indian sub-continent, as well as managing several regional institutional client accounts. In January 2005, Ian decided to return to the UK to join Invesco Perpetual's Asian Equities team. Ian holds a BA (Honours) in Chinese Studies from Durham University and is a CFA charterholder.

Paul Chesson, Head of Japanese Equities at Invesco Perpetual

Based in Henley-on-Thames, Paul is Head of Japanese Equities at Invesco Perpetual and is responsible for the management of a number of Japanese equity portfolios alongside fellow fund manager, Tony Roberts. Paul began his investment career in 1990 at Touche Remnant, specialising in Japanese Equities before joining our company in 1993. He holds an MA in Law from Oxford University and is an associate member of the Association for Investment Management.

Dean Newman, Head of Emerging Markets Equities at Invesco Perpetual

Based in Henley-on-Thames, Dean is Head of Emerging Markets Equities at Invesco Perpetual, with responsibility for the management of global emerging markets and Latin American equity portfolios. Dean began his investment career in 1985 joining Legal & General where he covered UK equity markets, moving to Japanese bank Sanwa in 1991 where he was Head of UK Equities. He became Head of Emerging Markets Equities at Invesco Perpetual in April 2007, having joined the company in 1993 and the Emerging Markets Equities team in 1994. Dean has been a driving force behind the team's investment strategy with his many years' experience of investing across all emerging markets regions. Dean graduated from Durham University with a BA honours degree in Economics and Politics.

Specialist regional fund manager – Concord Capital, Australia:

Matt Booker, Australian Small Companies Portfolio Manager at Concord Capital

Matt joined the Concord Capital team as an Australian small companies portfolio manager in May 2008. Prior to joining Concord, he held small cap portfolio management roles at Paradise Investment Management and Credit Suisse Asset Management. Matt has also held positions with Merrill Lynch, as lead insurance/financial services analyst, Tyndall Life as an actuarial analyst, and Deutsche Australia, as Head of Hedge Fund Sales. His investment career began in 1997. Matt holds a Bachelor of Economics majoring in Actuarial studies, and is an Associate of the Institute of Actuaries of Australia.

Contact details

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Job title: Director of European Compliance

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E-mail: nick.styman@invescoperpetual.co.uk

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The information contained in this document relating to the composition of the portfolio of any strategy advised or managed by us or any of our associated companies is confidential. It is disclosed to you on the strict basis you will 1) use it only for the purpose of analysing this document, 2) disclose it only to those of your staff and professional advisers who need to know it for the purposes of such analysis and 3) not disclose it, or permit it to be disclosed, in any way, other than as mentioned in 2).

All data is as at 31 December 2011, sourced from Invesco Perpetual/Invesco unless otherwise stated.

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.

Where Invesco Perpetual/Invesco has expressed views and opinions, these may change.

Past performance is not a guide to future returns.

Invesco Perpetual is a business name of Invesco Asset Management Limited.



Strategy profile

Global ex US equity strategy

Invesco Perpetual

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Corporate overview

Invesco Ltd.

Invesco Ltd. is one of the world's leading independent global investment management organizations serving retail, institutional and high-net-worth clients around the world. Our sole focus is investment management; with no distractions from competing interests, all our global resources and local commitment are focused on providing clients with the investment expertise and client service they seek.

To achieve our mission of helping investors worldwide build their financial security, Invesco Ltd. draws on the strength of its global resources.

With US\$683.0 billion (£422.9 billion/EUR530.9 billion)¹ in assets under management, specialized investment teams with distinct perspectives deliver diversified investment strategies ranging from major equity and fixed income asset classes to other alternative asset classes including real estate, private equity and commodities. These strategies are managed across investment centers worldwide, each of which focuses on distinct asset classes, investment styles or regional expertise and adheres to clearly defined investment philosophies aligned with client expectations.

To further strengthen our investment culture, we also maintain an active Investors Forum that consists of senior investment professionals from each investment centre. Co-Chaired by Senior Managing Directors, Bob Yerbury and Karen Dunn Kelley, the role of the Investors Forum is primarily to foster, promote and grow investment excellence across the organisation.

Our distinctive combination of independent thought within individual investment centers and collaboration across investment centers provides clients the reach and resources of a global organization and the focus and attention of a boutique firm: our investment capabilities are both diverse and specialized; we are global in reach yet local in presence and our processes are disciplined yet can be delivered in customized ways. All of which distinctively positions Invesco Ltd. to keep pace with clients' evolving investment needs worldwide.

Invesco Perpetual

Invesco Perpetual is a business name of Invesco Asset Management Limited and forms part of Invesco Ltd.

With US\$101.4 billion (£62.8 billion/EUR78.8 billion) in assets under management² and located in Henley on Thames (Henley), our investment team structure exhibits many of the advantages of a boutique firm structure, albeit part of a larger organization: small high-quality teams; the location of the team away from the main UK investment centers, fostering a culture of independent thought in an environment where challenge and discussion are encouraged, and thrive; the recognition of personal skill as a source of value; the 'world under one roof' – constant team-wide macroeconomic debate; typically roles of portfolio manager and analyst are combined.

Our highly experienced investment team consists of 47 investment professionals with an average 17 years' investment experience³. We believe that a focused and highly-experienced team provides the best means of maximizing value that we can generate for our clients by continuing to adopt a long-term, active approach to investment.

All data as at 30 September 2012 unless otherwise noted.

¹ Source: Invesco Ltd.

Invesco Ltd. AuM includes all assets under advisement, distributed and overseen by Invesco Ltd. and its affiliate Invesco Powershares which has an agreement with Deutsche Bank to provide certain marketing services for the Powershares DB products. Neither firm is affiliated with Deutsche Bank.

² Total assets managed by Invesco Perpetual's Henley-based investment centre.

³ Henley-based Invesco Perpetual portfolio managers and analysts only.

Our business

Investment firms can make claims regarding the benefits of their approach and organization structure, whether that be an investment team that is centrally located, against one that is locally located, those that are aligned geographically versus those that are aligned by industry sector. Whilst there are pros and cons to each approach, Invesco Perpetual does not believe that this is an important factor in delivering long-term investment outperformance.

Invesco Perpetual's business is built on the following tenets:

Consistency:

Perpetual was founded in 1973 with the aim of being an autonomous global investment management team and today, as part of the larger Invesco group, we remain passionately focused on that original aim. Today, from our office in Henley, Oxfordshire, we invest across 40 stock markets, over 500 companies globally and travel extensively to meet companies and their management.

Stability:

Turnover within our investment team is low, and the stability of the team is a factor in helping us in our aim to deliver long-term sustainable outperformance. We believe that the unique location of our team in Henley, away from the main UK investment centers, between London and Oxford, assists in providing a balance between work, family and community that forms the basis of the team's stability.

Culture:

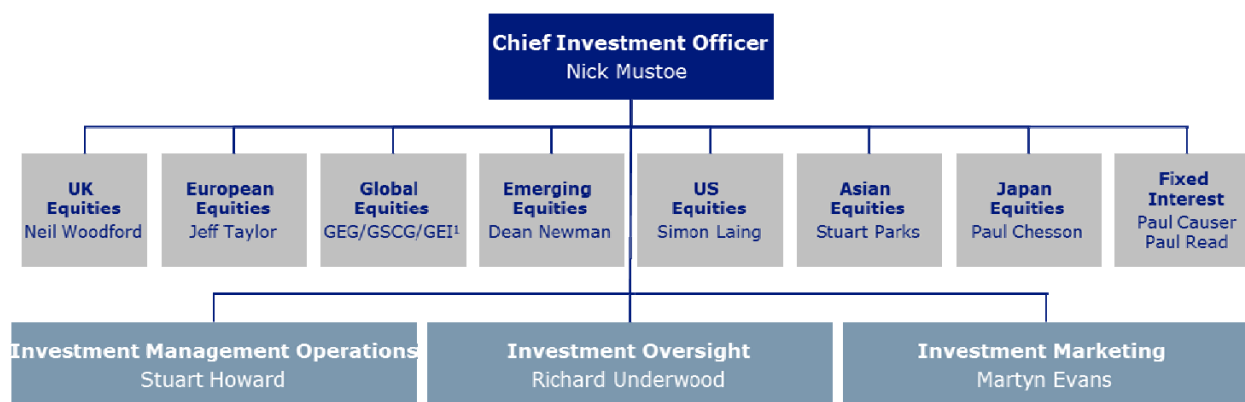
Another factor is the investment culture of the firm. We believe that investment management must be undertaken in an environment where the investment team is focused on longer-term performance and where portfolio managers are given the opportunity to stand by their convictions. Adopting this approach, however, means we may endure periods of underperformance.

We have always fostered a culture of accountability, with performance being the single largest contributor to a portfolio manager's remuneration. With that accountability comes greater responsibility, and our portfolio managers are aided in this by a robust risk management process.

Investment teams & assets under management

Investment team

IAML's Henley-based investment team is structured as follows:



¹ Global Equity Group/Global Smaller Companies Group/Global Equity Income team.

