



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:

Invesco Asset Management Limited
Compliance Department
Perpetual Park
Perpetual Park Drive
Henley-on-Thames
Oxfordshire
RG9 1HH
United Kingdom

Telephone number: +44 (0) 1491 417 031
Facsimile number: +44 (0) 1491 417 309
Email: paul_campbell@invescoperpetual.co.uk
Website Address: www.invesco.com

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, 2017

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 in 2016.

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) 1491 417 031 or alternatively email: paul_campbell@invescoperpetual.co.uk

Table of Contents

Material Changes	2
Advisory Business	4
Fees and Compensation	7
Performance Based Fees and Side By Side Management.....	10
Types of Clients	11
Methods of Analysis, Investment Strategies and Risk of Loss	13
Disciplinary Information	20
Other Financial Industry Activities and Affiliations.....	21
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	24
Brokerage Practices	27
Review of Accounts	31
Client Referrals and Other Compensation	33
Custody.. ..	34
Investment Discretion.....	34
Voting Client Securities	36
Financial Information	37
Business Continuity Plan	37
Information Security Program	38
Glossary of Terms	39
Appendices	40
Appendix A – Invesco Perpetual Fee Schedule	
Appendix B – Invesco Perpetual Conflicts of Interest Policy	
Appendix C – Invesco Perpetual Product Profiles	
Appendix D – Invesco Global Liquidity London Product Profile	
Appendix E – Invesco Fixed Income London Product Profile	
Appendix F – Invesco Perpetual Policy on Corporate Governance and Stewardship	

Advisory Business

Firm Description

Invesco Asset Management Limited (IAML)

Invesco Asset Management Limited ("IAML") is an indirect wholly owned subsidiary of 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 Conduct Authority ("FCA") 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 Liquidity London (Global Liquidity)

Invesco Global Liquidity London ("Global Liquidity") 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 Liquidity 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 Liquidity 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 31, 2016 and are detailed below:

	U.S. Dollar Amount
Discretionary:	\$132,955,363,000.00
Non-Discretionary:	\$0.00
Total:	\$132,955,363,000.00

Please Note:

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

- Invesco Perpetual (IP)
- Invesco Global Liquidity London (Global Liquidity)
- 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 center 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 Fair Allocation and Participation in Investment Opportunities 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 Liquidity 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.

The portfolio manager then implements this considering 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.

We do not pay fees to brokers however we may pay execution fees to external vendor as part of the bid/offer if traded on an electronic platform. This varies by product and platform used.

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 - \$100m
- Invesco Perpetual Japanese Equity strategy - \$100m
- Invesco Perpetual Asian Equity strategy - \$100m
- Invesco Perpetual Asia Pacific Equity strategy - \$100m
- Invesco Perpetual Global Equity & ex US Equity strategies - \$100m
- Invesco Perpetual Global Smaller Companies strategy - \$100m
- Invesco Perpetual Fixed Interest strategy - \$200m

- Invesco Perpetual Emerging Equities strategy (includes Latin America and Eastern Europe) - \$100m
- Invesco Perpetual Global ex US Smaller Companies strategy - \$100m
- Invesco Perpetual Global Equity Income strategy - \$100m
- Invesco Perpetual Europe ex UK Equities strategy - \$100m
- Invesco Perpetual Global Opportunities - \$100
- Invesco Perpetual Global Targeted Returns - \$825m

These limits are however subject to negotiation.

Invesco Global Liquidity 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 & ex US Equity strategies
- 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
- Invesco Perpetual Global Equity Income strategy
- Invesco Perpetual Europe ex UK Equities strategy
- Invesco Perpetual Global Opportunities strategy
- Invesco Perpetual Global Targeted Returns 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.

Market Risk

An investment in one or more of the Sub-Funds of a Company will involve exposure to those risks normally associated with investment in stocks and Shares such as general economic conditions, market events and the performance of the underlying investments. As such, the price of Shares and the income from them can go down as well as up and an investor may not get back the full amount invested. There is no assurance that the investment objectives of any Sub-Fund will actually be achieved.

Currency Exchange Risk

Changes in exchange rates may adversely affect the value of any investment, which will have a related effect on the price of Shares.

Use of Financial Derivative Instruments for Efficient Portfolio Management

All strategies may make use of derivatives for efficient portfolio management ("EPM"). These techniques aim to reduce risk, reduce costs and/or produce additional capital or income in the strategies. It is not intended that using derivatives for EPM will increase the volatility of the strategies. In adverse situations, however, a strategy's use of derivatives for EPM may become ineffective and a strategy may suffer significant loss as a result. A strategy's ability to use EPM strategies may be limited by market conditions, regulatory limits and tax considerations. It is not intended that the use of derivatives for EPM within a strategy will materially alter the overall risk profile of the Sub-Fund.

Any income or capital generated by EPM techniques will be paid to the relevant strategy.

Use of Financial Derivatives Instruments for investment purposes

Some strategies may use financial derivative instruments for investment purposes. The use of financial derivatives instruments might be unsuccessful and incur losses for the strategy, due to market conditions. A strategy's ability to use financial derivatives instruments may be limited by market conditions, regulatory limits and tax considerations. Investments in financial derivative instruments are subject to normal market fluctuations and other risks inherent in investment in securities. In addition, the use of financial derivative instruments involves certain risks, including:

dependence on the Investment Adviser's ability to accurately predict movements in the price of the underlying security;

imperfect correlation between the movements in securities or currency on which a financial derivative instrument's contract is based and movements in the securities or currencies in the relevant strategy;

the absence of a liquid market for any particular instrument at any particular time which may inhibit the ability of a strategy to liquidate a financial derivative instrument at an advantageous price;

a leverage risk which exists when a strategy purchases or sells an instrument or enters into a transaction without investing cash in an amount equal to the full economic exposure of the instrument or transaction and a Sub-Fund could lose more than it invested. Leveraged transactions multiply the risk of potential losses when position results are contrary to expected market directions, compared to direct holdings, and may add significant risks because of added payment obligations; and

possible impediments to efficient portfolio management or the ability to meet repurchase requests or other short term obligations because a percentage of a strategy's assets may be segregated to cover its obligations.

Counterparty Risk

The strategies may enter into derivatives transactions, securities financing transactions or place cash in bank deposit accounts, which would expose the strategies to the credit risk of their counterparties and their ability to satisfy the terms of such contracts. In the event of a bankruptcy or insolvency of a counterparty, a strategy could experience delays in liquidating positions and significant losses, including declines in the value of investments during the period in which a strategy seeks to enforce its rights, inability to realise any gains on its investments during such period and fees and expenses incurred in enforcing its rights.

The taking of collateral may reduce counterparty risk but it does not eliminate it entirely. There is a risk that the value of collateral held by a strategy may not be sufficient to cover the exposure to an insolvent counterparty. This could for example be due to the issuer of the collateral itself defaulting (or, in the case of cash collateral, the bank with whom such cash is placed becoming insolvent), lack of liquidity in the relevant collateral meaning that it cannot be sold in a timely manner on the failure of the collateral giver, or price volatility due to market events. In the event that a strategy attempts to realise collateral following the default by a counterparty, there may be no or limited liquidity or other restrictions in respect of the relevant collateral and any realisation proceeds may not be sufficient to off-set the exposure to the counterparty and the strategy may not recover any shortfall.

Market Liquidity Risk

A strategy may be affected by a decrease in market liquidity for the securities in which it invests which may mean that the Adviser may not be able to sell shares in those securities at their true value.

Invesco Global Liquidity 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 Liquidity 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

Our portfolios are built around an assumption of long term investment skill at the overall investment strategy and 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

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

On March 19, 2015, Finanstilsynet, the Financial Supervisory Authority of Norway, issued a violation penalty on Invesco Asset Management Limited, pursuant to section 4-3, ref. section 17-4, of the Securities Trading Act (STA).

The issue related to the late notification of a sale of stock that took the relevant holding below 5% reporting threshold. The penalty to be paid to the Norwegian Treasury was 100,000 Norwegian Krone.

On April 28, 2014, the Financial Conduct Authority (FCA), the UK Financial Services Regulator, announced the settlement of an investigation of Invesco Asset Management Limited and Invesco Fund Managers Limited (together Invesco Perpetual) that included the imposition of a financial penalty of £18.6 million.

The issues identified by the FCA related to the period may 2008 to November 2012 and included the following:

- (1) Investment restriction breaches in UK-domiciled retail funds managed by Invesco Perpetual. Such breaches had been identified by Invesco perpetual and reported to FCA, and the funds were promptly reimbursed where necessary.
- (2) Disclosures regarding the use of, and risks associated with, derivatives were not made or inadequately made in disclosure documents

for two UK-domiciled retail funds managed by Invesco perpetual. These disclosure failings were corrected in August 2012.

(3) Invesco Perpetual failed to adequately document allocations of fixed income securities when aggregating client orders. A review by Invesco perpetual determined there was no evidence that this impacted investors.

(4) Certain fixed income transactions were not posted on a timely basis. This did not result in any need to re-price funds.

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 Conduct Authority ("FCA") 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.

In November 2012, IAML entered 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 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 FCA 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 Canada Ltd.
- 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
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 Investment Advisers LLC	File No.	801- 1669
Invesco Management S.A.	File No.	N/A
Invesco Distributors, Inc.	File No.	801- 21323
Invesco Insurance Agency, Inc.	Tax ID No.	76- 0457666
Invesco Trust Company	File No.	N/A
Invesco Capital Markets, Inc.	File No.	8-19412
Invesco Global Real Estate Asia Pacific, Inc.	File No.	801 - 74650
IRE (CAYMAN) Limited	File No.	802 - 74648
Jemstep, Inc.	File No.	801- 70734
Invesco Asset Management (India) PVT. LTD	File No.	801-108727

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 incentivise the favoring of a particular broker or client when trading. Dealers have a fiduciary responsibility to obtain best possible results for clients when executing orders and have full discretion for placing deals on behalf of clients with a particular broker to ensure that best execution obligations are met. Fund managers cannot exert any influence and the dealing team is segregated from the fund managers. Invesco has policies and procedures in place to ensure that best execution is achieved.

Fair Allocation and Participation in Investment Opportunities

The process involved in the research of securities, execution of trades, allocation of securities forming part of a trade, participation in Initial Public Offerings ("IPOs") and private placements could result in unfair trade execution or allocation across clients' accounts of investment opportunities and trades being executed in priority to favour one or more clients at the disadvantage of other clients. Additionally, 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. Where a portfolio manager is managing multiple client portfolios "side-by-side", a potential conflict of interest may arise if the portfolio manager has an incentive to favour the allocation of investment opportunities to one or more clients over the other clients. Such an incentive could potentially arise as a result of difference between portfolios in the structure of and method used to determine the compensation of the portfolio manager, and as a result of the portfolio manager's ownership in a fund he/she manages.

IAML 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, IAML 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 IAML may, where permitted by mandate, sell an investment from one client to another. These are recorded and monitored.

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

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, 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 IAML's clients. IAML has a Gifts, Benefits and Entertainment Policy which details what is acceptable. Only non-monetary benefits 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

Trading counterparties must have undergone through the initial approval process and ongoing monitoring of the EMEA Counterparty Risk Committee (ECRC) before IAML can use them.

Entities or execution venues that IAML chooses to transmit orders to or execute orders (as applicable), will be selected on the basis of the quality of execution provided by that venue or entity. As such, IAML has assessed a number of venues and entities to ensure they can provide the best possible result, which will be measured for consistency on transactions over the long term. Alternative entities or venues may be considered where in the view of IAML the best possible result can be obtained and where the relevant execution factors are taken into account. Selection of a venue or entity that provides the best possible result over a significant period will be made on the overall basis of general prices available; nature of the orders; depth of liquidity of venues; volatility of the markets; speed of execution; cost of execution; quality and cost of clearing and settlement. Different execution techniques will be employed by certain entities, including trading on a regulated exchange or multilateral trading facility, crossing orders with another client of that entity, or executing orders outside a regulated market or multilateral trading facility. Entities may also use Smart Order Routing and Algorithmic strategies, the nuances of which can differ from entity to entity. Such tools may either be owned by the entity in question or sourced from a 3rd Party. IAML's list of selected venues and entities will be reviewed at least annually, but any significant changes to any previously assessed venue or entity, or addition of a new venue or entity will be updated as soon as identified.

IAML will, based on its experience, market judgement, the nature of the orders and the particular instruments, at all times undertake to obtain the best possible result. The following factors will be taken into account by IAML when seeking to obtain the best possible result for its clients:

- Price;
- Costs;
- Speed of execution;
- Likelihood of execution;
- Speed of settlement;
- Likelihood of settlement;
- Size of order;

- Nature of order; and
- Any other consideration relating to the execution of the order.

The relative importance of above factors will be influenced by the characteristics of the client concerned; any characteristics of the client order – any limitations or specific instructions; characteristics of the financial instrument – quoted on-exchange, or bespoke product; any characteristics of the venues or entities used. Where IAML places or transmits orders with entities for execution, IAML will generally give the highest priority to total consideration. Total consideration represents the price of the financial instrument, plus any costs related to execution. Costs include all directly related to the execution of that order. However, IAML may at its discretion and in accordance with the Policy, prioritise other factors outside of price and costs that are considered more important for any given order and should be taken into account. Factors will vary according to the different venues selected, however, the best possible result will always be our foremost consideration. Execution factors and client characteristics will be taken into account for all orders IAML places or transmits with its chosen entities.

