



## **Invesco Australia Limited**

### **Firm Brochure**

(Part 2A of Form ADV)

This brochure provides information about the qualifications and business practices of Invesco Australia Limited. If you have any questions about the contents of this brochure, please contact us at: (61 3) 9611 3621 or by email at: [Tony\\_Spillane@au.invesco.com](mailto:Tony_Spillane@au.invesco.com). The information 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 Australia Limited is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

MARCH 31, 2012

## Material Changes

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### 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.

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### Material Changes since the Last Update

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### Full Brochure Available

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Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: (613) 9611 3621 or by email at: [Tony\\_Spillane@au.invesco.com](mailto:Tony_Spillane@au.invesco.com).

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## Advisory Business

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### Firm Description

Invesco Australia Limited (IAL) is an indirect, wholly owned subsidiary of Invesco Ltd. Invesco's Australian business covers investment capabilities in domestic securities as well as making available to Australian clients investment opportunities in a number of investment capabilities offered globally by the Invesco Group.

IAL is a licenced Australian financial services organisation, which offers funds encompassing equity, balanced and money market vehicles to retail investors. The funds are distributed directly to clients and also through a number of other channels such as financial advisers, platforms and dealer groups. The role of IAL is to make investment decisions, execute trades and provide client services to its investor base.

In addition to the retail business, IAL manages assets for a range of public and private institutional clients according to mandated investment objectives and guidelines.

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### Principal Owners

IAL is wholly-owned by Invesco Pacific Group Limited. Invesco Pacific Group Limited is wholly-owned by the Invesco Holding Company Limited whose parent (100% owned) is Invesco Ltd, which is publicly traded on the New York Stock Exchange as IVZ.

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### Types of Advisory Services

IAL provides investment advisory services, also known as asset management services.

As of 31 December 2011, IAL had approximately \$A5,100 million in assets under management.

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### Tailored Relationships

The goals and objectives for each client are documented in Product Disclosure Statements and Investment Management Agreements. Clients may impose restrictions on investing in certain securities or types of securities.

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## Types of Agreements

The following agreements define typical client relationships.

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### Investment Management Agreement

Many clients choose to have IAL manage their assets through an Investment Management Agreement. These services are offered to Australian and foreign clients and include asset management into Australian securities as well as portfolio management services into other country specific or regional asset classes.

These services will be furnished against the payment of a fee, which is based on the value of assets under management and complexity of the mandate and is subject to negotiation.

The scope of work and fee for an Investment Management Agreement is provided to the client in writing prior to the start of the relationship.

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### Asset Management

This represents the management of registered managed investment schemes (mutual funds) which are distributed within Australia either directly or via various channels, including financial advisers, platforms and dealerships.

These services will be furnished against the payment of a fee which is based on the value of assets under management (management fees). As an indication, the retail fund products currently charge up to 2.2% management fees depending on the different type of product. All the fees and charges are stated in the relevant Product Disclosure Statements.

Investments mainly include equities (stocks), debt, cash and cash equivalents and financial derivative instruments.

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### Advisory Service Agreement

IAL provides advice on the management of various fixed income portfolios throughout the Invesco Group.

IAL may also provide sub-advisory services to affiliated entities under the common ownership of Invesco Ltd.

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## Termination of Agreement

Investment advisory services generally may be terminated by either party upon prior written notice. Upon termination, any unearned fee will be refunded to the client in accordance with the terms of the agreement with the client.

## Fees and Compensation

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### Description

With regards to most of IAL's managed or advisory portfolios, IAL receives payment of a fee which is based on the value of assets under management and the complexity of the mandate. These fees are subject to negotiation.

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### Billing

Investment management fees are billed in arrears, meaning that IAL invoices the client after the end of the billing period. The billing period would be subject to agreement with the client. Payment in full is expected upon the presentation of the invoice. The client can elect to deduct fees from client assets or to be issued a separate invoice for this.

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### Performance fees

As negotiated with certain clients, additional fees may be paid, based on portfolio out-performance relative to an agreed formula.