Invesco Perpetual's Global Equity Group (Group) represents the wider Henley-based investment team in the construction of our core global equity strategy. Our global ex US equity strategy is managed by John Surplice and the Global Equity Group. Details of Group members are provided below:

Global Equity Group		Years' tenure	Years' industry experience
Senior management:			
Nick Mustoe	Chief Investment Officer (CIO)	2	28
Bob Yerbury	Senior Managing Director, Invesco Ltd.	29	44
Strategy:			
Nick Hamilton	Head of Global Equity Products	8 ⁴	16
Martin Weiss	Investment Strategist / Implementation	7	22
Arwel Green	Global Equity and Multi-Asset Product Manager	11	11
Specialist fund managers:			
Paul Boyne	Global equity income	4	20
Doug McGraw	Global equity income	3	14
John Surplice	European equities	17	17
Ian Hargreaves	Asian equities	18	18
Stephen Anness	UK equities	10	10
Dean Newman	Emerging markets ex Asian equities	19	27
Tony Roberts	Japanese equities	12	17
Simon Laing	US equities	1	15

Biographies are included within **Appendix 1**.

⁴ Nick Hamilton joined the company in October 2003, working in the UK Equity team. He left the company in September 2006 for 12 months, returning in October 2007 to his current role as Head of Global Equity Products.

Assets under management

As at 30 September 2012, assets under management for Invesco Perpetual's global equity strategies totalled US\$5.5 billion (£3.4 billion/EUR4.3billion) and can be categorized as follows:

Global equity strategies	AuM US\$ million	AuM £ million	AuM EUR million
Global equity	1,853	1,150	1,430
Global ex US equity	0	0	0
Global opportunities	89	55	68
Global equity income	2,605	1,617	2,011
Global smaller companies	976	606	753
Total	5,523	3,428	4,262

Investment philosophy & process

Investment philosophy

At IAML's Henley-based investment center, we firmly believe that investors are best served by a focus on long-term investing, avoiding an over focus on current trends and consensus. Companies operate in long-term cycles and so does the focus of our investment team's research.

We believe in building portfolios where each stock has the potential to deliver positive returns over a full market cycle. Relative valuation is assessed, but absolute valuation is a pre-requisite. As high conviction investors, if we don't like a stock we don't hold it, regardless of how large its weighting in the index is.

Our key focus is stock selection and our assessment of a company and its valuation is the key driver in our decision-making process. As part of the investment process, our portfolio managers consider the broader implications of macro issues across global markets and their potential impact on an individual stock price, but valuation is key.

Investment approach

Our investment approach for Invesco Perpetual's core global equity strategy comprises the following principal components:

Stock selection:

Portfolio construction is driven by bottom-up fundamental research to generate new ideas and to evaluate existing holdings in our portfolios. Our bottom-up research is driven by the investment work of our regional equity investment teams. Fundamental analysis is the key input to the investment process and a principal driver of stock selection.

Active management:

We are high conviction investors, who are prepared to hold contrarian views. We actively manage portfolios and invest where we believe the best returns are to be found irrespective of the benchmark composition.

Long-term focus:

We believe in building portfolios where each holding has the potential to deliver absolute upside. Typically, our long-term approach to investing covers an investment horizon of between three and five years.

Valuation:

We are valuation driven. Valuation determines whether a stock is an attractive investment or not. Our focus is on identifying companies whose current and future prospects are not reflected in their current valuations.

Pragmatic and flexible:

Portfolios within this strategy have no in-built country, sector, stock, market-cap or style bias. Exposure to these factors is purely a function of where we believe the best opportunities are to be found in the market place at any particular point in time.

Investment process

Invesco Perpetual's core global equity strategy process is illustrated below:



For illustrative purposes only.

Role of Henley's regional investment teams

Henley's regional equity investment teams provide the primary research for their global investment universe. Team members, who are specialists within their region, are generalist portfolio managers and undertake original research into all companies they invest into. This dual role delivers ownership and responsibility for each investment decision. We believe that each regional team's expertise and knowledge delivers breadth of knowledge across stocks, sectors and countries.

There is no single or definable structure to each regional investment team's discovery and research process. Individuals are encouraged to adopt their own approach to style and investing, which we believe brings out the best in individuals and thereby strengthens our investment capability.

Role of the Global Equity Group

The Group represents the wider Henley-based investment team in the construction of Invesco Perpetual's core global equity strategy and is the mechanism through which ideas are pitched, discussed, compared and ultimately where investment decisions are made.

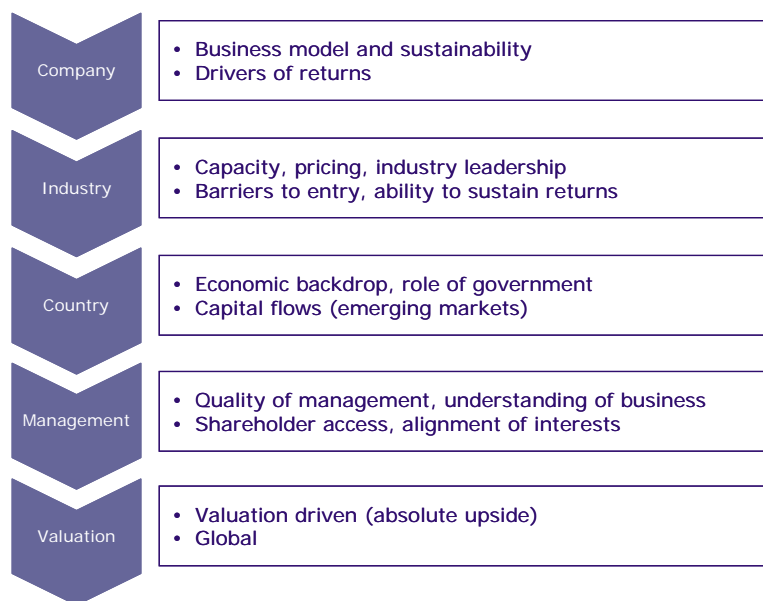
The Group's focus is on the current core global equity portfolio and idea generation respectively. Each portfolio manager in the Group has the ability to influence this portfolio through idea generation and participation in stock selection. Ideas that are proposed by individual portfolio managers are only selected for inclusion in the portfolio with the Group's agreement. All portfolio managers in the Group have voting powers and own the final investment decision. The Group aims to efficiently allocate the available capital to the most attractive investment ideas.

Whilst it is not possible for each portfolio manager in the Group to be able to replicate each other's specific stock or market knowledge, we do believe that commonality in the investment thinking across the team allows for reasoned debate and the challenging of any idea from any part of the world. Each idea which is proposed is backed up with research and an investment case so that all portfolio managers in the Group can understand the risk/reward parameters of a potential investment.

Nick Hamilton and Martin Weiss are responsible for the organization and operation of the investment process. Arwel Green provides investment support.

Idea generation

When considering investment ideas, discussions are typically framed in the following way:



When proposing an investment idea, the portfolio manager will give consideration for the size of the position they believe is appropriate in the portfolio. The addition of a new position to the portfolio is likely to lead to the selling down of another stock. As such, changes of this nature will alter the construction of the portfolio.

In addition to the decision to add a new position to the portfolio, the portfolio managers in the Group consider, on an ongoing basis, the reasons for retaining existing positions. The investment process is one of continual challenge to current and proposed investments. Ownership is a critical part of the portfolio, and each investment made is owned by a portfolio manager who manages the position from purchase to sale, including the adding to and trimming of positions as valuation dictates.

Communication

The effectiveness of the Group is enhanced by an environment of open communication; fortnightly formal meetings are augmented by informal interaction. A live 'blog' runs where any portfolio manager in the Group can post a summary note on any new investment opportunity that they wish to present at the next formal meeting. This gives all portfolio managers in the Group the opportunity to review the investment idea prior to the meeting. Group members are also able to access the minutes of their meetings, which are also posted on the 'blog'. If, at their formal meeting, the investment idea is approved by the Group's portfolio managers, a Wiki page is created by a member of the Global team. The Wiki serves as a rolling collection of investment ideas and includes information on each of the current holdings in the portfolio by sector. Responsibility lies with the portfolio manager who proposed the investment idea to ensure that the position's Wiki page is maintained on an ongoing basis. Any changes to the page are recorded serving as an audit trail. When a position is closed, the Wiki page is archived though can be easily retrieved if required. Additionally, a proprietary portfolio monitoring system tool called Global Stock Select is used. This database holds financial and analytical information on all stocks which have been approved by the portfolio managers in the Group, open and closed, again serving as an audit trail for all investment positions. Individuals are able to use the system to review the success of these stock ideas.