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 Conduct Authority's (FCA) Conduct of Business Rules (COBS).

CSAs are utilized to pay for allowable research and execution 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 research commissions generated on the funds under management are within pre-determined and capped budget levels and ensure only allowable services are paid for through research commissions.

Invesco Global Liquidity 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. Futures trades are subject to both a clearing and execution fee.

(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 Conduct Authority (FCA). 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 governed by our internal Dealing Commission Committee.

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. Additionally, budgetary limits for research commissions are applied to individual brokers and subject to approval of the DCC.

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

Directed Brokerage

Please Note

IAML does not accept directed commission or commission recapture arrangements, as these do not allow IP to ensure that commissions pay for only execution and research services allowable under the COBS rules.

Trade Aggregation

Invesco Asset Management Limited

IAML 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 securities at the same time. Accordingly, IAML may aggregate orders for securities for multiple portfolios in an effort to achieve best execution. 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, IAML will seek to allocate partially executed trades across the participating portfolios on a pro rata basis.

Invesco Global Liquidity 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

Research Material

Subject to compliance with the FCA Rules on the use of dealing commission and inducements, 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 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 IAML by brokers. To mitigate the potential for unduly favoring 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.

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 Investment Oversight Team and the Fund Manager or Investment Team under review. The objective is to review each manager at least annually although where particular issues are identified with performance or investment process these take precedence. The Investment Oversight Team prepare papers and chairs the CIO Challenge Meetings including but not limited to; performance, attribution and/or contribution, risk, portfolio positioning and where warranted individual trading patterns. Based on the information in the papers and from knowledge of the portfolios the team then prepares questions on the investment process, the portfolio strategy and portfolio construction. This enables the CIO to

have focussed meetings with each of the Fund Managers. The meetings are minuted and retained for internal use only. Any action points or issues are recorded and reviewed at the subsequent meeting.

Client Reporting

IAML offer either a standard account pack or client factsheet to their clients, there is however flexibility should additional bespoke reporting be required. 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 Liquidity London

Client Account Reviews

Global Liquidity do not review client accounts as we do not manage segregated mandates. IAML (Global Liquidity) 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 CEO of Invesco Fixed Income, Head of Global Macro and various heads of business.

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.

Other

In addition, IAML may contract to pay third party solicitors if, following an invitation from a solicitor to participate in a search process, IAML agrees to participate in the search and a client appoints IAML as their appointed portfolio manager.

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 whereas 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 Liquidity 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 Liquidity London and Invesco Fixed Income London

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

Conflicts

IAML 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 Conduct Authority's, Conduct of Business rules
CSA	Commission Sharing Agreement
DCC	Dealing Commission Committee
FCA	Financial Conduct Authority, the UK regulator
Global Liquidity	Invesco Global Liquidity London
IAML	Invesco Asset Management Limited
IFI	Invesco Fixed Income London
Invesco	Invesco Ltd.
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 March 2017

	Flat Fees			
	£0m-£100m	£100m-£250m	£250m-£500m	£500m+
Mark Barnett	80bps	75bps	70bps	By negotiation
All Cap unconstrained (ex MB)	70bps	65bps	60bps	By negotiation
All Cap constrained (ex MB)	60bps	55bps	50bps	By negotiation
Small Cap (ex MB)	65bps	60bps	55bps	By negotiation

All Henley Fixed Income	55bps	By negotiation	By negotiation	By negotiation
-------------------------	-------	----------------	----------------	----------------

Global Equities Core	55bps	50bps	45bps	By negotiation
Global Equities Small Cap / opportunity	65bps	55bps	50bps	By negotiation

European Equity Large Cap	70bps	60bps	55bps	By negotiation
European Equity Small Cap	80bps	70bps	By negotiation	By negotiation

Asia & Pacific Large Cap	65bps	60bps	55bps	By negotiation
--------------------------	-------	-------	-------	----------------

Japan Large Cap	65bps	55bps	45bps	By negotiation
-----------------	-------	-------	-------	----------------

US Large Cap	55bps	50bps	45bps	By negotiation
--------------	-------	-------	-------	----------------

GTR	75bps	70bps	65bps	by negotiation
-----	-------	-------	-------	----------------

Key:

Yes to Segregated
No to Segregated
Maybe to Segregated

Assumptions:

- 'No to segregated' mandates means clients will accept pooled funds' standard restrictions and servicing
- Bespoke (odd) investment restrictions are not accepted (for Henley, 'odd' would normally mean those different to standard UCITs or COLL restrictions and/or outside normal asset class investment process)
- The only bespoke investment restrictions that may be accepted by negotiation are client named specific securities (or standard sectors?) (eg EDF, banks; sectors such as sex industries, pork/pigs, alcohol, etc will need specific stocks being named as banned)
- 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 polices are not accepted (mainly for TCF and conflicts reasons)
- 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

Performance Fees		
£0m-£100m	£100m-£250m	£250m+
30bps+20%	30bps+20%	30bps+20%
30bps+20%	30bps+20%	30bps+20%
30bps+20%	30bps+20%	30bps+20%
30bps+20%	30bps+20%	30bps+20%

By negotiation	By negotiation	By negotiation
----------------	----------------	----------------

25bps+20%	25bps+20%	25bps+20%
30bps+20%	30bps+20%	30bps+20%

By negotiation	By negotiation	By negotiation
By negotiation	By negotiation	By negotiation

30bps+20%	30bps+20%	30bps+20%
-----------	-----------	-----------

30bps+20%	30bps+20%	30bps+20%
-----------	-----------	-----------

20bps+15%	20bps+15%	20bps+15%
-----------	-----------	-----------

by negotiation	by negotiation	By negotiation
----------------	----------------	----------------

Appendix B

Invesco Perpetual Conflicts of Interest Policy

INVESCO UK
CONFLICTS OF INTEREST POLICY
NOVEMBER 2016

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, non-UCITS Undertakings for Collective Investment (UCIs), alternative investment funds (AIFs) 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, AIFs and UCIs managed) differ; and
- any client (including UCITS schemes, AIFs and UCIs 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, AIFs and UCIs 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, AIFs and UCIs 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, AIFs and UCIs 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 or AIFs such activities are also carried out for non-UCITS/AIF clients; and
- whether there are inducements deriving from sources other than the client (including UCITS schemes, AIFs and UCIs 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, AIFs and UCIs, 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 including AIFs;
- 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 consideration of whether 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.
- The establishment of a Conflicts of Interest Committee which meets quarterly, and ad hoc as required, which reports its findings and recommendations to the relevant Invesco UK Board.

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**

Potential Conflict: 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. An employee or director of Invesco who works with real estate developers, intermediaries or financiers, who engages in the purchase of, or otherwise has a personal interest in, the associated real estate.

Invesco's Controls: 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, Gifts and Training**

Potential Conflict: Gifts, entertainment and training ("non-monetary benefits") are received from and given to other firms that may potentially influence behaviour in a way that conflicts with the best interests of clients. Non-monetary benefits provided by Invesco to advisory firms have the potential to inappropriately influence advisors' personal recommendations to clients, especially if the benefit is perceived to be a reward for the existing business placed by the advisory firm, an incentive for the advisory firm to place more business, or if the advisory firm becomes dependant on the receipt of such benefits. Distribution agreements between Invesco and advisory firms could lead to potential conflicts if the Fund or Product Provider selection by the advisory firm is influenced by the level of non-monetary benefit or payment it receives from Invesco. Receipt of non-monetary benefits by Invesco employees from Invesco Business Partners have the potential to create an incentive for Invesco to use or retain the services of another firm which may not be in the best interests of the Invesco's clients.

Invesco's Controls: Invesco has a Gifts, Benefits and Entertainment Policy which details what is acceptable. All Invesco employees must, as part of the annual Code of Ethics declaration, confirm that they have complied with the Gifts, Benefits and Entertainment Policy. Only non-monetary benefits which do not impair Invesco's duty to act in the best interests of clients are allowed by the Policy. Furthermore, the Policy requires that any non-monetary benefits provided by Invesco are designed to enhance the quality of service to clients. It is prohibited for an Invesco business unit or its personnel to provide or receive any non-monetary benefit that is conditional upon Invesco doing business with the entity or person involved. Records are maintained and monitoring undertaken of all non-monetary benefits received or given. In addition, Invesco will make any disclosures to clients that are required by the regulations.

- **Remuneration**

Potential Conflict: 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's Controls: 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**

Potential Conflict: 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.

Invesco's Controls: 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

- **Fair allocation and participation in investment opportunities**

Potential Conflicts: The processes involved in the research of securities, execution of trades, allocation of securities forming part of a trade, participation in Initial Public Offering ("IPOs") and private placements could result in unfair trade execution or allocation across clients' accounts of investment opportunities and trades being executed in priority to favour one or more clients at the disadvantage of other clients.

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. Where a portfolio manager is managing multiple client portfolios "side-by-side", a potential conflict of interest may arise if the portfolio manager has an incentive to favour the allocation of investment opportunities to one or more clients over the other clients.

Such an incentive could potentially arise as a result of differences between portfolios in the structure of and method used to determine the compensation of the portfolio manager, and as a result of the portfolio manager's personal ownership in a fund he manages.

Invesco's Controls:

- Order Aggregation

Invesco dealers may combine orders where they reasonably believe that this will result in a more favourable overall execution and will be in the best interest of the clients as a whole. Due to market movements or depending on the liquidity of the security, it may not be possible to receive the same execution price or to execute the whole order. In such circumstances, Invesco may allocate securities purchased/sold at the average price of the executed trade. However, aggregation may not be possible in all circumstances.

- Transaction Order Priority

When carrying out client transactions, Invesco will arrange to execute orders in due turn amongst all orders received by the dealing desks. Orders received by the dealers throughout the day are added to the group of outstanding orders awaiting execution. The allocation of trades must take place in a timely manner to prevent delays which could otherwise be used to "cherry pick" where funds with and without performance fees are managed side-by-side; this is subject to monitoring by the Chief Investment Officer (CIO) or his delegate. There may be occasions where strict due turn is not possible.

- Allocation of Investments

Allocations will be determined by the relevant fund managers proportionately based on the following factors at the time of allocation: client mandate restrictions, regulatory restrictions, certain market practices, investment objectives of the mandates, inflows and outflows, cash positions, potential volumes (or liquidity) and known commitments. The overriding principle adhered to is there is a fair allocation of investment opportunities to all clients. Invesco requires that portfolio managers consider participation in an Initial Public Offering or private placement for each client, subject to the terms of each Client Mandate. Internal procedures require pre-

allocation of participation in such investment opportunities. All trade allocations will be made before being passed to the relevant Dealing Desk for execution with intended allocations included in the order management system. For aggregated orders, the intended allocation across client accounts is recorded prior to the deal being placed. Invesco's dealers aim to fill the order in a reasonable number of tranches. Where an order is not fully executed (e.g. due to lack of liquidity), the executed amount is normally allocated to clients on a pro-rata basis to the original intended allocation. Where only a small percentage of an order is filled, the amount of the order filled may be allocated to fewer clients rather than to each intended client, thereby avoiding transaction costs for each such client.

- **Re-Allocations**

A pre-formulated allocation policy automatically attributes available liquidity proportionately across all client orders. In certain circumstances an allocation of a trade may deviate from a pro rata approach. This can be for a number of reasons, including minimum lot size considerations for fixed income portfolios. Where trades require to be re-allocated a Re-Allocation Form must be completed and approved. A re-allocation must reasonably be in the best interests of all the affected clients. This includes situations where:

- An error occurs either in the intended basis of allocation or the actual allocation. The re-allocation must be fair and the justification for it recorded.
- The order is only partially executed and results in an uneconomic allocation to some clients, or an allocation below the stated de-minimis amount detailed in the mandate.

- **Cross-trades**

In some instances, the orders for both the purchase for one client and sale for another client of the same amount of the same security may be arranged. In such cases Invesco arranges the execution of both sides of the trade through an independent broker/counterparty. Such transactions only occur where Invesco determines it to be in the best interest of each client. Where the funds involved in the cross trade are managed by the same Fund Manager, pre-approval by the CIO or delegate is required. Cross trades involving unlisted/unquoted investments require pre-approval by Compliance and the CIO. Other cross trades require post-trade Compliance sign-off. In all cases, cross trade rationales must be documented by the relevant approved dealer or Fund Manager and these are subject to review.

- **Research Material**

Potential Conflict: In respect of the Invesco firms within which commission is generated, subject to compliance with the FCA 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.

Invesco's Controls: 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**

Potential Conflict: High turnover of clients' portfolios could generate higher levels of commission for Invesco.

Invesco's Controls: Portfolio activity levels are monitored and commission sharing agreements are negotiated with business partners independently of fund managers. Dealers have a fiduciary responsibility to obtain best possible results for clients when executing orders and have full discretion for placing deals on behalf of clients with a particular broker to ensure that best execution obligations are met. Portfolio turnover is monitored to ensure excessive commission is not being generated.

- **Inside Information**

Potential Conflict: 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 and about real estate investments which may affect the market price.

Invesco's Controls: 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 the case of real estate, the employee must, prior to any transaction taking place, fully disclose the details of any non-public information held to the local compliance officer who will decide whether the transaction can go ahead. In addition, periodic compliance checks are carried out.

- **Holdings in Brokers**

Potential Conflict: 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.