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### Other Fees

Custodians may charge transaction fees on purchases or sales of certain mutual funds. These transaction charges are usually small and incidental to the purchase or sale of a security. Brokerage fees would also be incurred during the execution of securities.

In regards to retail accounts, there may be other fees such as initial fees or redemption charges which are detailed in the relevant Product Disclosure Statements.



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## Conflicts of Interest

IAL may acquire funds which are managed by IAL's affiliates for the clients' portfolios.

## Types of Clients

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### Description

IAL generally provides advisory services to investment companies, pension and profit sharing plans, trusts or foundations, government instrumentalities, corporations or business entities or other types of entities.

Client relationships vary in scope and length of service.

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### Account Minimums

In general, the minimum account size is \$20 million of assets under management for Individually Managed Accounts, which have direct holdings in the investments. IAL has the discretion to waive the account minimum. For retail funds, the minimum account size is \$2,000.

## Methods of Analysis, Investment Strategies and Risk of Loss

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### Methods of Analysis

Security analysis methods are of two types:

- Fundamental analysis;
- Quantitative analysis

The main sources of information for analysis include meetings with company management, annual reports and prospectuses, company press releases, research materials prepared by others and strategists' reports etc.

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### Investment Strategies

## Fundamental

IAL's investment approach is research-driven and bottom-up, premised on the belief that change at both industry and company level is the most important attribute in identifying mispriced securities. It seeks at an early stage to identify those factors that will cause significant changes in the internal and/or external operating environment. When selecting securities, focus is put on buying unrecognised potential, looking for growth but that which is undervalued. Therefore, the value/growth mix of portfolios will vary over time.

## Quantitative

The portfolios actively take positions in equities with the aim of delivering consistent returns above the benchmark. Central to the investment process is Invesco's proprietary stock selection model, designed to add value through the systematic application of key financial indicators and behavioural concepts developed by the Invesco Global Quantitative team. The stock selection model has been developed over time by the Global Quantitative team and has a track record of over 20 years. Stock forecasts are combined with risk and transaction cost forecasts in an optimisation process to generate the most efficient portfolio of securities. The portfolio optimisation process ensures that the portfolio's exposure to security selection after allowing for trading costs and desired risk attributes is maximised.

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## Risk of Loss

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of

profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk to profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- **Emerging Market Risk** – Investing in emerging markets involves certain risks and special considerations not typically associated with investment in more developed economies or markets, such as greater political, tax, economic, foreign exchange, liquidity and regulatory risk.

## Disciplinary Information

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### Legal and Disciplinary

IAL has not been involved in legal or disciplinary events related to our asset management business.

## Other Financial Industry Activities and Affiliations

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### IAL

IAL is an indirect, wholly owned subsidiary of Invesco Ltd. Invesco Ltd is publicly traded on the New York Stock Exchange as IVZ.

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### Affiliations

#### **Investment Advisers**

From time to time IAL or its related parties may have arrangements with the below listed investment advisers associated with creating, sponsoring, advising, owning, or providing services to mutual funds or separate accounts that may be material to IAL's advisory business or its clients.

The following are the affiliated SEC Registered Investment Advisors under the common ownership of Invesco Ltd:

INVESCO ADVISERS, INC.

INVESCO ASSET MANAGEMENT (JAPAN) LIMITED

INVESCO ASSET MANAGEMENT DEUTSCHLAND GMBH

INVESCO ASSET MANAGEMENT LTD.

INVESCO CANADA LTD.

INVESCO DISTRIBUTORS, INC.

INVESCO HONG KONG LIMITED

INVESCO INSURANCE AGENCY, INC.

INVESCO INVESTMENT ADVISERS LLC.

INVESCO NATIONAL TRUST COMPANY

INVESCO POWERSHARES CAPITAL MANAGEMENT LLC.

INVESCO PRIVATE CAPITAL, INC.

INVESCO SENIOR SECURED MANAGEMENT, INC.

STEIN ROE INVESTMENT COUNSEL, INC.

VAN KAMPEN FUNDS, INC.

WL ROSS & CO. LLC.

IRE CAYMAN LIMITED  
GLOBAL REAL ESTATE ASIA PACIFIC, INC.