Perspective on risk

Risk is seen as the potential to generate negative returns at stock level. To this extent, portfolio managers feel strongly about making investment decisions only where their analysis demonstrates absolute return potential sufficient for the equity risk that is being taken. Whilst our investment process looks to take advantage of relative valuation anomalies across the global universe, portfolio managers will not buy fundamentally expensive stocks that appear relatively cheap. Thus, to the extent that equity risk can be managed, this is done through stock selection and portfolio construction. A risk-adjusted price targeting mechanism is used to assist in determining individual stock weights. In this way, portfolio construction is correlated to the expected return of the stocks. Both upside (potential for gain) and downside (potential for loss) risk is considered in their analysis. Incorporating the review of downside risk can assist our portfolio managers in deciding whether an investment in a stock should be capped, particularly in situations where there is a higher risk of a binary outcome.

Research

Henley's regional equity investment teams provide the primary research for their global investment universe. Team members, who are specialists within their region, are generalist portfolio managers and undertake original research into all companies they invest into. This dual role delivers ownership and responsibility for each investment decision. We believe that each regional equity team's expertise and knowledge delivers breadth of knowledge across stocks, sectors and countries.

Top-down research

Significant time is dedicated to the understanding and forecasting of current and future macroeconomic conditions.

Within our analysis we consider how the environment might impact the relative attractiveness of individual sectors and the impact it may have on stocks at a micro level. We believe that a company's operating conditions are largely determined by the broader macroeconomic environment, also recognizing that the influence of macro conditions on sector and stock fundamentals will vary over the course of the economic cycle. It is critical that the macro context is accurately reflected in the structure of our portfolios and in the emphasis of their bottom-up research described below.

Bottom-up research

Our bottom-up research is driven by the investment work of our regional equity investment teams. Fundamental analysis is the key input to the investment process and a principal driver of stock selection.

Stock ideas are generated from a number of sources including market screens, brokerage houses, independent research firms and analysts. Macroeconomic views may also highlight a particular area of the market for closer inspection. Company meetings are also an important aspect of idea generation, in that they often expose competitors, customers or suppliers that could be of interest.

The investment decisions that shape each portfolio are the consequence of a portfolio manager's assessment of the information inputs. Our investment process does not rely on the use of any proprietary analytical tools; rather we believe that value is added as a consequence of the insights of our portfolio managers, our understanding of market conditions and high quality investment research.

Once an idea has been generated, it is then subject to further analysis to allow a considered judgment to be reached on the stock's valuation and to arrive at an investment decision. This further analysis can be broken down into three components:

- **Proprietary research**

This is to arrive at a judgment on valuation. A portfolio manager can look at quantitative measures as a guide to this, but it will also involve qualitative judgments on aspects such as the quality of a company's products and services, the risks to which it is exposed, the strength of its management team and the presence of any unique characteristics or tangible advantage over competitors.

- **Examination of broker research on the company, and discussion with relevant investment analysts**

This external analysis is not used for its ultimate buy/sell recommendation; rather a portfolio manager compares the assumptions behind this research to their own, in order to form a judgment on valuation. In addition, we maintain contacts with industry analysts that we consider have superior analytical insights.

- **Meeting company management**

This is to obtain a better understanding of the nature of the business, its key drivers, competitive position and the achievability of management goals.

A portfolio manager's research is structured to give them a detailed understanding of a company's key historical and future business drivers, such as demand for its products, pricing power, market share trends, cashflow and management strategy. This enables a portfolio manager to form an opinion on a company's competitive position, its strategic advantages/disadvantages and the quality of its management.

From such meetings:

- The portfolio manager believes they can garner an improved understanding of the near- and longer-term prospects of a company and the quality of its management.
- Gives them a forum to challenge their assumptions and predictions in person as well as ensuring that management understands IAML's priorities as a shareholder.
- Provides the portfolio manager with valuable information regarding the state of the broader economy and the businesses of a company's suppliers, customers and competitors. This analysis is then considered in conjunction with a stock's current and prospective valuation, enabling the portfolio manager to determine whether or not the stock is attractively valued.
- Determine where there are sizable differences between consensus expectations and what the company expects to realistically achieve.

Valuation

In addition to proprietary research, as explained above, our portfolio managers selectively use valuation models in order to understand the assumptions that the brokers/analysts have incorporated into their valuation conclusions and as a structure into which they can input their own scenarios.

External research

In addition to original research, our portfolio managers devote considerable resource to the assessment of research produced by external organizations, including that of brokerage houses, independent research firms and analysts. We believe that the resulting relationship with these firms, based on mutual respect, enhances the quality of the investment dialogue. For each sector, portfolio managers typically have two or three external analysts with whom they maintain close contact and whose judgment they value. They are then able to compare their own research with consensus expectations, identifying opportunities where the market is overly-pessimistic or overly-optimistic. It should be emphasized that external research is used purely as an input, as opposed to being the driver of the decision-making process.

This combination of in-house analysis with the use of well-placed and well-informed contacts within the broking community provides our portfolio managers with the necessary basis for understanding their markets at all levels, allowing for a synthesis of 'bottom-up' and 'top-down' investment analysis.

Portfolio management is a judgmental business and the major scope to add value is in the interpretation of the available information by our investment team. The experience of portfolio managers in this respect is critical and key to the success of the team.

Portfolio construction

The weightings in our core global equity portfolio reflect valuation and conviction, and are constructed with a primary focus on stock-based analysis. Country and sector exposures are an important consequence of the search for what the Group's portfolio managers' view as the most attractive ideas in the most attractive sectors. At times, this approach can lead to the portfolio being substantially different to the composition of the reference benchmark.

Investment decisions at an individual stock level must be overseen and challenged in the context of their fit into the overall portfolio. Ultimate responsibility for this function lies with the Group's chairman, CIO, Nick Mustoe.

Areas continuously considered include:

Price targets: Each stock has a valuation derived price target. As stocks reach their target they are considered for sale, allowing the recycling of the capital to higher return ideas.

Sector exposure: Given the correlation of stocks within sectors, commonality of investment themes resulting from different stock positions are assessed.

Geographic exposure: Regional correlations tend to be high, in the large-part, driven by the structure of regional indices. At portfolio level, the portfolio managers want to ensure that this risk is understood and that geographic positions reflect macro preferences.

Currency exposure: Currency risk can be hard to assess as operational and denominational risks intertwine. The portfolio managers' awareness of the largest currency exposures can impact how they allocate capital in the near-term.

Replication and contradiction: At times, across the portfolio, positions may be held that on the face of it appear repetitive or contradictory. Often this can be explained by valuation or fundamental differences at a regional level. Observing these, and ensuring they can be objectively understood, improves capital allocation efficiency.

Valuation anomalies: The portfolio is monitored on a continuous basis for both valuation and performance anomalies. Where performance is seen as extreme, upwards and downwards, or where the valuation is in absolute terms expensive, the investment question is asked of the fund manager who owns that stock.

Buy/sell discipline

As previously mentioned, the investment process for our core global equity strategy is one of continual challenge to current and proposed investments. Ideas that are proposed for the portfolio are only selected for inclusion with the agreement of the Group's portfolio managers. The Group aims to efficiently allocate the available capital to the most attractive investment ideas. Ownership is a critical part of the portfolio and each investment made is owned by a portfolio manager who manages the position from purchase to sale, including the adding to and trimming of positions as valuation dictates. There are a number of reasons why a stock may be sold: if the stock is fully valued and discounting our expectation of forward looking returns, where we have revisited the initial investment case and determined it needs to be revised or where a better relative investment opportunity exists.

Risk management

Each investment team, as a part of Invesco Ltd., employs a multi-faceted approach to oversight and risk management. In the first instance, each investment team has embedded risk controls within its investment management discipline, including review and oversight processes tailored to its philosophy and objectives. Details of this as it pertains to Invesco Perpetual are provided from **page 16, Investment risk and Invesco Perpetual's Investment Oversight team.**

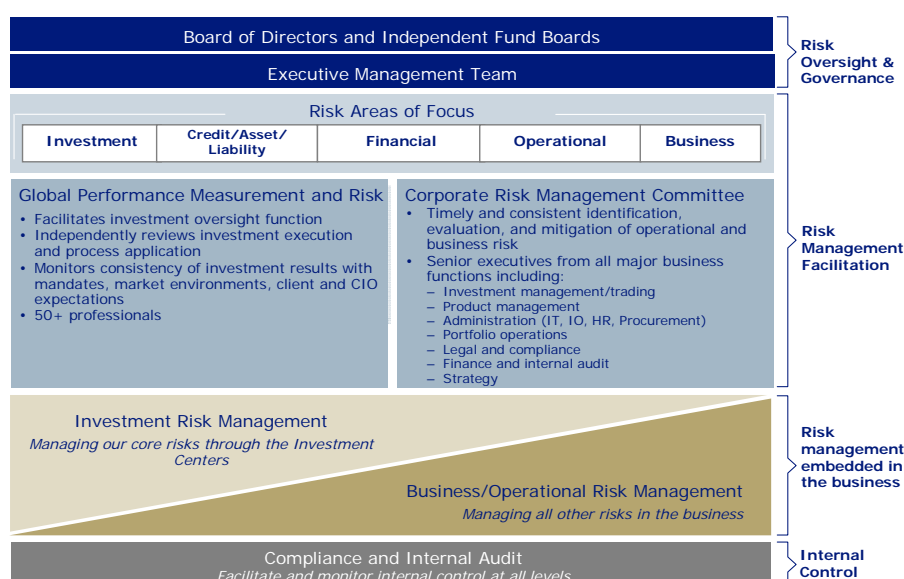
These investment teams' processes are bolstered and overseen by multi-dimensional independent controls. These controls include the Global Performance Measurement and Risk (GPMR) team with over 60 professionals dedicated to performance and risk activities. Invesco Ltd.'s GPMR team, independent from portfolio management teams, are charged with providing comprehensive reporting that facilitates better understanding of performance quality and risk. This team provides regular reviews of the performance and risk attributes of the various investment team disciplines to senior management.