Invesco's Controls: Dealers have a fiduciary responsibility to obtain best possible results for clients when executing orders and have full discretion for placing deals on behalf of clients with a particular broker to ensure that best execution obligations are met. The dealing team is segregated from the fund managers such that the managers cannot exert any influence on the execution of orders. 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**

Potential Conflict: 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.

Invesco's Controls: In mitigation, Invesco has strict allocation procedures to ensure the fair allocation of stocks 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**

Potential Conflict: 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.

Invesco's Controls: Dealers have a fiduciary responsibility to obtain best possible results for clients when executing orders and have full discretion for placing deals on behalf of clients with a particular broker to ensure that best execution obligations are met. Fund managers cannot exert any influence and the dealing team is segregated from the fund managers. 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**

Potential Conflict: 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.

Invesco's Controls: 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**

Potential Conflict: 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. Examples of potential conflicts could include situations where Invesco:

- Has a business relationship with the Company subject to the vote.
- Has staff who have personal relationships with the individuals in the Company subject to the vote e.g. where the Company already has a serving director, or there is a candidate being put forward for election, who is a relative or close friend of someone at Invesco.
- Considers that choosing not to vote in favour of a Company's management would harm Invesco's relationship with the Company in question.
- Has a proxy vote in respect of a Company who hold Invesco shares.
- Has a proxy vote in respect of a Company who have investments managed/administered by Invesco.

Invesco's Controls: Ultimately, Invesco has a fiduciary responsibility to act in the best interests of its clients and Invesco believes that this will ensure the effective management of these potential conflicts of interest. The requirements of Invesco's Code of Ethics Policy and Conflicts of Interest Policy require that any of these potential conflicts are declared and documented. Invesco's relationships with the companies that it invests in are typically formed over long periods and, through regular meetings with the Management of those companies, Invesco can ensure that the Management is of sufficient quality to ensure that Invesco's clients' investments are managed appropriately and successfully. Voting against Management in proxy situations in many cases is a last resort and an indication of failed engagement. This drives the voting preferences of the investors, rather than a fear of upsetting management. Invesco believes that the Management of companies are there to improve the outcome for the Company's shareholders (Invesco's clients). The proxy voting process is managed and co-ordinated by the Investment Services area of Invesco with the assistance of a third party Service Provider.

- **Holdings in Client Investors**

Potential Conflict: Invesco funds may invest in Companies who are themselves client investors in Invesco funds. This could lead to the perception that a potential conflict could arise if the relevant fund managers were to feel under undue pressure to hold the investment solely to retain the Company as a client investor, when to do so might be inappropriate and not in the best interests of investors.

Invesco's Controls: In mitigation, fund managers are incentivised to perform well on behalf of investors and would therefore not be incentivised to hold onto an inappropriate investment because the firm wanted them to do so in order to retain clients' investments. Ultimately, in the unlikely event that inappropriate pressure is applied, the relevant fund managers would be able to escalate the matter to the Chief Investment Officer for the required support of their investment decisions.

- **Global Targeted Returns Fund**

Potential Conflict: The Prospectus of the Global Targeted Returns (GTR) fund allows for investments to be made into other funds managed by Invesco and into non-Invesco managed Collective Investment Schemes. There is the potential for Invesco managed funds to be favoured by the GTR fund despite there being more suitable non-Invesco managed alternatives available.

Invesco's Controls: To ensure that any investments made are suitable for the unit-holders of the GTR fund, investment decisions are based on an assessment of the underlying fund's long-term performance, track record, investment process and liquidity. In addition, GTR fund investments into other Invesco funds will not incur an additional charge, whereas this may be the case with investments made into non-Invesco managed Collective Investment Schemes. There are regulatory limits which restrict the amount that the GTR fund can invest into other funds. Where this limit is reached in respect of an Invesco managed fund, it is possible that the Fund Manager may wish to redeem the holding in that fund and seek to replicate the same exposure via the creation of a segregated mandate. Any associated disinvestment from the underlying fund could have a significant impact on the fund's short-term liquidity. In this scenario, the impact to the remaining unit-holders in the affected underlying fund will be mitigated by consulting with the relevant Fund Manager, and, where appropriate, swinging the price, effecting in-specie transfers and limiting the size of redemptions.

- **Market Timing**

Potential Conflict: Certain investors may seek to take advantage of timing differences relating to the closing of foreign stock exchanges to undertake market timing arbitrage, which would be at the potential cost of long-term shareholders.

Invesco's Controls: A Fair Value Pricing Policy is in place and adjustments are instigated when tolerances are exceeded against specific benchmarks used to

monitor closed markets. These benchmark movements are monitored on a daily basis. Any fair value adjustments and fund impacts are taken into account as part of the pricing of the affected funds prior to the publication of the prices. In addition, there is an Excessive Trading Policy in place with an Excessive Trading Committee which oversees the Policy to ensure it is applied fairly and consistently in the interests of all investors. The Committee is empowered to take action against investors who are believed to be exhibiting patterns of potential Market Timing. Appropriate disclosure in relation to these procedures is made in the relevant Prospectus.

- **Dilution Adjustment**

Potential Conflict: The interests of existing shareholders (for sales) or remaining shareholders (for redemptions) may be adversely impacted by patterns of consistent inflows or outflows as well as market timing arbitrage.

Invesco's Controls: A Dilution Adjustment Policy is in place which is disclosed within the Prospectus. A Dilution Committee is in place to ensure the Policy is fairly and consistently applied in the interests of all investors. All monthly and daily decisions are documented and communicated to the Manager and the Depositary.

- **Excessive Trading**

Potential Conflict: Excessive trading by an investor may disrupt the management of the fund, which could be at the potential cost of long-term shareholders.

Invesco's Controls: An Excessive Trading Policy is in place, with an Excessive Trading Committee which oversees the Policy to ensure it is applied fairly and consistently in the interests of all investors. The Committee is empowered to take action against investors who are believed to be exhibiting patterns of potential excessive trading. Appropriate disclosure in relation to these procedures is made in the relevant Prospectus.

- **Portfolio Disclosures**

Potential Conflict: If portfolio disclosures are made to specific clients this may give them an information advantage over other investors.

Invesco's Controls: A Portfolio Disclosure Policy is in place to ensure that portfolio disclosures are made fairly and consistently in the interests of all investors and that selective disclosures are not made to specific clients. In addition, a Portfolio Disclosure Committee is in place which is responsible for reviewing any request for portfolio information against the policy.

- **Segregation of Duties between Investment and Trading**

Potential Conflict: If employees involved in making investment decisions are also involved in arranging execution of client trades this could present possibilities for such employees to favour or disadvantage one or more clients if they were able to influence the selection of brokers/counterparties without appropriate controls.

Invesco's Controls: Controls are designed to ensure that clear segregation of duties is maintained between employees involved in investment decision making ("investment managers") and those involved in execution of transactions ("the traders"). This segregation of duties is further supported by separate reporting lines for investment managers and traders, other than within the Henley Fixed Income team. However, all investment teams are subject to independent monitoring and to all of the Investment Management Process controls and mitigations detailed elsewhere in this Policy.

Corporate Interests

- **Withdrawal of Seed Money**

Potential Conflict: 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's Controls: Invesco operates a Dilution Committee which, whenever Seed Money is withdrawn, will carry out a review and decide whether a dilution adjustment needs to be applied to mitigate the cost of selling the underlying securities.

- **Allocation of Costs**

Potential Conflict: 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.

Invesco's Controls: All infrequent 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.

- **Service Provider Firms**

Potential Conflict: In conducting its business activities, Invesco enters into contracts to outsource some of its key functions to Service Provider Firms. Where these Service Provider Firms are also Invesco clients, this could create the potential for Invesco to retain the services of an underperforming Service Provider Firm rather than dispensing with their services to avoid adversely affecting the client relationship.

Invesco's Controls: Invesco manages the service provider relationship and all aspects of quality of service provision. Service Level Agreements and management reporting are put in place to monitor service provider performance. Where this falls below acceptable standards, procedures are followed to escalate to senior management within Invesco and the Service Provider Firm for resolution. Persistent underperformance of a Service Provider Firm is not tolerated by Invesco and, should this occur, Invesco management will take appropriate action to ensure proper service levels are provided to clients, products and Invesco. The outsourcing policy for the appointment of Service Provider Firms requires potential conflicts of interest to be considered.

- **Error correction**

Potential conflict: Where an error occurs in the handling of a client's account and this requires correction, there is the potential for the cost of correcting such an error to be unfairly allocated between Invesco and its client. There is also the potential that such errors will not be corrected in a timely manner and that clients will not be informed of the error or of its cost.

Invesco's Controls: Invesco has an Error Escalation and Correction Policy which seeks to ensure that all clients are treated in a fair and equitable manner. All errors must be recorded and rectified as soon as possible. If, as a consequence of an error, a loss results, the client must be duly compensated and returned to the position they would have been in had the error not occurred. In the event that an error caused by Invesco results in a profit, the client may retain such profit. Whenever an error occurs which requires correction and/or compensation, all relevant customers (including segregated institutional customers) must be notified and this notification should include the result of the correction of the error. All errors on funds are reviewed by the EMEA Risk Committee and any errors resulting in a significant profit/loss are escalated to the appropriate governance committee.

- **Holdings in Service Provider Firms**

Potential conflict: In conducting its business activities, Invesco enters into contracts to outsource some of its key functions to Service Provider Firms. Where an Invesco retail product or institutional mandate invests in the securities issued by any one of the third party Service Provider Firms engaged by Invesco this can create potential conflicts of interest. These include the possibility of Invesco being put in a position of being an insider should, for instance, one or more of the third parties look to expand their business through acquisition, innovation or take-on of new clients or other mandates. There may also be situations where the third party are losing clients, facing censure or fine by Regulators or other authorities, which may imperil the service they provide to Invesco. There may be an incentive for Invesco to continue to maintain the relationship with a third party provider in such circumstances for commercial reasons or for convenience, rather in the best interests of clients.

Invesco's Controls: Invesco manages the service provider relationship and all aspects of quality of service provision. Service Level Agreements and management reporting are put in place to monitor service provider performance. Where this falls below acceptable standards, procedures are followed to escalate to senior management within Invesco and the Service Provider Firm for resolution. Persistent underperformance of a Service Provider Firm is not tolerated by Invesco and, should this occur, Invesco management will take appropriate action to ensure proper service levels are provided to clients, products and Invesco. The outsourcing policy for the appointment of Service Provider Firms requires potential conflicts of interest to be considered.

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, an AIF or UCI 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 or UCI and its unitholders. Any such decision, and the reasons for it, will be reported to the unit holders of the UCITS scheme, AIF or UCI.

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. RECORDS 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 made by the Chairman of the Conflicts of Interest Committee which details all new conflicts recorded, proposes changes to previously identified conflicts and makes appropriate recommendations to the relevant Invesco UK Board.

Issued by Invesco Asset Management Limited, Invesco Fund Managers Limited and Invesco Global Investment Funds Limited, Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire RG9 1HH. All companies are authorised and regulated by the Financial Conduct Authority.

Issued by Invesco Perpetual Life Limited, Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire RG9 1HH. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

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
- Invesco Perpetual Global ex US Smaller Companies strategy
- Invesco Perpetual Global Equity Income strategy
- Invesco Perpetual Europe ex UK Equities strategy
- Invesco Perpetual Global Opportunities strategy
- Invesco Perpetual Global Targeted Returns strategy



Strategy profile
Pan European equities strategy
Invesco Perpetual
February 2017



Pan European equities strategy

Invesco Perpetual

Corporate overview	3
Investment team & assets under management	5
Investment philosophy	7
Investment process	8
Risk management	16
Strategy overview	23
Appendix 1: Biographies	24

Pan European equities strategy

Invesco Perpetual

Corporate overview

Invesco Ltd. (Invesco)

Invesco is one of the world's leading independent global investment firms, solely focused on investment management. With 6,788 employees worldwide as at 31 December 2016, the firm directs all of its intellectual capital, global strength and operational stability toward helping investors achieve their long term financial objectives. By delivering the combined power of the firm's distinctive investment management capabilities, Invesco provides a wide range of investment strategies and vehicles to retail and institutional clients around the world. Operating in over 20 countries, the company is listed on the New York Stock Exchange under the symbol IVZ.

Invesco offers diversified investment strategies spanning all major equity, fixed income, asset allocation and alternative asset classes. These strategies are managed across various worldwide investment centres, each of which focus on distinct asset classes, investment styles or regional expertise and adhere to clearly defined investment philosophies aligned with client expectations. Each team is able to operate independently, allowing them to follow and further their specific investment style and expertise.

To further strengthen its investment culture, Invesco also maintains an active Investors Forum that consists of senior investment professionals from each investment centre. Co-chaired by Chief Executive Officer (CEO) Martin L. Flanagan and Senior Managing Director Karen Dunn Kelley, the role of the Investors Forum is primarily to foster, promote and grow investment excellence across the organisation.

Invesco's distinctive combination of independent thought within individual investment centres and collaboration across investment centres provides clients the reach and resources of a global organisation and the focus and attention of a boutique firm: Invesco's investment capabilities are both diverse and specialised; the firm is global in reach yet local in presence and its processes are disciplined yet can be delivered in customised ways. All of which distinctively positions Invesco to keep pace with clients' evolving investment needs worldwide.