### **Conflict of Interest**

IAL may purchase/sell a security for its clients' portfolios which may be held by its affiliates or its affiliates' managed portfolios. Besides, there may be chances that orders for different portfolios may be aggregated for central dealing. To this, IAL has a written policy so as to ensure fair allocation and fair treatment for its clients.

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

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### **Code of Ethics**

The employees of IAL have committed to a Code of Ethics. The firm will provide a copy of the Code of Ethics to a client upon request.

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### **Participation or Interest in Client Transactions**

It is possible that IAL's affiliates may have funds invested in investment products which IAL's clients may also have made an investment in. However, IAL does not operate proprietary trading accounts.

If authorized by a client, IAL may engage any of its affiliates to perform any services deemed necessary or appropriate in connection with the investment management services provided by IAL. Such engagements, including fee payments, are required to be on arms-length terms.

IAL has a Code of Ethics and internal policy designed to promote high ethical and professional standards, and prevent conflicts of interest.

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### **Personal Trading**

All IAL's employees are required to adhere to the Personal Share Dealing Policy. It is stated in the policy that the employees of IAL must obtain pre-clearance from the local Head of Implementation (or his deputy) and submit the completed form to the Head of Compliance (or his deputy) prior to entering an order for a securities transaction for their accounts including any related accounts.

As a basic rule, an employee should not buy or sell for himself or permit any related account to buy or sell a security or any instrument which is (a) within two days of any client trading the stock; (b) where they are aware that the sale or purchase of the securities is being considered for a client account; (c) if the employee is a portfolio manager, within 7 calendar 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 (including options) on transactions.

## Brokerage Practices

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### Selecting Brokerage Firms

Selected brokers will be chosen from an authorized brokers list, which has been pre-approved by the Australian Credit Committee, upon satisfaction of at least one of the following criteria:

- Over 50% of share equity is held by a bank; or
- Shares of the broker-dealer are listed on the stock exchange; or
- The net capital of the broker-dealer exceeds \$250 million dollars); or
- The broker-dealer or its local agent is one of the major broker-dealer firms in the country in which the security is being traded; or
- The broker is approved by the Chief Executive Officer of IAL.

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### Best Execution

IAL defines “best execution” as whether the price is the best available price for the client in the relevant market at the time of the transaction, in light of the type and size of the trade. Unless the circumstances require IAL to act otherwise in the interest of the client, IAL will deal at a price which is not less advantageous to the client.

Review of the daily execution report is conducted in which the Compliance Department reviews if the executed price is the best available price by comparing it to the volume weighted average price.

Broker reviews are also conducted at least annually in which the fund managers and the dealers’ inputs on the brokers’ service including best execution are collected. Rankings are assigned to each of the authorized brokers based on its service delivered and its execution quality.

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### Soft Dollars

IAL does not engage in soft dollar practices.

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## Order Aggregation

Where it has been decided to purchase a security for more than one portfolio, the order will be aggregated for transmission to the broker and then must be allocated between each individual portfolio so as to be fair between portfolios and reasonable in the interests of each portfolio. Allocation is managed by means of an auto pro-rata calculation done by IAL's trading system – the Charles River Developments Investment Management System. Partially filled orders will be allocated among all aggregated accounts on a pro-rata basis based on order size.

## Review of Accounts

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### Periodic Reviews

Reviews are performed on a regular basis by the Australian Product Management Committee and reports are provided to the Australian Board on a quarterly basis.

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### Review Triggers

Other conditions that may trigger a review are material events in the market or other adhoc news.

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### Regular Reports

Clients receive regular periodic communications, including but not limited to portfolio statements and commentaries (if applicable), subject to the servicing agreement agreed upon. Investors in pooled funds receive quarterly reports and can refer to Invesco websites for factsheet information in relation to the funds they invest in.

## Client Referrals and Other Compensation

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### Referrals

IAL has received a number of client referrals over the years. The referrals came from current clients, independent financial consultants, employees, personal

friends of employees and other similar sources. The firm does not compensate referring parties for these referrals.