Invesco Ltd.'s senior management oversight structures also include:

- Reporting lines running from investment team CIOs who have day-to-day responsibility for investment team risk controls up to the Invesco Ltd. Senior Managing Director having management responsibility for the investment team.
- Quarterly and monthly reviews are performed based upon investment performance and risk analytics of each investment discipline produced by the GPMR. These reviews are conducted by the Chief Executive Officer (CEO) and those Senior Managing Directors who manage the investment teams.
- Review of operational controls and related corporate exposures by the Invesco Ltd. Corporate Risk Management Committee.
- Regular review of investment matters by the Invesco Ltd. Board of Directors, including quarterly reporting on investment performance data produced by the GPMR and related reviews by the CEO and Senior Managing Directors, as well as presentations (on a rotating basis) by investment team CIOs and other senior investment professionals.
- Additional reviews and support from Invesco Ltd.'s Compliance and Internal Audit functions.

These layers of controls are designed to provide enhanced transparency, reporting and risk assessment from and to the investment teams.

An effective foundation for a sound risk culture



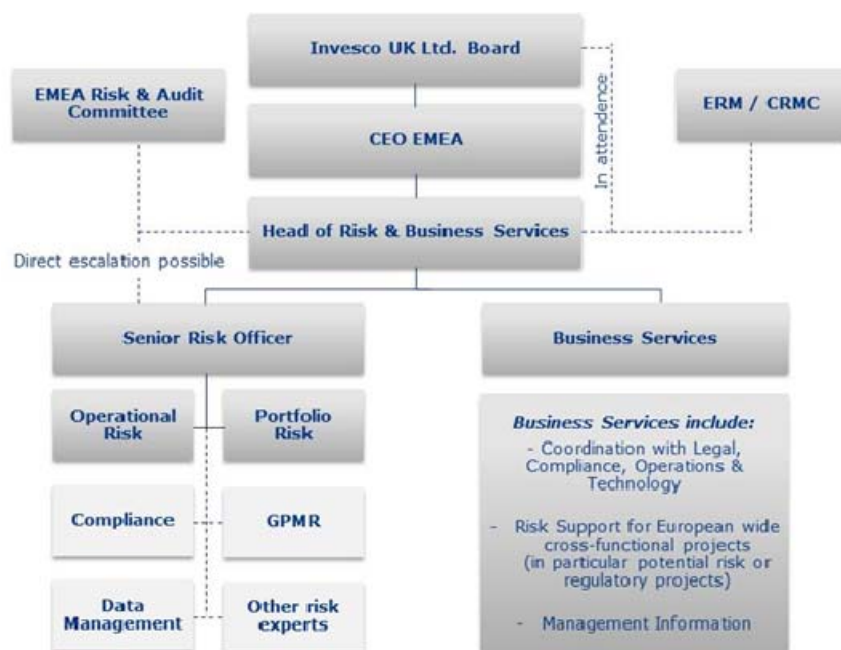
Invesco Ltd.'s Corporate Risk Management Committee consists of senior executives representing all of the company's major business functions including investment management, trading, information technology, portfolio operations, legal and compliance, finance and internal audit. The Committee exists to facilitate the timely and consistent top down identification, evaluation, monitoring and mitigation of operational and business risk on a consolidated basis. Relevant areas of focus have included operational controls regarding new investments (including matters such as the pricing and settlement of swaps and similar derivatives).

Augmenting this effort are strong internal audit and compliance teams. The Internal Audit team works closely with business units to improve the integrity, consistency and control of all operations. This team designs and leads audits of operations, compliance and financial reporting functions, and ensures appropriate implementation of Sarbanes-Oxley and other regulatory requirements. The Compliance team works with the business to establish and maintain policies and procedures designed to prevent, detect and correct violations of applicable laws and regulations and client investment guidelines. Portfolios are subject to daily compliance review. Compliance routinely monitors existing practices, policies and procedures, and reviews written policies and procedures at least annually. Reports on all exceptions, errors and other information are provided to senior management regularly or as necessary.

Independent risk function in Europe

Sybillé Hofmann, Head of Risk & Business Services - Europe, leads the firm's independent risk function (IRF) in Europe and has a team of risk specialists reporting to her who facilitate the risk monitoring process, covering both operational as well as portfolio risk, including credit, market and liquidity risk, for UCITS funds, a pooled vehicle structure that coordinates the distribution and management of unit trusts amongst countries within the European Union. Sybillé reports directly to James Robertson, Senior Managing Director of Invesco Ltd. and Head of Invesco in the UK and in Continental Europe.

Please refer to the diagram below which illustrates the framework in which the IRF in Europe functions:



Source: Invesco.

For illustration purposes only.

EMEA: Europe, the Middle East and Africa.

ERM: Enterprise Risk Management.

CRMC: Corporate Risk Management Committee.

The IRF is responsible for risk management policies and procedures which identify and mitigate risks relating to the firm's European business activities, processes and systems.

The role of risk includes ensuring compliance with the agreed risk profile and a defined risk alert system as well as regulatory limits, and adequate management reporting.

The IRF cooperates closely with other risk experts within the firm, in particular:

- **GPMR** focuses on the production of Value at Risk (VaR). Output from this measure is shared with the business, as well as the IRF for analysis and where, relevant, investigation.
- **Compliance** is responsible for monitoring all investment restrictions and risk alerts where set. Daily reports are produced and analysed; breaches of regulatory limits are immediately logged and allocated for resolution. Risk alerts trigger a discussion as to the reason and sensibility of the underlying investment and may not trigger any changes in the investments. Compliance also monitors general compliance with rules and regulations and escalates any risk findings to the IRF.
- **Data management** is responsible for security pricing or the oversight of it if completed by third party administrations. This includes OTC derivative pricing. Data management reports on stale pricing, pricing volatility and any other pricing matters.

The IRF is a key participant in the European New Instrument Committee (for the implementation of new instruments) as well as the European Pricing Committee (for the purpose of valuing securities for which market quotations are not readily available or other securities for which fair value needs to be determined).

Operational risk support the European functions and entities in setting risk appetite and risk tolerance levels where appropriate and monitoring linked Key Risk Indicators. An important part of the role is an independent challenge process in order to identify, assess and quantify risks in line with the set risk appetite.

The IRF also provides formal and informal reports to the firm's management on various topics, including capital adequacy or incidents. The IRF is also responsible for providing risk advice and facilitating the risk awareness culture across the business.

Although this document is not profiling UCITS, many of the risk controls that apply to these vehicles would also benefit the management of the underlying investment strategy within other investment vehicles.

Investment risk and Invesco Perpetual's Investment Oversight team

Invesco Perpetual's essential belief is that fund management is a skill and the inherent risks taken in managing money are those made by the fund managers themselves. One of the key tasks of the Henley-based Investment Oversight team, who report directly to Invesco Perpetual's CIO, is to facilitate the CIO challenge process. As described in greater detail overleaf, this process is implemented via challenge meetings that are attended by the CIO, the Head of Investment Oversight and the fund manager and seeks to check that the individuals managing money are doing so in a way that adds value to our clients. The objective is to review each fund manager bi-annually, although where particular issues are identified with performance or the investment process, these take precedence.

Risk management is an integral component of our investment process and is the product of the following factors:

Fund manager understanding

Fund managers effectively control stock-specific risk by ensuring that portfolios are always appropriately diversified. In-depth, continual analysis of the fundamentals of all holdings gives fund managers a comprehensive understanding of the financial risks associated with any particular stock.

Although we are always aware of the relative risk we are running – where relative risk is defined as the holding of investment positions that differ from the structure of the benchmark – we do not set out to manage the relative risk characteristics of our funds. A portfolio's relative risk characteristics will simply be a function of the investment decisions and absolute risk judgements that were made while constructing the portfolio.

Trading systems

All quantifiable portfolio investment parameters are entered into the internal portfolio management system which, subject to certain limitations, is designed to prevent inadmissible trades and to issue warnings to fund managers if a trade is likely to result in a parameter breach.