Invesco Perpetual

Background

Invesco Perpetual is a business name of Invesco Asset Management Limited (IAML). IAML forms part of Invesco UK Limited, which itself forms part of Invesco.

With USD116.45 billion in assets under management¹ as at 31 December 2016 and located in Henley-on-Thames (Henley), Invesco Perpetual's investment team structure exhibits many of the advantages of a boutique firm structure, albeit part of a larger organisation: small high-quality teams; the location of the team away from the main UK investment centres, 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 fund manager and analyst are combined.

¹ Total assets managed by Invesco Perpetual's investment centre as at 31 December 2016.

Pan European equities strategy

Invesco Perpetual

Invesco Perpetual's highly experienced investment team consists of 68 investment professionals with an average 17 years' investment experience². The firm believes that a focused and highly-experienced team provides the best means of maximising value that it can generate for its clients by continuing to adopt a long-term, active approach to investment.

Invesco Perpetual's 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, the firm remains passionately focused on that original aim. Today, from its office in Henley, Oxfordshire, its investment team invests across 40 stock markets, over 500 companies globally and travels extensively to meet companies and their management.

Stability:

Turnover within Invesco Perpetual's investment team is low, and the stability of the team is a factor in helping the firm in its aim to deliver long-term sustainable outperformance. Invesco Perpetual believes that the unique location of its 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. Invesco Perpetual believes that investment management must be undertaken in a work environment where fund managers, who are focused on longer-term performance, are free to operate independently but with clear accountability and within a challenge culture. Fund managers must be given the opportunity to stand by their convictions. Invesco Perpetual believes that culture and environment are more important to "get right" than mapping a dogmatic process. The firm must be pragmatic and flexible.

Invesco Perpetual has 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 the firm's fund managers are aided in this by a robust oversight and risk management process.

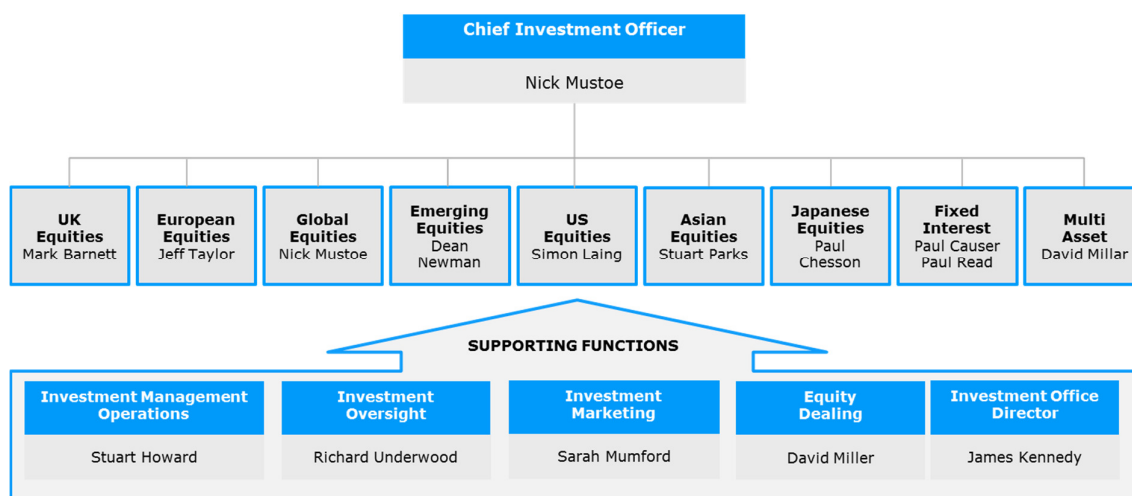
² Investment professionals as at 31 December 2016 include Invesco Perpetual's Chief Investment Officer (CIO), fund managers, analysts, trainee analysts, strategists, Multi Asset research director, Multi Asset portfolio director, Multi Asset product director and fixed income dealers.

Pan European equities strategy

Invesco Perpetual

Investment team & assets under management

Invesco Perpetual's investment team is structured as follows:



Source: Invesco Perpetual as at 31 December 2016.

Pan European Equities team

The management of Invesco Perpetual's Pan European equities mandates is an integrated responsibility between its European and UK equities teams based in its Henley investment centre. This structure brings together Henley's extensive European and UK investment capabilities within a cohesive, collaborative framework. The fund managers involved in the management of these mandates are set out below:

Name	Role	Years' tenure	Years' industry experience
European Equities team:			
Jeff Taylor	Head of European Equities	20	31
John Surplice	European Equities Fund Manager	21	21
Stephanie Butcher	European Equities Fund Manager	13	23
Matthew Perowne	European Equities Fund Manager	7	7
Oliver Collin	European Equities Fund Manager	2	16
Adrian Bignell	European Small Cap Equities Fund Manager	13	22
UK Equities team:			
Martin Walker	UK Equities Fund Manager	17	20
James Goldstone	UK Equities Fund Manager	4	15
Jonathan Brown	UK Small Cap Equities Fund Manager	16	19

Pan European equities strategy

Invesco Perpetual

These fund managers are supported by the European and UK equities teams as follows:

Name	Role	Years' tenure	Years' industry experience
European Equities team:			
Erik Esselink*	European Small Cap Equities Fund Manager	9	17
Steve Smith	European Equities Trainee Analyst	1	1
Product Directors			
Joel Copp-Barton	European Equities Product Director	5	18
Nitesh Mistry	European Equities Assistant Product Director	11	17

Name	Role	Years' tenure	Years' industry experience
UK Equities team:			
Mark Barnett	Head of UK Equities	20	24
Ciaran Mallon	UK Equities Fund Manager	12	22
Tim Marshall	UK Equities Fund Manager	2	16
Robin West	UK Small Cap Equities Fund Manager	2	21
Frederick Bouverat	UK Equities Investment Analyst	3	7
Product Directors			
Hilary Cook	UK Equities Product Director	6	33
John Richards	UK Equities Product Director	3	33

* Based in Atlanta, USA.

The teams' Product Directors are responsible for communicating Invesco Perpetual's European and UK equities investment capabilities internally and externally. They are integral members of the teams working closely with their fund managers.

Source: Invesco Perpetual as at 31 December 2016. Years' tenure and industry experience may be subject to rounding up.

Team biographies have been provided in **Appendix 1**.

Assets under management

As at 31 December 2016, Invesco Perpetual's Pan European equities strategy comprised seven pooled vehicles and five institutional segregated accounts. Assets under management for the strategy totalled USD4,904.07 million as at this date.³

Source: Invesco Perpetual as at 31 December 2016.

³ Includes a small cap mandate.

Pan European equities strategy

Invesco Perpetual

Investment philosophy

There are a number of core beliefs underpinning the Pan European equities investment team's philosophy:

- Valuation is the key determinant of future returns over the longer term
- Market inefficiencies create valuation opportunities
- As active fund managers, the team looks to take advantage of these opportunities
- The team is agnostic with regards to investment style, country or sector positioning
- The team is reference index aware not reference index driven
- 'Bottom-up' and 'top-down' factors both add value

Market inefficiencies

Invesco Perpetual believes that investors' behavioural biases repeatedly give rise to 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

The investment team seeks to exploit these market inefficiencies through careful fundamental analysis and a strong emphasis on valuation.

Pan European equities strategy

Invesco Perpetual

Investment process

Investment approach

The team's investment approach is to take advantage of inefficiencies in the market and buy stocks below their intrinsic value. This is achieved through fundamental research, drawing on internal proprietary research, selective use of external research and extensive company contact. This approach places a strong emphasis on valuation, a key determinant of future returns. The investment team takes a long-term approach to investing, typically a three to five year investment time horizon, which enables it to take advantage of any valuation anomalies. By not favouring any one particular investment style, the investment team can actively take advantage of the best mix of individual risk/reward opportunities in the market - at any point in time in whatever stock, sector or country they are to be found. As such, the index is considered to be more of a point of reference as opposed to a determinant of investment decisions. This flexible approach aims to deliver consistent, positive performance under most market conditions.

There are a number of characteristics central to Invesco Perpetual's Pan European equities investment approach:

Active: Invesco Perpetual's fund managers are active investors, investing where they believe the best returns are to be found, with the index considered to be more of a point of reference as opposed to a determinant of investment decisions.

Pragmatic and flexible: There is no inbuilt country, sector, stock, market cap or style bias within the investment approach. Exposure to these factors within portfolios is purely a function of where the fund managers believe the best opportunities are in the market place at any particular point in time. Consequently, exposures may change significantly over time.

Valuation focus: The investment team is valuation driven. Valuation determines whether a stock is an attractive investment or not. The 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.

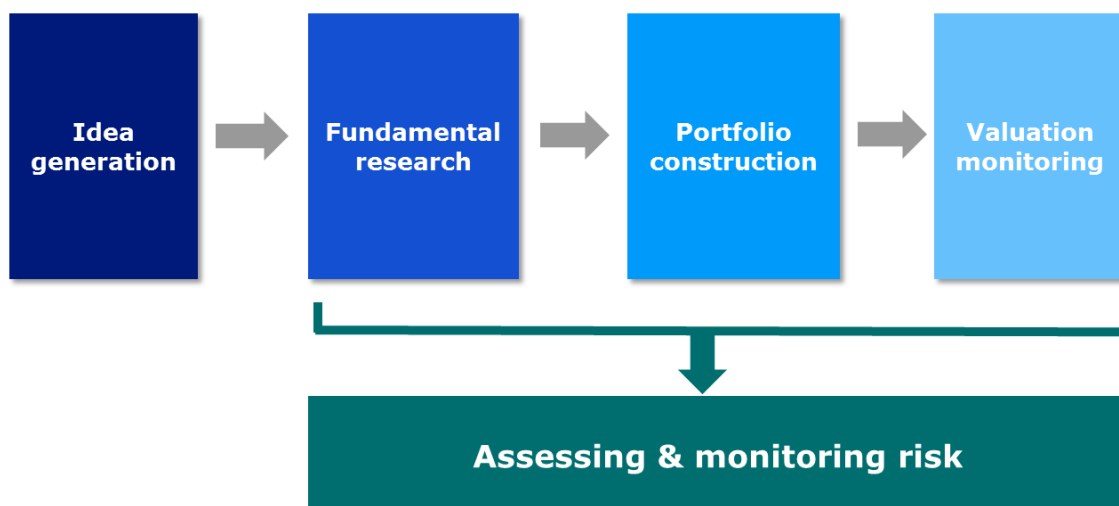
Bottom-up fundamental analysis within a "top-down" framework: The investment team combines detailed top-down and bottom-up fundamental analysis, both for new idea generation and the ongoing evaluation of existing holdings. Bottom-up analysis is the main focus for both and is expected to be the largest 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 the investment team's fundamental analysis the fund managers incorporate internal proprietary research, selected externally sourced research and extensive company contact.

Interaction: The investment 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 European and UK equity markets at both a macro and micro level. Both John Surplice and Martin Walker are members of the Invesco Perpetual Global Equity Group, providing regional expertise in the construction of the firm's global equity core strategy.

An overview of the investment process is diagrammatically shown below:

Pan European equities strategy

Invesco Perpetual



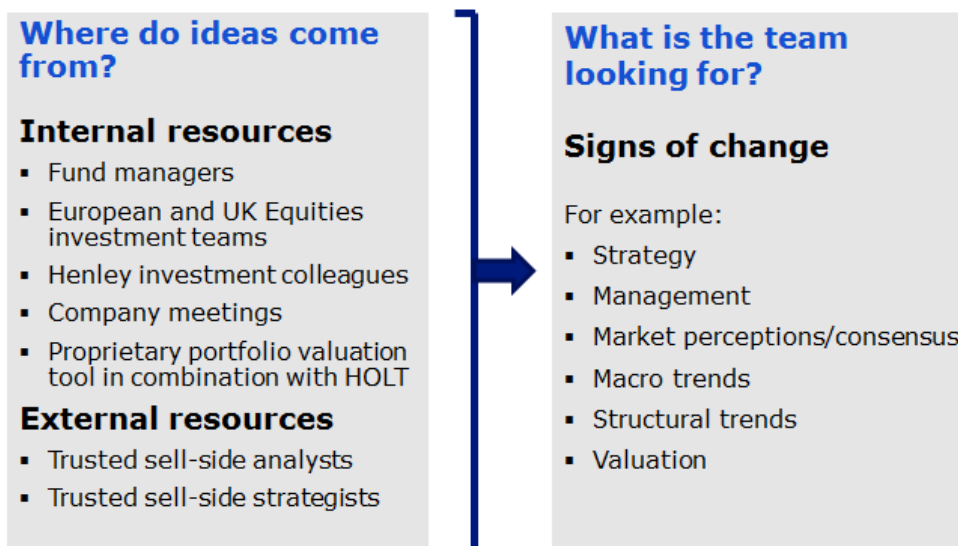
For illustrative purposes only.

Idea generation

The investment process begins by identifying stocks that meet the team's investment criteria. The team adopts a flexible approach to sourcing ideas, and tries to avoid dismissing ideas for pre-conceived reasons. Indeed, it is this type of investor behaviour that often provides the investment team with the opportunity to invest in undervalued companies. Ideas are generated from a number of sources:

- Research capabilities and the individual and collective experience of the Henley-based regional equity investment teams
- Company meetings
- Research trips, visits and seminars
- Third party brokers/external research providing the team with an experienced network of sell side analysts, economists and strategists

The team is flexible in the type of ideas to be considered but typically involves signs of change. A summary of the main aspects of idea generation is provided below:



Pan European equities strategy

Invesco Perpetual

For illustrative purposes only.