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#### Other Compensation

IAL will enter into agreements with licensed entities for distribution of financial products. Compensation will be provided to these entities with regards to their services.

### Custody

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#### Account Statements and Transaction Reports

All assets are held at qualified custodians and IAL provides certain clients with valuation and transaction reports at least on a monthly basis. In addition, IAL will provide those reports to clients more frequently upon request.

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#### Performance Reports

Performance Reports, which form part of monthly valuation reports, will be sent to nominated clients at least on a monthly basis.

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#### Discretionary Authority for Trading

IAL accepts discretionary authority to manage securities accounts on behalf of clients who sign an Investment Management Agreement with IAL. IAL has the authority to determine the securities to be bought or sold, and the amount of the securities to be bought or sold. In some cases, clients may place limitations such as setting a block or requesting a prior client approval when trading some particular stocks. These limitations are all agreed between IAL and its clients and stated in the Investment Management Agreement prior to execution.

The discretionary trading authority facilitates placing trades in clients' accounts on their behalf so that IAL may promptly implement the investment policy that the clients have approved in writing.

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#### Limited Power of Attorney

The signing of an Investment Management Agreement is a discretionary authorisation for trading purposes.



## Voting Client Securities

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### Proxy Votes

IAL may vote proxies for securities over which it maintains discretionary authority consistent with its Proxy Voting Policy. A copy of IAL's Proxy Voting Policy is available upon request.

## Financial Information

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### Financial Condition

IAL 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 IAL 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

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### General

IAL has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications and services.

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### Disasters

The purpose of the Business Continuity Plan is to maintain critical business activities and minimise the impact of unplanned risk events that have the potential to threaten the achievement of 'business objectives' (i.e. diminish forecast profit performance, cause unacceptable financial loss, adversely impact customers, counter parties and/or failure to maintain key Regulatory/Legal obligations). The Business Continuity Plan provides procedures to ensure that critical business units can be restored within acceptable timeframes to a sustainable level following the occurrence of a disaster at the primary site of business.

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## Alternate Offices

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within a nominated time period following a disaster that dictates moving our office to an alternate location.

## Information Security Program

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### Information Security

The deployment of people, policy, technology and controls to manage risk and vulnerability to internal/external threats that could compromise the confidentiality, integrity and availability of sensitive information and the systems that store, process and disseminate that information is an integral part of the overall risk management strategy of the organization.

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### Data Privacy

There are also important privacy issues associated with the use of technology, and related regulations are evolving. In accordance with IAL's IT Systems: Acceptable Use policies, all Covered Persons are required to use information technology for proper business purposes and in a manner that does not compromise the confidentiality of sensitive or proprietary information. All communications with the public, clients, prospects and fellow employees must be conducted with dignity, integrity, and competence and in an ethical and professional manner.

Data privacy, as it relates both to our clients and our employees, has become a major political and legal issue in many jurisdictions in which we do business. A variety of laws in each of those jurisdictions governs the collection, storage, dissemination, transfer, use, access to and confidentiality of personal information and patient health information. These laws can work to limit transfers of such data across borders and even among affiliated entities within the Invesco Group. IAL and its Covered Persons will comply with all provisions of these laws that relate to its business, including the privacy, security and electronic transmission of financial, health and other personal information. The company expects IAL's staff to keep all such data confidential and to protect, use and disclose information in the conduct of our business only in compliance with these laws. The company will consider and may release personal information to third parties to comply with law or to protect the rights, property or safety of IAL and its customers. In accordance with IAL's policies, each business unit has developed required disclosures and data security procedures applicable to that business unit. All IAL's staff must comply with the applicable procedures.

With respect to IAL's staff, all salary, benefit, medical and other personal information shall generally be treated as confidential. Personnel files, payroll information, disciplinary matters, and similar information are to be maintained in a manner designed to protect confidentiality in accordance with applicable laws. All IAL's staff shall exercise due care to prevent the release or sharing of such information beyond those persons who may need such information to fulfill their job functions. Notwithstanding the foregoing, all personnel information belongs solely to IAL and may be reviewed or used by the company as needed to conduct its business.