Continuous monitoring

At the total portfolio level, monthly performance, attribution and risk reports are produced by the Investment Oversight team, ensuring that fund managers adhere to their investment objectives, guidelines and parameters. There is also a culture of challenge and debate between fund managers regarding portfolio construction and risk.

CIO challenge process

The CIO challenge process is implemented via challenge meetings that are attended by the CIO, the Head of Investment Oversight and the fund manager. The CIO challenge process has four main aims:

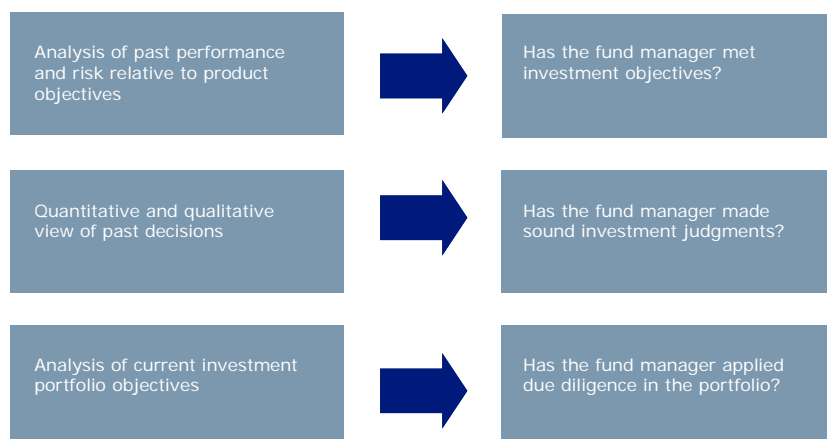
- **Transparency:** to understand a fund manager's rationale behind portfolio positioning and why certain decisions have been made.
- **Process:** to ensure that a fund manager is managing money in the way that has been clearly articulated to our clients.
- **Strategy:** to check that portfolio construction is consistent with the overall investment strategy and views of the fund manager.
- **Environment:** to ensure that fund managers are given the best environment to optimise their investment returns. This can range from exploring resourcing/personnel issues, looking at how teams are working/interacting together, ensuring that IT systems are adequate, individual contributions, capacity constraints, or any other issues that may adversely influence our ability to deliver quality investment decisions.

The challenge process is not prescriptive in its approach; it is both a qualitative and quantitative assessment of an individual or team's ability to successfully manage investments.

Our essential belief is that fund management is a skill and the inherent risks taken in managing money are those made by the fund managers themselves. The challenge process seeks to check that the individuals managing money are doing so in a way that adds value to our clients.

Fund managers are given the autonomy to back their investment judgment within the scope of fund mandates and regulations. We do not wish to put in place unnecessary restrictions which limit a fund manager's ability to back his/her own convictions in a stock or investment strategy. In an environment which allows such free thought, traditional controls and processes are limited in their application.

Although the CIO challenge process is a formal one, it is part of a cultural environment of challenge and rigor that exists on a day-to-day basis within our Henley investment center. The chart below illustrates this process:



There is no set agenda for these challenge meetings; this is dependent on the findings of the Investment Oversight team through their continuous monitoring. The meeting may cover some or all of the following:

- **Performance attribution:** where have portfolio returns been derived from?
- **Trading activity:** portfolio changes. How successful trading activity has been?
- **Macro-economic views:** does the portfolio reflect the wider economic view of the fund manager?
- **Investment process:** is the fund manager working within the stated process?
- **Style analysis:** what style is the fund manager adopting? While fund managers do not usually stipulate a particular style bias to their overall process, this analysis seeks to explain where their portfolio is positioned relative to the market in terms of financial characteristics, momentum measures and market-cap bias. This enables us to check the understanding of a fund manager's active positions against their investable universe.
- **Risk reporting:** to challenge/support where we believe our excess returns will come from.
- **Active positions:** where are major stock, industry, country or asset class bets being taken?

The aim of the CIO challenge process is to ensure that there is sufficient investment oversight in order that risks taken on behalf of our clients are understood and are considered appropriate. It is accepted that our business is judgemental and that potential impacts of these risks may materialise. However, core to the process is that risks taken are not incidental but are understood and taken with conviction.

Strategy overview

Global equity

Strategy name, management and objective	Benchmark	Concentration
Invesco Perpetual Global Equity strategy Global Equity Group The objective of this strategy aims to achieve capital growth by investing in equities quoted on world stockmarkets.	MSCI AC World index	60 to 100
Invesco Perpetual Global Opportunities strategy Global Equity Group The strategy aims to achieve long-term capital growth through a portfolio of primarily global equities.	MSCI AC World index	40 to 60
Invesco Perpetual Global Equity Income strategy Paul Boyne & Doug McGraw This strategy aims to generate a rising level of income, together with long-term capital growth, investing primarily in global equities.	MSCI World index	60 to 100
Invesco Perpetual Global ex US Equity strategy John Surplice & Global Equity Group The objective of this strategy aims to achieve capital growth by investing in equities quoted on world stockmarkets outside of the US.	MSCI ACWI ex-US index	40 to 80

Appendix 1 - Biographies

Senior management:

Nick Mustoe, Chief Investment Officer of Invesco Perpetual

Based in Henley-on-Thames, Nick is Chief Investment Officer of Invesco Perpetual. Nick joined the company in June 2010. His investment career spans over 25 years to date, having started with Phillips & Drew Fund Management as a UK equity manager in 1985. More recently, he was appointed CIO of Pictet Asset Management in 2006 after joining Hermes Pensions Management as CIO in 2002. He holds a first class honours degree in Business Studies from Bradford University.

Bob Yerbury, Senior Managing Director of Invesco Ltd. and co-chair of Invesco Perpetual's Global Equity Group

Based in Henley-on-Thames, Bob joined the company in 1983. His investment career now spans over 40 years, having led the North American equities team at Invesco Perpetual for 14 years, becoming CIO in 1997 and Chief Executive Officer (CEO) in 2004. As part of an orderly succession plan, Bob handed over his CEO and CIO responsibilities in September 2008 and June 2010 respectively, continuing with his wider Invesco group responsibilities within the firm's Investor's Forum and Global Trading function. Bob remains an active Senior Managing Director of Invesco Ltd. and part of the Invesco Perpetual senior team, highly engaged with the industry. Bob holds an MA in Mathematics from Cambridge University and qualified as an Actuary at Equity & Law Life Assurance Society. He is a Fellow of the Institute of Actuaries (FIA) and is Deputy Chairman of the Investment Management Association, the trade body of the UK's asset management industry. Bob was honoured with a Lifetime Achievement Winner award at the UK's Investment Week-sponsored Fund Manager of the Year Awards in 2008.

Strategy:

Nick Hamilton, Head of Global Equity Products at Invesco Perpetual

Based in Henley-on-Thames, Nick is responsible for the strategic and operational oversight of Invesco Perpetual's global equity, fund-of-fund and multi-asset businesses. He is also responsible for representing these strategies to external and internal clients. Nick joined the company in October 2003 as a product director on the UK Equities team. After a brief return to Australia in 2007, Nick rejoined the company in October 2007 as Head of Global Equity Products. He began his investment career in Australia in 1997 as a member of Rothschild Australia Asset Management's International Equity team. From 2000, Nick worked in both the UK and US for Reuters International. Nick holds a postgraduate Diploma in Applied Finance & Investment (ASIA), a Bachelor of Economics from Sydney University and has studied Corporate Finance at The London Business School.

Martin Weiss, Senior Investment Strategist for Global Equity Products at Invesco Perpetual

Based in Henley-on-Thames, Martin joined the company in July 2005 as product director for the International Equities team, moving into the role of senior investment strategist for global equity products in 2009. Martin began his investment career at Cazenove in 1990 as an analyst/salesman covering Japanese equities. Remaining with Cazenove, he transferred into fund management in 1996, specialising in Japanese equities until, in 2002, moving to their global team. Here, his responsibilities covered the management of all industrials and consumer staples investments within global equity funds. Martin graduated from Bristol University with a BSc honours degree in Economics.

Arwel Green, Global Equity and Multi-Asset Product Manager at Invesco Perpetual

Based in Henley-on-Thames, Arwel joined the company in May 2001, and is responsible for providing support for the Global Equities team's global equity and fund-of-fund and multi-asset products. Arwel has held various positions since joining the company, including that of client service, RFP writer/marketing information specialist and product information specialist. He joined the global team in his current role in January 2008. Arwel graduated in 2000 from Cheltenham College of Higher Education (now known as the University of Gloucester) with a degree in Hospitality Management and holds the Investment Management Certificate qualification from the CFA Society of the UK.

Specialist fund managers:

Paul Boyne, Global Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Paul joined the company in October 2008, and is lead fund manager for our global equity income product. After six years with chartered accountants and management consultants, Grant Thornton International, Paul began his investment career in 1993 at Morgan Stanley Investment Management and became Managing Director and senior portfolio manager of their global value equity product. In 2005, he joined Bank of Ireland as Managing Director and Head of their US Equities team before becoming Deputy Chief Investment Officer and Head of Global Equities, providing portfolio oversight across all regional product areas. Paul holds a postgraduate (MBS) Diploma from Michael Smurfit Graduate School of Business, University College, Dublin and is a Fellow of the Association of Chartered Accountants.