Potential investment opportunities that meet the team's criteria then undergo thorough fundamental research. Whilst the market often invests on the basis of history, the team endeavours to understand the potential future of a business.

Fundamental research

Invesco Perpetual's European and UK Equities teams' research effort is structured to maximise their ability to identify and analyse the stocks that have the potential to add the most value to its portfolios. To achieve this, Invesco Perpetual combines the role of fund manager and analyst. This approach leverages from the experience of the fund 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 fund manager.

Many members of the European and UK Equities teams have a generalist rather than specialist research role. By adopting a generalist approach to research responsibilities, the teams avoid the drawbacks of over specialisation and the subsequent loss of perspective on the overall market that this might encourage. It also allows them to leverage from their top-down macro work and allocate the research resource to where they believe the best investment opportunities lie, whilst at the same time ensuring that no area of the market is left uncovered. However, within the teams there clearly will be individuals who have particular expertise in certain sectors or stocks in the market, which the fund managers look to leverage from, complimented by any further research undertaken by other individual team members.

The team draws on a number of resources when conducting fundamental research:

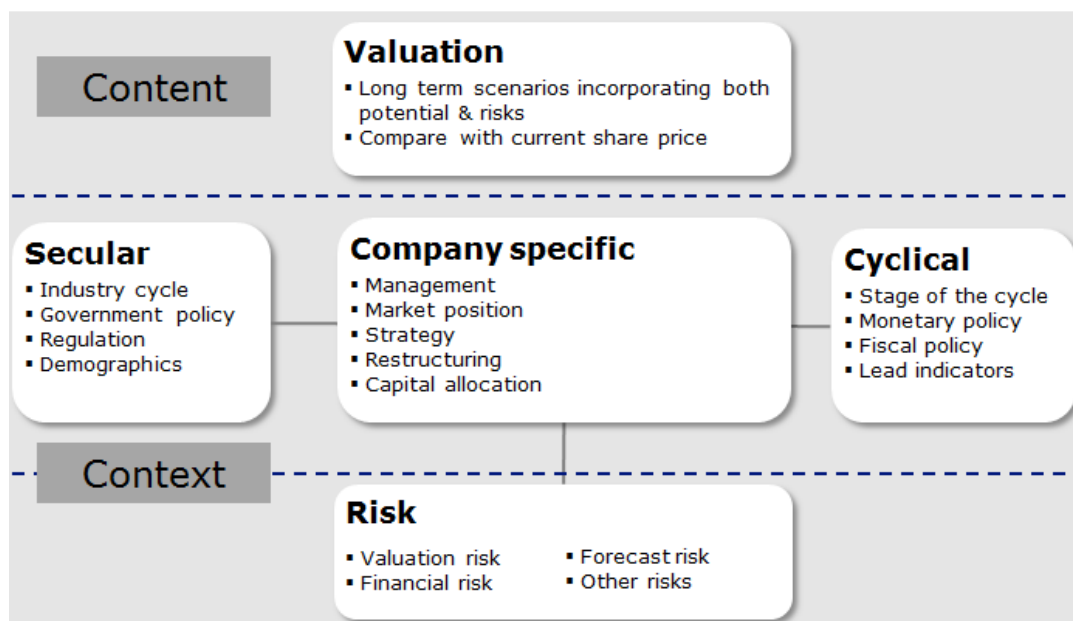
- Internal proprietary research undertaken by an individual fund manager or a member of the team
- Extensive company contact
- Preferred external research providers

The majority of the team's research is bottom-up stock specific, with a strong focus on valuation, incorporating its perception of the macro outlook.

A summary of the main aspects of fundamental research is provided below:

Pan European equities strategy

Invesco Perpetual



For illustrative purposes only.

The diagram above provides a guide to the main areas that the team typically considers and assesses in the fundamental research stage. Not all of these areas will be scrutinised for each potential candidate stock, with the extent and focus of the team's research dependent on the individual stock in question i.e. some areas are more important to a particular company than other areas and vice versa. In terms of providing context to an idea, a significant amount of time is dedicated to understanding company specific drivers. All of these factors will help in correctly understanding valuation, a key driver of long-term returns.

Company specific drivers

Understanding the key drivers of a company, both historical and in the future, is integral to the strategy's investment approach. These can vary in nature and change through time. Typical areas to be assessed include:

- Management
- Market position
- Strategy
- Restructuring
- Capital allocation

This list is not exhaustive and varies according to each situation. The main sources of this information are:

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

Meeting company management is critical in the information gathering process. From such meetings:

- The team believes that it can garner an improved understanding of the near- and longer-term prospects of a company and the quality of its management

Pan European equities strategy

Invesco Perpetual

- The team also gains a forum to challenge its assumptions and predictions in person as well as ensuring that management understand their priorities as a shareholder

Secular drivers

Understanding longer term trends and how they impact an industry and the companies within it are important. As well as using existing knowledge of the team, other sources can be helpful:

- Company meetings – both companies being researched and competing companies within the industry
- Preferred analysts
- Regulators and industry participants

Top-down macro drivers

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

Valuation focus

The team looks to build long-term valuation scenarios based on the research undertaken, incorporating its assessment of the structural, cyclical and company specific drivers. Both the potential and associated risks are highlighted. This stage involves using models from trusted third party analysts whilst incorporating the team's own assumptions. These scenarios are then compared with the current share price.

Valuation tools

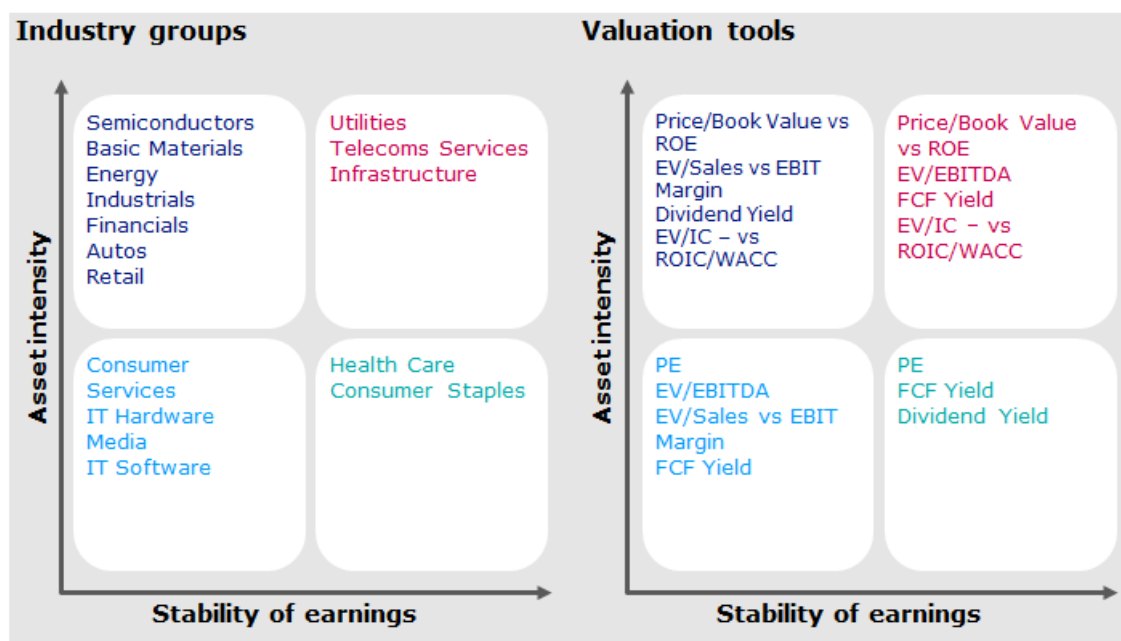
For each individual stock or sector the most appropriate valuation techniques are selected, which can include:

- Multiples analysis e.g. P/E, EV/EBITDA, dividend yield and FCF yield set against the team's perception of profits, earnings and cashflow
- P/BV versus ROE
- EV/Sales versus EBIT margin
- Enterprise value/invested capital versus ROIC/WACC
- Sum of parts

The diagram below provides an overview of the appropriate valuation methodologies for different industries:

Pan European equities strategy

Invesco Perpetual



For illustrative purposes only.

External research

Invesco Perpetual emphasises the importance of internal proprietary research in combination with extensive company contact in the research stage. External research that is used is used purely as an input, as opposed to being a 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 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 judgmental business and the major scope to add value is in the interpretation that the fund management teams place on the available information. The experience of fund 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 have a portfolio of companies that offers the best mix of stock specific opportunities at any particular point in time. As well as assessing the potential for upside for each stock, the associated risks are also considered. These factors, and the impact of any changes on the shape of the portfolio, will be important in determining the overall size of that holding. At specific points in time the shape of the portfolio can be influenced by top down factors as determined by the fund managers; however, these tend to be more occasional in nature.

Beyond regulatory requirements there are limited constraints as to the size of the team's individual holdings, exposure to sectors and countries. In practice, the team recognises the importance of having an appropriate mix of risk and reward at the portfolio level.

The chart below highlights the key aspects of this stage:

Pan European equities strategy

Invesco Perpetual

Size of holding influenced by:

- The team's assessment of potential upside
- The team's assessment of risk
- Individual stock contribution to risk
- Liquidity of stock

Other considerations:

- Reference index aware but not reference index driven
- Impact on the shape of the portfolio of new purchase/sale
- Top-down factors/turning points can also be relevant at specific times



Portfolio

- Portfolio typically consists of between 65 to 75 stocks
- Active position typically not over 3% in any one stock
- Typically no more than 5% in any one stock
- Active share typically over 70%
- Cash position: Portfolio intended to be fully invested

For illustrative purposes only.

The team 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. With the index considered more of a point of reference, this process will result in significant over or underweight positions in individual countries/sectors when compared to the index.

Valuation monitoring

The team continuously monitors its individual positions within the portfolio, focusing on the key drivers. If required, the longer-term valuation scenarios are adjusted accordingly to reflect any significant changes. The key steps are highlighted below:

At a stock level:

The team's fundamental research, incorporating the key structural, cyclical and company specific drivers, provides the basis for its long term valuation scenarios.

Incorporating the team's own assumptions into models provided by trusted third party analysts is an important part of generating its long-term valuation scenarios



The team continuously monitors these drivers and risks and, if required, adjusts its valuation scenarios accordingly.

Greater/lower confidence in the delivery of the individual drivers will determine the potential upside/downside.

The team focuses on the long-term



Selling a holding is normally due to:

- The drivers are fully appreciated in the share price
- The anticipated delivery of some or all of the key drivers have failed to materialise
- Another stock with better risk/reward characteristics

Pan European equities strategy

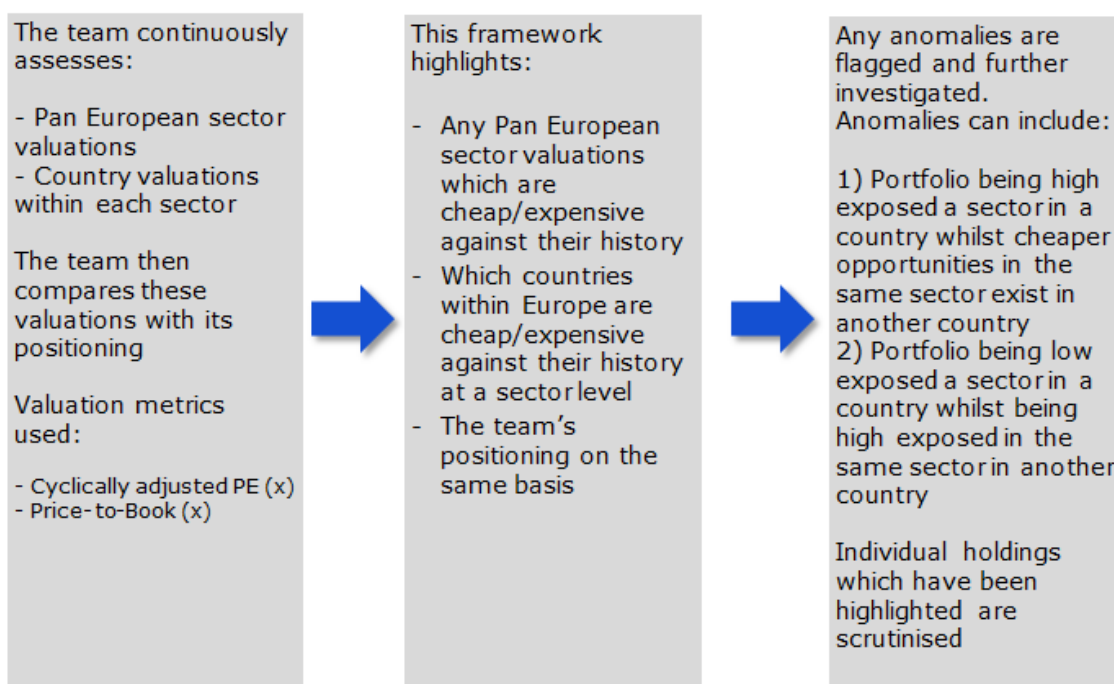
Invesco Perpetual

For illustrative purposes only.

When purchasing/selling a position, fund managers will typically scale into and out of a stock over time rather than buy or sell a full position at once.