Doug McGraw, CFA, Global Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Doug joined the company in December 2009, and is a fund manager for our global equity income product. Doug began his investment career in 1995 as an investment analyst for the First National Bank of SW Ohio before joining the US Peace Corps in 1996, where he was based in Ukraine as a volunteer, and latterly in Washington as a recruiter. Doug resumed his investment career in 2001, joining Morgan Stanley Investment Management as an investment analyst before becoming a fund manager within their Global Value Equity team. Doug holds a BSc in Finance from Miami University and a MBA from the University of Notre Dame. He is also a CFA charterholder.

John Surplice, European Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, John is responsible for the management of a number of pan European retail and institutional mandates. John began his career in 1992, joining Price Waterhouse, where he qualified as a chartered accountant before joining our company in 1995. John holds an MA (Honours) in Economics from Edinburgh University.

Ian Hargreaves, CFA, Asian Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Ian manages pan-Asian portfolios alongside Stuart Parks and covers the entire Asian region in his research. He started his investment career with Invesco Asia Pacific in Hong Kong in 1994 as an investment analyst where he was responsible for coverage of Indonesia, Korea and the Indian sub-continent, as well as managing several regional institutional client accounts. In January 2005, Ian decided to return to the UK to join Invesco Perpetual's Asian Equities team. Ian holds a BA (Honours) in Chinese Studies from Durham University and is a CFA charterholder.

Stephen Anness, UK Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Stephen is responsible for the management of a number of UK equity portfolios. He began his investment career within the UK Equities team, joining the company in July 2002 as a trainee analyst. Having come through the Invesco Perpetual investment team ranks, Stephen started managing UK equity portfolios in September 2004. Further recognition and a higher profile were provided as he took over some of the portfolio management responsibilities of veteran fund manager, Ed Burke, upon his retirement in 2008. He holds a BSc in Economics from the University of Swansea, The Securities Institute Diploma, Investment Management Certificate and has studied Corporate Finance at The London Business School.

Dean Newman, Head of Emerging Markets Equities at Invesco Perpetual

Based in Henley-on-Thames, Dean is Head of Emerging Markets Equities at Invesco Perpetual, with responsibility for the management of global emerging markets and Latin American equity portfolios. Dean began his investment career in 1985 joining Legal & General where he covered UK equity markets, moving to Japanese bank Sanwa in 1991 where he was Head of UK Equities. He became Head of Emerging Markets Equities at Invesco Perpetual in April 2007, having joined the company in 1993 and the Emerging Markets Equities team in 1994. Dean has been a driving force behind the team's investment strategy with his many years experience of investing across all emerging markets regions. Dean graduated from Durham University with a BA honours degree in Economics and Politics.

Tony Roberts, Japanese Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Tony is responsible for the management of a number of Japanese equity portfolios alongside fellow fund manager, Paul Chesson. Tony began his investment career in 1995 as an analyst and fund manager with Clerical Medical after two years with actuarial consultants, Godwins. He joined our company in 2000 to work alongside Paul Chesson, Head of Japanese Equities. He holds a BSc in Mathematics from Southampton University and is a member of the CFA Society of the UK.

Simon Laing, CFA, Head of US Equities at Invesco Perpetual

Based in Henley-on-Thames, Simon joined the company in January 2012 and is the lead fund manager of the Invesco Perpetual US Equity Fund. Upon graduating in 1997, Simon joined Newton Investment Management's research department as a global industrial analyst where he took responsibility for the consumer sector. In 2000, he joined their US Equities team as an assistant fund manager and was appointed lead fund manager at the end of 2002. Simon was a member of Newton Investment Management's Global Investment Group and also co-chaired their Equity Strategy Group. Simon graduated from Oxford University with a MEng in Engineering Science and is a CFA charterholder.

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The information contained in this document relating to the composition of the portfolio of any strategy advised or managed by us or any of our associated companies is confidential. It is disclosed to you on the strict basis you will 1) use it only for the purpose of analysing this document, 2) disclose it only to those of your staff and professional advisers who need to know it for the purposes of such analysis and 3) not disclose it, or permit it to be disclosed, in any way, other than as mentioned in 2).

All data is as at 30 September 2012, sourced from Invesco Perpetual/Invesco unless otherwise stated.

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.

Where Invesco Perpetual/Invesco has expressed views and opinions, these may change.

Past performance is not a guide to future returns.

Invesco Perpetual is a business name of Invesco Asset Management Limited.

Appendix D

Invesco Global Cash Management London Product Profile

Invesco Global Cash Management London

Investment Process/Strategy

The strategy for each of the STIC Global sub-advised accounts (account) is to provide investors with as high a level of current income in the account currency as is consistent with the preservation of capital and liquidity by investing in a diversified portfolio of high quality short-term money market instruments.

To achieve this, the account is managed in a modified barbell structure, investing in repurchase agreements, time deposits, commercial paper, certificates of deposit, medium term notes and floating rate notes, rated A-1/P-1 or better, with a maximum weighted average maturity of 60 days.

Invesco Global Cash Management utilises a highly disciplined investment approach aim to deliver high quality performance. When Invesco launched its first money market strategy in 1980, the determination was made to separate the portfolio management and credit research functions in order to ensure a discrete balance between the investment and credit research decisions. This model has served Invesco well over the past 30 years and has been time tested over many interest rate and credit cycles. Since the first institutional money market strategy was introduced, our investment philosophy has been safety, liquidity and yield, with safety and liquidity as the primary focus.

Investment Process

The Investment Management Team utilises a strong fundamental, top-down approach when formulating investment strategies. This incorporates initial liquidity assessment and fundamental economic overview with an overlay of technical issues such as supply, diversification, and valuation. The following factors are considered in the management of the Portfolio:

Liquidity Management:

Each portfolio is first evaluated for liquidity needs both for the current day and on a roll-forward basis before any potential trades are executed. Liquidity exists on many levels. First and foremost, knowing and understanding our customer base and their liquidity needs has to be the primary driver before implementing even the best investment strategy. Second, understanding the liquidity in the markets, i.e. what other money funds are buying, dealer and issuer positions, plays an important role in positioning the portfolios. As many market participants have learned, we are all inter-dependent, both the takers and receivers of credit. Understanding both the securities that are available in the market, the dealers and other buy side participant's appetite for those securities is critical when assessing liquidity risk.

Fundamental Economic Overview:

The entire cash management team reviews the macro economic fundamentals in formulating an overall investment strategy, which is then incorporated in to each portfolio based on its investment objective and liquidity needs. Invesco Global Cash Management has never taken big "bets" or interest rate calls with respect to portfolio management. Since all of the money market portfolios are

managed using a team approach, there isn't an opportunity for one portfolio manager to have control over any one decision.

Supply Factors:

Once an account is evaluated for liquidity needs, then further reviewed based on macro economic decisions, an investment strategy is formulated. The markets are extremely dynamic and changes in security types, issuers, and maturity interest change on a daily basis. Knowing and understanding the various factors that can impact implementing liquidity and market strategy is critical to successful portfolio management. Invesco Global Cash Management works closely with our trading partners to stay abreast of trends in the market, what other short-end buyers are doing and the needs of issuers. The portfolio management team also meets daily with the credit staff to incorporate their views on issuers, industries, and security structure risks.

Portfolio Diversification:

Portfolio diversification is a key element in portfolio construction and includes diversification not only to issuers, but to security types, maturity periods, industries, indexes and affiliation amongst entities to capture any contagion risk. Invesco Global Cash Management utilises an Approved List, which contains issuers and securities that have been evaluated and approved by Invesco Global Cash Management's Research team and further approved by the Board of Directors. The portfolio management team analyses eligible investment options in the market, taking into specific consideration an issuer's frequency of issuance and size in the market, price actions, and modes of issuance, yield and credit ratings.

Appendix E

Invesco Fixed Income London Product Profile

Invesco Fixed Income – Global Bond Strategy, London

Investment Process/Strategy

Our global bond strategies seek to generate excess returns through active duration and yield curve-based strategies as well as deploying strategies involving inflation-linked bonds and corporate bond markets.

Investment Process

Our investment philosophy is built on a belief that increasingly dynamic and complex fixed income markets create opportunities for investors, that are best captured by independent specialist decision makers, interconnected as a global team.

Timely investment decisions are captured through a rigorous and effective portfolio construction process, designed to maximise each opportunity. We believe our IFI team's approach to decision making and portfolio construction sets us apart from other fixed income managers.

The IFI team's investment process takes in the full spectrum of the fixed income universe by harnessing specialist decision-makers globally. Their research methodologies are rigorous in approach but tailored for each return source in order to accommodate the characteristics of the potential return source itself and the unique approach of the investment decision-maker responsible for it. While the research philosophy seeks to maximise individual talent, the communication, implementation and evaluation of their investment decisions conforms to a common framework applied across IFI.

Every decision made is captured and recorded at inception in our proprietary investment platform, QTech. The value added or lost on every decision made by the Invesco Fixed Income team is measured and monitored daily by QTech. Through QTech, the effectiveness of our decision-making can be quickly accessed, assessed and analysed by portfolio managers, CIOs and the Global Process Management (GPM) team. QTech creates a huge amount of analytics to assist in the supervision of the investment decision-making process. First, portfolio managers can instantly analyse their cumulative value/lost on each decision, the activity levels they have maintained and the information ratio their decisions are achieving. Underperforming decisions can be identified quickly and remedial action taken, if deemed necessary. Second, QTech provides the alpha source management team with the ability to monitor all decisions and to discuss courses of action with decision-makers whose decisions are breaching pre-determined risk control measures. Finally, each decision-maker's yearly discretionary bonus is tied proportionally to the performance of their alpha sources. QTech gives a clear and unbiased record for this purpose and as a result ensures that the interests of our clients (outperformance) are aligned by those of our investment decision-makers.

Duration Decisions

The duration decision is driven by both long-term and short-term economic and market influences. Long-term drivers of the direction of interest rates include: Fiscal policy, monetary policy, economic growth, inflation, and geopolitics. The effects of these long-term drivers determine our secular view. Near term influences drive our short-term view on the direction of interest rates, however, this short-term view is positioned in line with our long term outlook.

Yield Curve Decisions

The yield curve decision is driven by the specialist's view on fiscal policy, monetary policy, economic growth, and technical factors. Traditionally steepener trades are implemented when a Central Bank is expected to ease its monetary policy and flattener trades are implemented when a Central Bank is expected to tighten its monetary policy.

Currency Decisions

The drivers of our active currency positions reflect the investment style of the individual decision-maker responsible for it. In general, currency positions may be driven by expectations of economic growth, interest rates, inflation, trade flows, momentum or technical measures.

Credit Research

The credit research process begins with a comprehensive fundamental analysis of each issuer. Balance sheet and operating statistics are evaluated as we model forward cash flows and credit metrics. We also assess qualitative aspects such as competitive position, secular/industry factors, management and strategy, event risk, equity performance, market perceptions, access to capital markets, litigation and regulatory issues. Additionally, factors such as liquidity and short-term access to capital markets are analyzed.

Strategy Overview

Our global bond strategy is permitted to pursue investments in areas outside of its core global government bonds opportunity set. Under its current design parameters, the strategy may hold US and European corporate bonds. The strategy targets an active return of 150 basis points over the JP Morgan Global Government Bond Index. Active investment strategies in currencies are adopted and should contribute up to one-third of the expected alpha generation. Derivatives are used, but for hedging purposes only in this strategy. Diversification is one of the cornerstones of our investment approach. In the context of portfolio construction, this concept extends to the number of active investment decisions deployed in each portfolio but also, the number of securities held.

Appendix F

Invesco Perpetual Policy on Corporate Governance and Stewardship



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03	Introduction
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1. Introduction

Invesco Perpetual (IP), a business name of Invesco Asset Management Limited, has adopted a clear and considered policy towards its responsibility as a shareholder on behalf of all investors in portfolios managed by them. As part of this policy, IP will take steps to satisfy itself about the extent to which the companies in which it invests look after shareholders' value in their companies and comply with local recommendations and practices, such as the UK Corporate Governance Code issued by the Financial Reporting Council and the U.S. Department of Labor Interpretive Bulletins.

IP has a responsibility to optimize returns to its investors. As a core part of the investment process, IP's fund managers will endeavor to establish a dialogue with management to promote company decision making that is in the best interests of shareholders, and is in accordance with good Corporate Governance principles.

Being a major shareholder in a company is more than simply expecting to benefit in its future earnings streams. In IP's view, it is about helping to provide the capital it needs to grow, it is about being actively involved in its strategy and it is about helping to ensure that shareholder interests are always at the forefront of management's thoughts.

IP considers that shareholder activism is fundamental to good Corporate Governance. Although this does not entail intervening in daily management decisions, it does involve supporting general standards for corporate activity and, where necessary, taking the initiative to ensure those standards are met, with a view to protecting and enhancing value for our investors in our portfolios.

Engagement will also be proportionate and will reflect the size of holdings, length of holding period and liquidity of the underlying company shares. This is because in most of IP's investment jurisdictions, the only effective remedy of last resort available to shareholders, other than liquidating their share ownership, is the removal of directors.

2. Scope

The scope of this policy covers all portfolios that are managed by the IP investment teams located in Henley on Thames, United Kingdom and specifically excludes portfolios that are managed by other investment teams within the wider Invesco group that have their own voting, corporate governance and stewardship policies. As an example, within IP's ICVC range the following funds are excluded: IP UK Enhanced Index, IP US Equity Benchmark Plus, IP Hong Kong & China, IP Japanese Smaller Companies, IP Global Balanced Index Fund, IP Global ex-UK Core Equity and the IP Global ex-UK Enhanced Index.

3. Responsible voting

One important means of putting shareholder responsibility into practice is via the exercising of voting rights. In deciding whether to vote shares, IP will take into account such factors as the likely impact of voting on management activity, and where expressed, the preference of clients. As a result of these two factors, IP will tend to vote on all UK and European shares, but to vote on a more selective basis on other shares. (See Appendix I – Voting on non-UK/European shares).

IP considers that the voting rights attached to its clients' investments should be actively managed with the same duty of care as that applied to all other aspects of asset administration. As such, voting rights will be exercised on an informed and independent basis, and will not simply be passed back to the company concerned for discretionary voting by the Chairman.

In voting for or against a proposal, IP will have in mind three objectives, as follows:

- To protect the rights of its investors
- To minimize the risk of financial or business impropriety within the companies in which its clients are invested, and
- To protect the long-term value of its clients' investments.

It is important to note that, when exercising voting rights, the third option of abstention can also be used as a means of expressing dissatisfaction, or lack of support, to a board on any particular issue. Additionally, in the event of a conflict of interest arising between IP and its clients over a specific issue, IP will either abstain or seek instruction from each client.

IP will actively exercise the voting rights represented by the shares it manages on behalf of its investors where it is granted the discretion to do so. In certain circumstances the discretion is retained by the client, where they wish to be responsible for applying their own right to vote.

Note: Share blocking

Generally, IP will not vote where this results in shares being blocked from trading for a period of more than a few hours. IP considers that it is not in the interest of clients that their shares are blocked at a potentially sensitive time, such as the time around a shareholder meeting.

4. Voting procedures

IP will endeavor to keep under regular review with trustees, depositaries, custodians and third party proxy voting services the practical arrangements for circulating company resolutions and notices of meetings and for exercising votes in accordance with standing or special instructions. Although IP's proxy voting service will provide research and recommendations for each resolution, each fund manager will cast their vote independently considering their own research and dialogue with company management.

Proxy voting research and services are currently provided by Institutional Shareholder Services (ISS), part of the Risk Metrics Group.

IP will endeavor to review regularly any standing or special instructions on voting and where possible, discuss with company representatives any significant issues.

IP will take into account the implications of stock lending arrangements where this is relevant (that is, when stock is lent to the extent permitted by local regulations, the voting rights attaching to that stock pass to the borrower). However, IP does not currently enter into any stock lending arrangements as it believes the facility does not support active shareholder engagement.

5. Dialogue with companies

IP will endeavor, where practicable in accordance with its investment approach, to enter into a dialogue with companies based on the mutual understanding of objectives. This dialogue is likely to include regular meetings with company representatives to explore any concerns about corporate governance where these may impact on the best interests of clients. In discussion with company boards and senior non-Executive Directors, IP will endeavor to cover any matters of particular relevance to shareholder value.

Those people on the inside of a company, most obviously its executives, know their businesses much more intimately. Therefore, it is usually appropriate to leave strategic matters in their hands. However, if that strategy is not working, or alternatives need exploring, IP will seek to influence the direction of that company where practicable. In IP's view, this is part of its responsibility to investors, where possible, in shaping strategy. Ultimately the business' performance will have an impact on the returns generated by IP's portfolios, whether it is in terms of share price performance or dividends, and IP wants to seek to ensure that the capital IP has invested on behalf of its clients is being used as effectively as possible. In the majority of cases IP is broadly in agreement with the direction of a company that it has invested in, as its initial decision to invest will have taken these factors into account. But these issues demand regular re-evaluation, which can only be achieved through company meetings.