At a portfolio level:

The team spends considerable time assessing company specific drivers and valuation. In addition a proprietary top-down model, based on longer-term valuation metrics such as CAPE (cyclically adjusted PE ratio), is used. This helps to highlight any anomalies in portfolio positioning, with these scrutinised further if appropriate.



For illustrative purposes only.

Buy/sell discipline

The buy and sell decision-making process is driven by qualitative analysis. As quantitative buy and sell disciplines are not used, there therefore is no trigger or chain of events used to automatically induce a buy or sell.

Stocks will be purchased if they demonstrate sufficient potential for share price appreciation subject to the team's assessment of risk. At the stock level, the key risks are highlighted and assessed during the research stage. The resulting risk/reward will then be considered in context of a portfolio's existing holdings, and their inclusion in the portfolio is permitted under its investment parameters.

Once bought, portfolio holdings are very actively monitored. A stock will be considered for sale if it reaches or approaches the fund manager's price expectation, or if there is a fundamental change that negatively impacts its outlook or valuation. Any decision to sell will be the decision of the fund manager, normally following on from discussion and consultation with other members of the investment team. When purchasing/selling a position, fund managers will typically scale into and out of a stock over time rather than buy or sell a full position at once.

Pan European equities strategy

Invesco Perpetual

Risk management

Invesco employs a multi-faceted approach to oversight and risk management that is deeply embedded in the firm's culture, organisational governance and business structure. 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. These investment teams' processes are bolstered and overseen by multi-dimensional independent controls.

Invesco's Global Performance Measurement and Risk (GPMR) team is an independent function consisting of over 90 professionals providing comprehensive, detailed sources of information and analysis that will help Invesco better understand investment performance, quality, and risk. This team provides regular reviews of the performance and risk attributes of the various investment team disciplines to senior leadership.

With regards to firm-level risk management, Invesco'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.

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 regulatory requirements. The Invesco Compliance group (Compliance) 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 leadership regularly or as necessary.

The table overleaf visually presents how investment teams' processes are bolstered and overseen by multi-dimensional independent controls.

These controls include:

- The GPMR team (consisting of over 90 professionals), an independent group responsible for analysing performance and activities, as well as position and risk, in the context of investment process and philosophy, market environment and client expectations.
- Invesco's senior leadership oversight, comprised of:
 - Reporting lines running from investment team CIOs who have day-to-day responsibility for investment team risk controls up to the Invesco Senior Managing Director having management responsibility for the investment team.
 - Quarterly and monthly reviews, performed based upon investment performance and risk analytics of each investment discipline produced by the GPMR team. These reviews are conducted by the CEO and those Senior Managing Directors who oversee the investment teams.
 - Review of operational controls and related corporate exposures by the Invesco Corporate Risk Management Committee.

Pan European equities strategy

Invesco Perpetual

- Regular review of investment matters by the Invesco Board of Directors and independent Fund Boards, 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'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.

Risk Oversight and Governance	Board of Directors and Fund Boards			
	Executive Management Team			
Risk Management Facilitation	Risk Areas of Focus	<ul style="list-style-type: none">▪ Investment▪ Credit/Asset/Liability	<ul style="list-style-type: none">▪ Financial▪ Operational	<ul style="list-style-type: none">▪ Business
	Global Performance Measurement and Risk <ul style="list-style-type: none">▪ Facilitates investment oversight function▪ Independently reviews investment execution and process application▪ Monitors consistency of investment results with mandates, market environments, client and CIO expectations▪ 90+ professionals	Corporate Risk Management Committee <ul style="list-style-type: none">▪ Timely and consistent identification, evaluation and mitigation of operational and business risk▪ Senior executives from all major business functions including:<ul style="list-style-type: none">– Investment management/trading– Product management– Administration (information technology, investment operations, human resources, procurement)– Portfolio operations– Legal and compliance– Finance and internal audit– Strategy		
Risk Management Embedded in the Business	Investment Risk Management Managing our core risks through the investment centers			
	Business/Operational Risk Management Managing all other risks in the business			
Internal Control	Compliance and Internal Audit Facilitate and monitor internal control at all levels			

For illustrative purposes only.

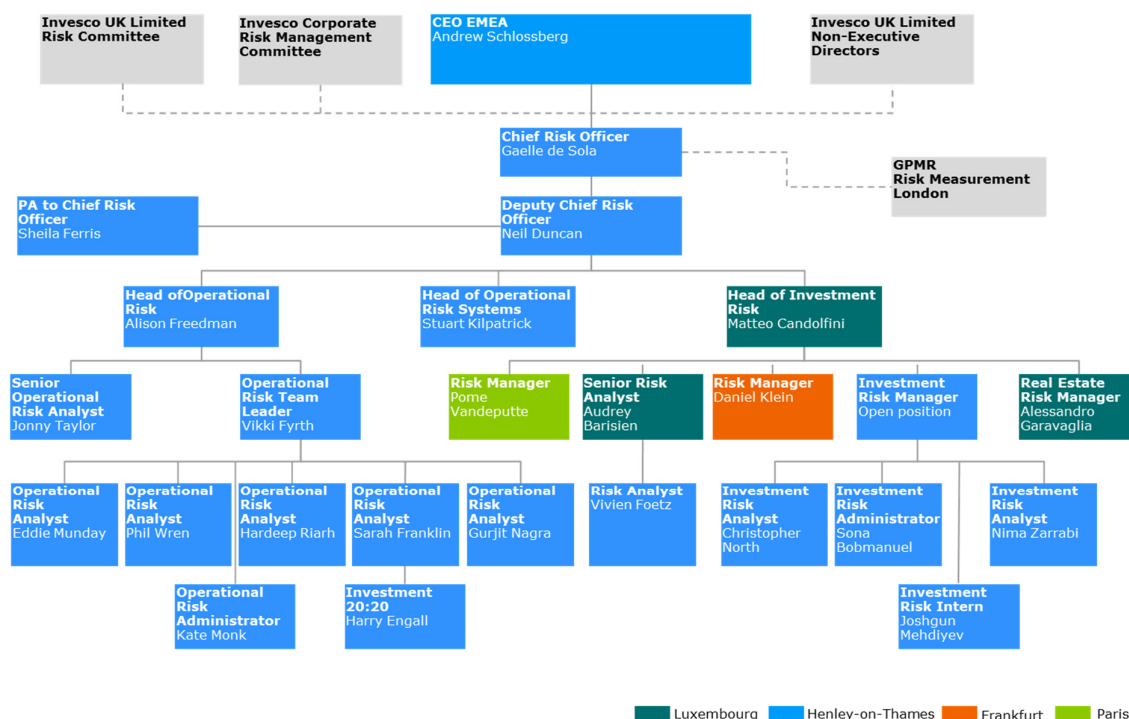
Independent Risk Function (IRF) in Europe, the Middle East and Africa (EMEA)

Gaelle de Sola, Chief Risk Officer for EMEA, leads the IRF 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 market, liquidity and counterparty risk) for the firm's UK and European (France, Ireland and Luxembourg) domiciled UCITS funds, Alternative Investment Funds (AIFs) and other relevant portfolios.

Gaelle reports directly to Andrew Schlossberg CEO of Invesco EMEA, Senior Managing Director of Invesco and Head of Invesco's EMEA region. The chart below illustrates the framework in which the IRF functions:

Pan European equities strategy

Invesco Perpetual



Source: Invesco as at 4 January 2017.

The IRF is an independent assurance function for Invesco UK Limited⁴, and respectively all Invesco entities within EMEA. Its aim is to support and facilitate directors, senior management and the business in assessing, managing, monitoring and reporting all of Invesco's risks in EMEA. Risks that are assessed by the business or the senior management team to be inadequately managed, outside of Invesco's policies and procedures, risk appetite, best practice and regulatory requirements, are reported together with recommended actions for their risk reduction within the Invesco tolerance level. The IRF has a duty to highlight where risks may be inadequately or incorrectly assessed to the Invesco UK Limited Board to ensure appropriate attention is paid to these risks.

The role of the IRF is to undertake independent risk controlling duties at both a company and fund level. The tasks and duties of the IRF encompass different areas that include the oversight of implemented actions, strategies and processes aimed to comply with regulatory requirements for internal audit, compliance, risk management and risk reporting. The IRF ensures relevant techniques for risk measurement and reviews regularly the adequacy of existing methods. Furthermore, the IRF is in charge of coordinating the execution of identification, evaluation and quantification of risks.

The activities of the two teams within the IRF are as follows:

Operational risk

- Facilitate and coordinate the quarterly risk self-assessment (RSA) process and independently challenge the RSAs completed by each business function
- Active management and administration of the risk management module of B Wise, the system used to record incidents and risks

⁴ Invesco UK Limited is the parent company of IAML.

Pan European equities strategy

Invesco Perpetual

- Provide operational risk information for capital requirements directive purposes e.g. for the ICAAP (Internal Capital Adequacy Assessment Process), including quantified aggregated inherent impact exposures and viable stress-test scenarios
- End-to-end management of the incident reporting module of BWISE including independently following up on and ensuring effective mitigation of incidents logged by the business and investigation of systemic and thematic issues

Investment risk

- Independently monitor, quantify and assess all investment-related risks within and across products during the new product development phase and within the life of a product
- Monitoring of portfolio risk limits (regulatory and internal) with application of the escalation process
- Communicate/heighten awareness and escalate investment-related risks, on an ad hoc basis as warranted, through regular 'risk challenge' sessions with fund managers
- Derivatives risk management oversight
- Oversight of risk systems, models and analytics

The IRF is also responsible for setting up adequate risk management policies to reflect processes and guidelines in place to ensure they are in line with regulatory standards across EMEA as well as best practices and oversee their implementation.

Additionally, the IRF is in charge of risk reports for senior management and boards and communication on risk-related matters to internal and external stakeholders.

The IRF collaborates closely with other risk experts within the firm, in particular the GPMR team, an independent function consisting of over 90 professionals. GPMR is responsible for analysing performance and activities, as well as position and risk, in the context of investment process and philosophy, market environment and client expectations. In particular, in EMEA, the GPMR team focuses on the production of risk metrics, such as the Value-at-Risk (VaR), stress-testing or liquidity risk analysis.

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 investments 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 below, this process is implemented via challenge meetings that are attended by the CIO, a member of the Investment Oversight team and the fund manager and seeks to check that the individuals managing money are doing so in a way that adds value to the firm's clients, and that the risks taken on behalf of its clients are understood and are considered appropriate. The objective is to review each fund manager annually, although where particular issues are identified with performance or the investment process, these take precedence.

Risk management is an integral component of Invesco Perpetual's 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.

Pan European equities strategy

Invesco Perpetual

Although the fund manager is always aware of the relative risk they are running – where relative risk is defined as the holding of investment positions that differ from the structure of the benchmark – they do not set out to manage the relative risk characteristics of their portfolios.

A portfolio's relative risk characteristics will simply be a function of the investment decisions and absolute risk judgments that were made while constructing the portfolio.

Continuous monitoring

At the total portfolio level, monthly performance, attribution and risk reports are considered by Invesco Perpetual's Investment Oversight team, ensuring 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, a member of the Investment Oversight team and the fund manager. Where the CIO is the lead manager, Invesco Perpetual's Head of Investment Oversight undertakes the CIO challenge process. 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 the firm's 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 potential 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 the firm's 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.

As mentioned, 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. The challenge process seeks to check that the individuals managing money are doing so in a way that strives to add value to the firm's clients.

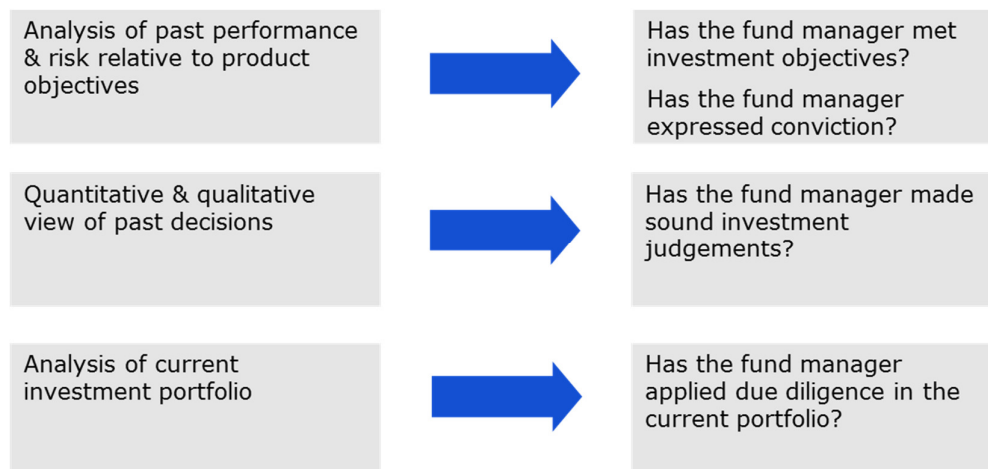
Fund managers are given the autonomy to back their investment judgment within the scope of fund mandates and regulations. Invesco Perpetual does not wish to put in place unnecessary restrictions that limit a fund manager's ability to back his/her own convictions in a stock or investment strategy. In an environment that allows such free thought, traditional controls and processes are particularly important, but applied in a pragmatic way.

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 Invesco Perpetual's Henley investment centre.