The building of this relationship facilitates frank and open discussion, and ongoing interaction is an integral part of the fund manager's role. The fact that IP has been a major shareholder in a number of companies for a long time, in particular within its domestic UK portfolios, reflects both the fact that IP's original investment was based on a joint understanding of where the business was going and the ability of the management to execute that plan. Inevitably there are times when IP's views diverge from those of the company's executives but, where possible, it attempts to work with the company towards a practical solution. However, IP believes that its status as part-owner of a company means that it has both the right and the responsibility to make its views known. The option of selling out of that business is always open, but normally IP prefers to push for change, even if this can be a slow process.

Specifically when considering resolutions put to shareholders, IP will pay attention to the companies' compliance with the relevant local requirements. In addition, when analyzing the company's prospects for future profitability and hence returns to shareholders, IP will take many variables into account, including but not limited to, the following:

- Nomination and audit committees
- Remuneration committee and directors' remuneration
- Board balance and structure
- Financial reporting principles
- Internal control system and annual review of its effectiveness
- Dividend and Capital Management policies
- Socially Responsible Investing policies

6. Non-routine resolutions and other topics

These will be considered on a case-by-case basis and where proposals are put to the vote will require proper explanation and justification by (in most instances) the board. Examples of such proposals would be all political donations and any proposal made by a shareholder or body of shareholders (typically a pressure group).

Apart from the three fundamental voting objectives set out under 'Responsible Voting' above, considerations that IP might apply to non-routine proposals will include:

- The degree to which the company's stated position on the issue could affect its reputation and/or sales, or leave it vulnerable to boycott or selective purchasing
- Peer group response to the issue in question
- Whether implementation would achieve the objectives sought in the proposal
- Whether the matter is best left to the Board's discretion.

7. Evaluation of companies' environmental, social and governance arrangements

At IP, each fund manager is individually responsible for environmental, social and governance (ESG) matters, rather than utilising ESG professionals or an internal / external discrete team independent from the fund management process. ESG issues are deemed as an essential component of the fund manager's overall investment responsibilities. Additionally, fund managers may call on the support of the IP Operations team on any ESG matter.

As mentioned in Section 5, company meetings are an integral part of IP's investment research approach and discussions at these meetings include all matters that might affect the share price, including ESG issues.

IP's research is structured to give it a detailed understanding of a company's key historical and future, long-term business drivers, such as demand for its products, pricing power, market share trends, cash flow and management strategy. This enables IP's investment teams to form a holistic opinion of management strategy, the quality of the management, an opinion on a company's competitive position, its strategic advantages/ disadvantages, and corporate governance arrangements, thus incorporating any inherent ESG issues.

IP will, when evaluating companies' governance arrangements, particularly those relating to board structure and composition, give due weight to all relevant factors brought to its attention.

8. Disclosure and reporting

Although IP acknowledges initiatives of transparency, it is also very aware of its fiduciary duty and the interests of all investors in portfolios managed by them. As such, IP is very cognizant that disclosure of any meeting specific information may have a detrimental affect in its ability to manage its portfolios and ultimately would not be in the best interests of all shareholders. Primarily, this is for investor protection and to allow IP's fund managers to manage their portfolios in the interests of all its clients.

Although IP does not report specific findings of company meetings for external use, regular illustrations will be provided to demonstrate that active engagement is at the heart of its investment process.

For clients with individual mandates, (i.e. not invested in a fund), IP may discuss specific issues where it can share details of a client's portfolio with that specific client. Occasionally, where IP has expressed strong views to management over matters of governance, those views have gained media attention, but IP will never seek to encourage such debates in the media.

On request from investors, IP will in good faith provide records of voting instructions given to third parties such as trustees, depositaries and custodians provided that:

- In IP's view, it does not conflict with the best interests of other investors and
- It is understood that IP will not be held accountable for the expression of views within such voting instructions and
- IP is not giving any assurance nor undertaking nor has any obligation to ensure that such instructions resulted in any votes actually being cast. Records of voting instructions within the immediate preceding three months will not normally be provided for activities within the funds managed by IP.

Note:

The record of votes will reflect the voting instruction of the relevant fund manager. This may not be the same as votes actually cast as IP is entirely reliant on third parties complying promptly with such instructions to ensure that such votes are cast correctly. Accordingly, the

provision of information relating to an instruction does not mean that a vote was actually cast, just that an instruction was given in accordance with a particular view taken.

9. The UK Stewardship Code

The UK Stewardship Code (the Code) issued by the Financial Reporting Council (FRC) aims to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities. The Code sets out seven principles, which support good practice on engagement with UK investee companies and to which the FRC believes institutional investors should aspire. The Code is applied on a 'comply or explain' approach. IP sets out below how it complies with each principle or details why it chooses not to.

Principle 1

Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

IP complies with Principle 1 and publishes the Invesco Perpetual Policy on Corporate Governance and Stewardship on its website –

<http://investor.invescoperpetual.co.uk/portal/site/ipinvestor/aboutus/ukstewardshipcode/>

Principle 2

Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

IP complies with Principle 2 by meeting its regulatory requirement of having an effective Conflicts of Interest Policy. Any conflicts of interest arising through its stewardship of investee companies will be handled in accordance with that policy.

In respect of stewardship, IP anticipates the opportunity for conflicts arising would be limited, e.g. where it invests in a company that is also a broker (i.e. dealing) of, or client of IP.

Principle 3

Institutional investors should monitor their investee companies.

As an active shareholder, IP complies with Principle 3. Through its investment process, fund managers endeavor to establish on a proportionate basis ongoing dialogue with company management and this is likely to include regular meetings. In discussions with company boards and senior non-Executive Directors, IP will explore any concerns about corporate governance where these may impact on the best interests of clients, together with any other matters of particular value to shareholders.

Meeting company boards of investee companies is a core part of IP's investment process and IP is committed to keeping records of all future key engagement activities.

When casting votes on behalf of investors, IP keeps detailed records of all instructions given in good faith to third parties such as trustees, depositories and custodians. Although the rationale for voting in a particular manner is not automatically captured through the voting process, the individually responsible fund manager would be expected to be able to clearly articulate their decision whenever required.

Principle 4

Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.

IP complies with Principle 4 with its fund managers managing corporate governance matters independently being a key part of their investment process to protect and add value on behalf of investors. Initially any issues / concerns would be raised by its fund managers through IP's process of ongoing dialogue and company meetings. On occasions that a fund manager believes an issue is significant enough to be escalated, this will be done through IP's Chief Investment Officer (CIO) and the IP Operations team who will ensure the relevant internal resources are made available to support the fund manager in securing the most appropriate outcome for IP's clients.

Principle 5

Institutional investors should be willing to act collectively with other investors where appropriate.

IP is supportive of collective engagement in cases where objectives between parties are mutually agreeable and, as they pertain to the UK market, are not in breach of 'concert party' rules. Other shareholders can engage directly with the relevant fund manager or through an investment adviser. Alternatively, enquiries can be directed to the members of the IP Operations team detailed below:

- Charles Henderson – Head of IP Operations and Dealing
- Dan Baker – IP Operations Manager

Principle 6

Institutional investors should have a clear policy on voting and disclosure of voting activity.

As detailed in Section 3, IP is committed to voting on all the UK stocks it holds for its underlying investors and where it has the full discretion to do so. Whilst comprehensive records of IP's voting instructions are maintained, IP does not report specifically on its voting activity. Whilst being mindful of its fiduciary duty and the interest of all investors, IP believes that automatic public disclosure of its voting records may have a detrimental affect on its ability to manage its portfolios and ultimately would not be in the best interest of all shareholders.

On specific requests from clients, IP will in good faith provide records of voting instructions given to third parties such as trustees, depositaries and custodians subject to limitations detailed in Section 8.

Principle 7

Institutional investors should report periodically on their stewardship and voting activities.

IP complies with Principle 7 through a commitment to provide regular illustrations of its engagement activities and to respond to voting record requests from investors in its portfolios on an individual basis.

Although IP does not report specific findings of company meetings for external use, regular illustrations will be provided to demonstrate that active engagement is at the heart of its investment process. On request from investors, IP will in good faith provide records of voting instructions given to third parties such as trustees, depositaries and custodians subject to certain limitations outlined in Section 8. Although the rationale for its voting decision is not captured through the voting process, individual fund managers would be expected to articulate their decision whenever required.

Appendix 1

Voting on non-UK/European shares

When deciding whether to exercise the voting rights attached to its clients' non-UK/European shares, IP will take into consideration a number of factors. These will include the:

- Likely impact of voting on management activity, versus the cost to the client
- Portfolio management restrictions (e.g. share blocking) that may result from voting
- Preferences, where expressed, of clients

Generally, IP will vote on non-UK/European shares by exception only, except where the client or local regulator expressly requires voting on all shares.

Note: Share blocking

Generally, IP will not vote where this results in shares being blocked from trading for a period of more than a few hours. IP considers that it is not in the interest of clients that their shares are blocked at a potentially sensitive time, such as that around a shareholder meeting.

As at 30 September 2010.

Information our products is available on the contact details provided below.

Telephone calls may be recorded.

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.

Past performance is not a guide to future returns.

Where Invesco Perpetual has expressed views and opinions, these may change.

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