Pan European equities strategy

Invesco Perpetual

The chart below illustrates this process:



For illustrative purposes only.

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 has trading activity 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 the Investment Oversight team to check the understanding of a fund manager's active positions against their investable universe.
- **Risk reporting:** to challenge/support where the investment teams believe their excess returns will come from.
- **Active positions:** where are major stock, industry, country or asset class positions being taken?

The aim of the CIO challenge process is to ensure that there is sufficient investment oversight to monitor that risks taken on behalf of Invesco Perpetual's clients are understood and are considered appropriate. It is accepted that Invesco Perpetual's business is judgmental 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.

Pan European equities strategy

Invesco Perpetual

Investment monitoring

A summary of the main IT systems used by the IRF for risk management oversight is provided below:

Risks covered	IT system	Service provider	Use
Market	RiskMetrics	MSCI	Daily VaR and monthly stress-testing
	APT	FIS (Formerly SunGard)	Volatility analysis for the Invesco Perpetual Multi Asset team's funds
Liquidity	Liquidity Analyser	RC Banken	Liquidity reports
Counterparty	GPMR internal database	GPMR (Internal)	Concentration exposure
Operational	BWise	NASDAQ OMX	Incident reporting and operational risk management
	Stress Controller	Risk Control	Capital adequacy assessments

In assessing portfolio risk, Invesco Perpetual's Investment Oversight team measures performance analysis, portfolio contribution and attribution at both sector and individual stock level and portfolio characteristics, such as financial ratios.

A summary of the investment monitoring tools used by the team is provided below:

Investment monitoring tools	Service provider	Use
Contribution, Attribution and Performance Reporting (CAPeR)	GPMR (Internal)	Performance attribution and contribution system used to provide stock level bottom-up or top-down attribution/contribution analysis
Perspective II	Internal	Fund management system used by fund managers for the day-to-day management of portfolios and their analysis relative to benchmark on a country/sector/stock basis
Style Research	Style Research	Used to analyse the 'style profile' of portfolios using measures such as book to price, dividend yield, earnings growth, market cap, debt/equity ratio etc.
APT	APT	Used to understand the ex-ante risk exposures of a portfolio at the country, sector, stock and factor level. Is also used for what-if scenario analysis to understand the risk impact of any changes made to the portfolio and for stress testing
Statpro Analytics Composites	Statpro	AIMR-GIPS performance and risk metrics tool
Morningstar	Morningstar	Retail fund performance analysis relative to the benchmark and competitor universe
Lipper	Lipper	Retail fund performance analysis relative to the benchmark and competitor universe

Pan European equities strategy

Invesco Perpetual

Strategy overview

Pan European equities

Strategy name , manager and objective	Benchmark	Concentration
Invesco Pan European equity strategy John Surplice and 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 index	Typically 65 to 75 stocks
Invesco Pan European equity income strategy Stephanie Butcher and James Goldstone The strategy aims to generate income together with long-term capital growth, through investing primarily in European equities	MSCI Europe index	Typically 65 to 75 stocks
Invesco Pan European focus equity strategy John Surplice, Martin Walker, Oliver Collin and Jonathan Brown The strategy aims to achieve long term capital growth through a concentrated portfolio by investing at least 70% of its assets in equity and equity related securities of companies listed on European exchanges	MSCI Europe index	Approximately 40 stocks

Pan European small cap equities

Strategy name , manager and objective	Benchmark	Concentration
Invesco Pan European small cap equity strategy Adrian Bignell and 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	Euromoney Smaller European Companies index	Typically 120 to 140 stocks

Pan European equities strategy

Invesco Perpetual

Appendix 1: Biographies

European Equities team:

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 Invesco Perpetual in 1997 and became Head of European Equities at the firm 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 Invesco Perpetual 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 Invesco Perpetual in 2003. Stephanie holds an MA (Cantab) in History from Cambridge University.

Matthew Perowne, European Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Matthew is a European Equities Fund Manager at Invesco Perpetual. He joined the company in June 2010 as a trainee analyst within the European Equities team, taking on fund management responsibilities in June 2014. 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, an MSc in Real Estate from London Southbank University, the Investment Management Certificate from the CFA Society of the UK, and he is a member of the Chartered Institute of Securities and Investment.

Oliver Collin, European Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Oliver joined Invesco Perpetual in July 2014 as an analyst within the firm's European Equities team, before taking on fund management responsibilities in December 2015. His career started in September 2000 with ING Barings, initially within their graduate programme, before becoming a member of their Institutional Equity Sales team, specialising in Pan European mid-cap equities. In January 2006 he joined Berenberg Bank where he specialised in French mid-cap institutional equity sales. In November 2010 he joined Exane BNP Paribas where, as an Extel-rated salesman, he latterly led their Pan European Mid Cap Sales team after becoming a Partner in the firm in November 2011. Oliver holds a BSc (Honours) in Economics & Politics from the London School of Economics.

Pan European equities strategy

Invesco Perpetual

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 focus 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, before joining Invesco Perpetual 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 Atlanta, Erik specialises in the research and management of equities strategies for Invesco. Not only is he a member of the Global Core Equity team in Atlanta, but he also forms part of Invesco Perpetual's European Equities team and the Invesco Perpetual Global Smaller Companies Group based in Henley-on-Thames, spending approximately two months a year there. Erik's career started in 1997 and prior to joining Invesco in October 2007, he worked with Morgan Stanley, most recently as a pan European small and mid-cap equity specialist covering institutional equity sales into the Benelux region. Previously, he had worked for three years with ING Barings in Amsterdam, specialising in Dutch equities institutional sales. 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.

Steve Smith, European Equities Trainee Analyst at Invesco Perpetual

Based in Henley-on-Thames, Steve joined Invesco Perpetual in September 2015 as a trainee analyst within the European Equities team, after spending six months with the team during an internship in 2014. Steve holds a BSc (Honours) in Business Administration from the University of Bath which included an accredited spell at Copenhagen Business School.

Joel Copp-Barton, European Equities Product Director at Invesco Perpetual

Based in Henley-on-Thames, Joel represents Invesco Perpetual's European Equities investment capabilities to external and internal clients. Joel joined the company as Product Director for Invesco Perpetual's European Equities team in March 2012, reporting directly to Jeff Taylor, Head of European Equities at Invesco Perpetual. He began his industry career in 1998, joining Dresdner Kleinwort as an analyst covering the Pan European Transportation sector before moving to Nomura in the same area of expertise. Joel holds a BA (Honours) in Business Studies from the Manchester Metropolitan University.

Nitesh Mistry, European Equities Assistant Product Director at Invesco Perpetual

Based in Henley-on-Thames, Nitesh represents Invesco Perpetual's European Equities investment capabilities to external and internal clients. He joined the company in June 2006 and supported the European Equities team as Product Manager before transferring to the team in March 2014 reporting directly to Jeff Taylor, Head of European Equities at Invesco Perpetual. Nitesh began his industry career in 2000, and prior to joining Invesco Perpetual, he was an Investment Communications Specialist at Old Mutual. Nitesh holds a BSc (Honours) in Economics and Finance from the University of York and the Investment Management Certificate from the CFA Society of the UK.

Pan European equities strategy

Invesco Perpetual

UK Equities team

Mark Barnett, Head of UK Equities at Invesco Perpetual

Based in Henley-on-Thames, Mark joined Invesco Perpetual in 1996 as a fund manager within the UK Equities team and was appointed Head of UK Equities in 2014. He is the team's most experienced fund manager, specialising in UK equity income investing. Mark is responsible for the management of a number of UK equity portfolios, including both open and closed ended vehicles. Mark began his investment career with Mercury Asset Management in 1992. He graduated in French and Politics from Reading University in 1992 and has passed the associate examinations of the Association for Investment Management and Research (AIMR).

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 Invesco Perpetual 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.

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 an investment analyst before moving to United Friendly Asset Management (UFAM) in 1999 as a fund manager and joining Invesco Perpetual in 2005. He holds an MA in Chemistry from Oxford University, the Securities Institute Diploma and is a CFA charterholder.

James Goldstone, UK Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, James is responsible for the management of a number of UK equity portfolios. Prior to joining Invesco Perpetual in August 2012, James was co-head of pan-European sales at Banco Espirito Santo in London. James began his career in equity sales at Credit Lyonnais in 2001 and went on, via HSBC and Dresdner Kleinwort, to specialise in UK equity sales. James graduated with a BA in French from Manchester University.

Tim Marshall, UK Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Tim joined the company in August 2014 as a senior investment analyst within Invesco Perpetual's UK Equities team. Tim started his investment career with UBS, London in 2001. Specialising in Transport sector equity research, he became Head of European Transport Research in 2006 and was a number one rated transport analyst by both Institutional Investor and Extel. Three years later, he joined Redburn as an analyst, continuing his specialisation in the Transport sector, subsequently becoming a Partner at the company. Tim holds an MA (Hons) in International Relations and Modern History from the University of St Andrews, Scotland.

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 Invesco Perpetual within a similar role in 2000. In 2004 Jonathan joined the firm's 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

Pan European equities strategy

Invesco Perpetual

in Bio-Chemistry from UMIST and has also secured both the Investment Management Certificate from the CFA Society of the UK and the Securities Institute Diploma.

Robin West, CFA, UK Small Cap Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Robin works alongside Jonathan Brown, managing a number of UK smaller company equity portfolios. He started his career at KPMG and joined Invesco 'first time around' in 1995, where he spent eight years as a smaller companies fund manager. Robin went on to join Oriel Securities where he worked as a small companies analyst and subsequently Aviva Investors in 2004 before returning to Invesco Perpetual in July 2014. Robin graduated from Cambridge University with a MA in Natural Sciences. He is also an Associate of the Institute of Chartered Accountants and is a CFA Charterholder.

Frederick Bouverat, UK Equities Investment Analyst at Invesco Perpetual

Based in Henley-on-Thames, Frederick joined the company in 2014 and has specific responsibility for unquoted investments. He started his investment career in 2009 with Numis Securities in London, where he became an Associate Director in Equity Sales with a focus on technology & biotech companies. Frederick graduated with a BA in History from University College London.

Hilary Cook, UK Equities Product Director at Invesco Perpetual

Based in Henley-on-Thames, Hilary joined the company in 2011 and has responsibility for communicating Invesco Perpetual's UK equities investment capabilities internally and externally. Hilary began her investment career in 1983 and worked for Scottish Provident, Wood MacKenzie, Robert Fleming and UBS before moving to Barclays in 1991 - where she was Head of Research for Barclays Stockbrokers prior to becoming Director of Investment Strategy for Barclays Wealth in 1997. She gained an MA in Philosophy, Politics and Economics from the University of Oxford and was a Fulbright Scholar at the University of Utah, USA.

John Richards, UK Equities Product Director at Invesco Perpetual

Based in Henley-on-Thames, John joined the company in 2014 and has responsibility for communicating Invesco Perpetual's UK equities investment capabilities internally and externally. John began his investment career in 1983 at Mercury Asset Management where he became Head of Investment for UK institutions. He then co-founded and held the position of CIO at Société Générale Asset Management UK in 1997. After leaving Société Générale in 2007, John developed a hotel and restaurant business in France. John holds a BSc (Hons) degree in Economics from University College, London.

Important information

The information contained in this document relating to the composition of the 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).

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.

All data is as at 31 December 2016, sourced from Invesco unless otherwise stated.

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

As with all investments there are associated risks. Please obtain and review all relevant materials carefully before investing.

Invesco Perpetual is a business name of Invesco Asset Management Limited, Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire RG9 1HH, UK. Authorised and regulated by the Financial Conduct Authority.

GLRFP231



Strategy profile
Japanese equities
Invesco Perpetual
February 2017



Japanese equities

Invesco Perpetual

Corporate overview	3
Investment team & assets under management	5
Investment philosophy	7
Investment process	8
Risk management	13
Strategy overview	20
Appendix 1: Biographies	21

Corporate overview

Invesco Ltd. (Invesco)

Invesco is one of the world's leading independent global investment firms, solely focused on investment management. With 6,788 employees worldwide as at 31 December 2016, the firm directs all of its intellectual capital, global strength and operational stability toward helping investors achieve their long term financial objectives. By delivering the combined power of the firm's distinctive investment management capabilities, Invesco provides a wide range of investment strategies and vehicles to retail and institutional clients around the world. Operating in over 20 countries, the company is listed on the New York Stock Exchange under the symbol IVZ.

Invesco offers diversified investment strategies spanning all major equity, fixed income, asset allocation and alternative asset classes. These strategies are managed across various worldwide investment centres, each of which focus on distinct asset classes, investment styles or regional expertise and adhere to clearly defined investment philosophies aligned with client expectations. Each team is able to operate independently, allowing them to follow and further their specific investment style and expertise.

To further strengthen its investment culture, Invesco also maintains an active Investors Forum that consists of senior investment professionals from each investment centre. Co-chaired by Chief Executive Officer (CEO) Martin L. Flanagan and Senior Managing Director Karen Dunn Kelley, the role of the Investors Forum is primarily to foster, promote and grow investment excellence across the organisation.

Invesco's distinctive combination of independent thought within individual investment centres and collaboration across investment centres provides clients the reach and resources of a global organisation and the focus and attention of a boutique firm: Invesco's investment capabilities are both diverse and specialised; the firm is global in reach yet local in presence and its processes are disciplined yet can be delivered in customised ways. All of which distinctively positions Invesco to keep pace with clients' evolving investment needs worldwide.

Invesco Perpetual

Background

Invesco Perpetual is a business name of Invesco Asset Management Limited (IAML). IAML forms part of Invesco UK Limited, which itself forms part of Invesco.

With USD116.45 billion in assets under management¹ as at 31 December 2016 and located in Henley-on-Thames (Henley), Invesco Perpetual's investment team structure exhibits many of the advantages of a boutique firm structure, albeit part of a larger organisation: small high-quality teams; the location of the team away from the main UK investment centres, 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 fund manager and analyst are combined.

¹ Total assets managed by Invesco Perpetual's investment centre as at 31 December 2016.

Japanese equities

Invesco Perpetual

Invesco Perpetual's highly experienced investment team consists of 68 investment professionals with an average 17 years' investment experience². The firm believes that a focused and highly-experienced team provides the best means of maximising value that it can generate for its clients by continuing to adopt a long-term, active approach to investment.

Invesco Perpetual's 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, the firm remains passionately focused on that original aim. Today, from its office in Henley, Oxfordshire, its investment team invests across 40 stock markets, over 500 companies globally and travels extensively to meet companies and their management.

Stability:

Turnover within Invesco Perpetual's investment team is low, and the stability of the team is a factor in helping the firm in its aim to deliver long-term sustainable outperformance. Invesco Perpetual believes that the unique location of its 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. Invesco Perpetual believes that investment management must be undertaken in a work environment where fund managers, who are focused on longer-term performance, are free to operate independently but with clear accountability and within a challenge culture. Fund managers must be given the opportunity to stand by their convictions. Invesco Perpetual believes that culture and environment are more important to "get right" than mapping a dogmatic process. The firm must be pragmatic and flexible.

Invesco Perpetual has 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 the firm's fund managers are aided in this by a robust oversight and risk management process.

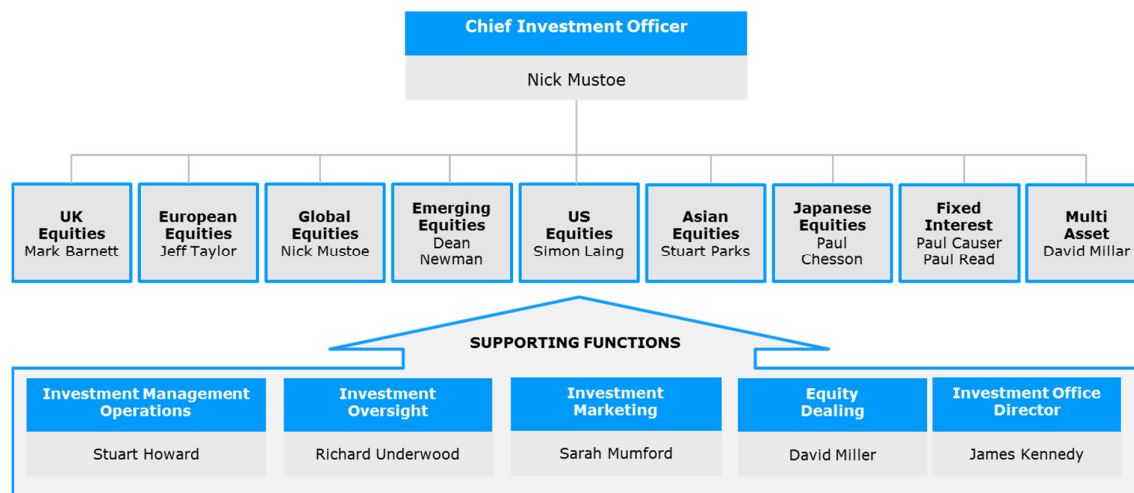
² Investment professionals as at 31 December 2016 include Invesco Perpetual's Chief Investment Officer (CIO), fund managers, analysts, trainee analysts, strategists, Multi Asset research director, Multi Asset portfolio director, Multi Asset product director and fixed income dealers.

Japanese equities

Invesco Perpetual

Investment team & assets under management

Invesco Perpetual's investment team is structured as follows:



Source: Invesco Perpetual as at 31 December 2016.

Within the team, the fund 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 the 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 three members:

Name	Role	Years' industry experience	Years' tenure
Paul Chesson	Head of Japanese equities	26	24
Tony Roberts	Japanese equities fund manager	21	17
Andy Tidby	Japanese equities fund manager	20	8

Source: Invesco Perpetual as at 31 December 2016. Years' tenure and industry experience may be subject to rounding up.

Biographies of team members are included within **Appendix 1**.

Japanese equities

Invesco Perpetual

Assets under management

As at 31 December 2016, the Japanese Equities team had US\$1.3 billion in assets under management. This covers all Japanese (sub-) portfolios within segregated and pooled investment vehicles³.

The table below provides a breakdown of the assets managed specifically under the Japanese equity strategy.

Asset breakdown	US\$ million	£ million	EUR million
Japanese equity strategy only	824.4	667.2	781.6
Japanese equity sub-portfolios of broader Asia Pacific and Global equity mandates	469.3	379.8	444.9
Total	1,293.7	1,047.0	1,226.6

Source: Invesco Perpetual as at 31 December 2016. Totals may not sum due to rounding.

³ Data includes all assets managed including carve-outs of global equity and multi-asset mandates.

Investment philosophy

At the core of the investment team'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.

Market inefficiencies

Invesco Perpetual believes that investors' behavioural biases repeatedly give rise to 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

The investment team seeks to exploit these market inefficiencies through careful fundamental analysis and a strong emphasis on valuation.

Investment process

Investment universe

Japan investment strategy universe

The Japanese Equities team researches all areas of the universe and considers the Topix 1st Section Index to be their primary universe of stocks.

Idea generation

The investment process begins by identifying stocks that meet the teams' investment criteria. The teams adopt a flexible approach to sourcing ideas, and try to avoid dismissing ideas for pre-conceived reasons. Indeed, it is this type of investor behaviour that often provides the investment teams with opportunity to invest in undervalued companies. Ideas are generated from a number of sources:

- Research capabilities and the individual and collective experience of the Henley-based regional equity investment teams
- Third party brokers/external research providing the investment team with an experienced network of sell side analysts, economists and strategists
- Company meetings
- Research trips, visits and seminars
- Screening tools - technical analysis and quant screening
- Macro - companies do not operate in a vacuum, so it is important to understand how their profitability will be impacted by changes in the macro environment.

Investment approach

There are a number of characteristics central to the team's investment approach:

Active:

The investment team are conviction investors, actively managing portfolios and investing where they believe the best returns are to be found irrespective of the index.

Top-down and bottom-up fundamental analysis:

The investment team combines detailed top-down and bottom-up fundamental analysis, both for new idea generation and the ongoing evaluation of existing holdings in their 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 sector levels, particularly at inflection points in the market or economic cycle. In their fundamental analysis, they incorporate internal proprietary research, selected externally sourced research and extensive company contact.

Valuation:

The investment team is valuation driven. Valuation determines whether a stock is an attractive investment or not. The 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 sector, stock, market capitalisation or style bias within the investment approach. This gives the fund managers the freedom to position the funds in response to

Japanese equities

Invesco Perpetual

underlying market conditions and the availability of investment opportunities. Consequently, they may change significantly over time.

Conviction portfolios:

The investment team often take contrarian views, but this is on a considered, not an automatic, basis. They 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 their portfolios will reflect the level of their conviction. They are prepared to stand by their views through a period of underperformance if they are confident that their strategy will deliver superior performance over a longer period.

Long-term investing:

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

The process for Invesco Perpetual's Japanese equity portfolios is illustrated below:



Source: Invesco, as at 31 December 2016. For illustrative purposes only.

Stock research

Invesco Perpetual's Japanese Equities team's research effort is structured to maximise its ability to identify and analyse the stocks that have the potential to add the most value to the fund. To achieve this, Invesco Perpetual combines the role of fund manager and analyst. This approach leverages from the experience of the fund 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 fund manager.

All members of the Japanese Equities 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 it to leverage from its top-down macro work and allocate the research resource to where it believes 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 the fund managers look to

Japanese equities

Invesco Perpetual

leverage from, complimented by any further research undertaken by other team members.

There are a number of key elements central to the team's approach to research:

- Internal proprietary research undertaken by an individual fund manager
- Extensive company contact
- Selective external research providers

The majority of the team's research is bottom-up stock specific, with a strong focus on valuation, incorporating its perception of the macro outlook.

Bottom-up research

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 the team are looking for new investment ideas they are constantly applying the same scrutiny to the companies we already hold in our portfolios. At a stock level they are looking for companies they consider to be attractively valued and to have a positive outlook and/or improving growth prospects where they 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. The team's 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 extraordinary items) and the assumptions inherent in the stock valuation. The team's views are usually expressed as a valuation target which includes a consideration of the absolute attractiveness of the stock as an investment. The team do not formally document their research and analysis, as they believe this can cause delays in the decision-making process. It can also inhibit flexibility when conditions change. However, their views are communicated and discussed on a timely and informal basis, with focus being on producing useful outputs rather than documentation for its own sake.

Meeting company management is critical in the fund manager's information gathering process. 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 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:

Japanese equities

Invesco Perpetual

- The fund manager believes he 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.

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.

Invesco Perpetual emphasises the importance of internal proprietary research in combination with extensive company contact in the research stage. External research that is used is used purely as an input, as opposed to being a 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 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 judgmental business and the major scope to add value is in the interpretation that Invesco Perpetual's investment team places on the available information. The experience of fund 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.

Portfolio constraints

There are no formal sector or stock limits set in the portfolio construction process, other than to meet regulatory or specific client investment restrictions. This gives the fund managers the freedom to position their strategies in response to underlying market conditions and the availability of investment opportunities. Consequently, they may change significantly over time.

Japanese equities

Invesco Perpetual

Buy/sell discipline

The buy and sell decision-making process is driven by qualitative analysis. As quantitative buy and sell disciplines are not used, there therefore is no trigger or chain of events used to automatically induce a buy or sell.

Stocks will be purchased if they demonstrate sufficient potential for share price appreciation subject to the team's assessment of risk. At the stock level, the key risks are highlighted and assessed during the research stage. The resulting risk/reward will then be considered in context of a portfolio's existing holdings, and their inclusion in the portfolio is permitted under its investment parameters.

Once bought, portfolio holdings are very actively monitored. A stock will be considered for sale if it is no longer undervalued; a more attractive opportunity has been identified elsewhere; or the investment case for the stock no longer applies.

Any decision to sell will be the decision of the fund managers, normally following on from discussion and consultation with other members of the investment teams. When purchasing/selling a position, fund managers will typically scale into and out of a stock over time rather than buy or sell a full position at once.

Risk management

Invesco employs a multi-faceted approach to oversight and risk management that is deeply embedded in the firm's culture, organisational governance and business structure. 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. These investment teams' processes are bolstered and overseen by multi-dimensional independent controls.

Invesco's Global Performance Measurement and Risk (GPMR) team is an independent function consisting of over 90 professionals providing comprehensive, detailed sources of information and analysis that will help Invesco better understand investment performance, quality, and risk. This team provides regular reviews of the performance and risk attributes of the various investment team disciplines to senior leadership.

With regards to firm-level risk management, Invesco'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.

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 regulatory requirements. The Invesco Compliance group (Compliance) 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 leadership regularly or as necessary.

The table overleaf visually presents how investment teams' processes are bolstered and overseen by multi-dimensional independent controls.

These controls include:

- The GPMR team (consisting of over 90 professionals), an independent group responsible for analysing performance and activities, as well as position and risk, in the context of investment process and philosophy, market environment and client expectations.
- Invesco's senior leadership oversight, comprised of:
 - Reporting lines running from investment team CIOs who have day-to-day responsibility for investment team risk controls up to the Invesco Senior Managing Director having management responsibility for the investment team.
 - Quarterly and monthly reviews, performed based upon investment performance and risk analytics of each investment discipline produced by the GPMR team. These reviews are conducted by the CEO and those Senior Managing Directors who oversee the investment teams.
 - Review of operational controls and related corporate exposures by the Invesco Corporate Risk Management Committee.

Japanese equities

Invesco Perpetual

- Regular review of investment matters by the Invesco Board of Directors and independent Fund Boards, 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'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.

Risk Oversight and Governance	Board of Directors and Fund Boards			
	Executive Management Team			
Risk Management Facilitation	Risk Areas of Focus	<ul style="list-style-type: none">InvestmentCredit/Asset/Liability	<ul style="list-style-type: none">FinancialOperational	<ul style="list-style-type: none">Business
		Global Performance Measurement and Risk <ul style="list-style-type: none">Facilitates investment oversight functionIndependently reviews investment execution and process applicationMonitors consistency of investment results with mandates, market environments, client and CIO expectations90+ professionals	Corporate Risk Management Committee <ul style="list-style-type: none">Timely and consistent identification, evaluation and mitigation of operational and business riskSenior executives from all major business functions including:<ul style="list-style-type: none">Investment management/tradingProduct managementAdministration (information technology, investment operations, human resources, procurement)Portfolio operationsLegal and complianceFinance and internal auditStrategy	
Risk Management Embedded in the Business	Investment Risk Management Managing our core risks through the investment centers			
	Business/Operational Risk Management Managing all other risks in the business			
Internal Control	Compliance and Internal Audit Facilitate and monitor internal control at all levels			

For illustrative purposes only.

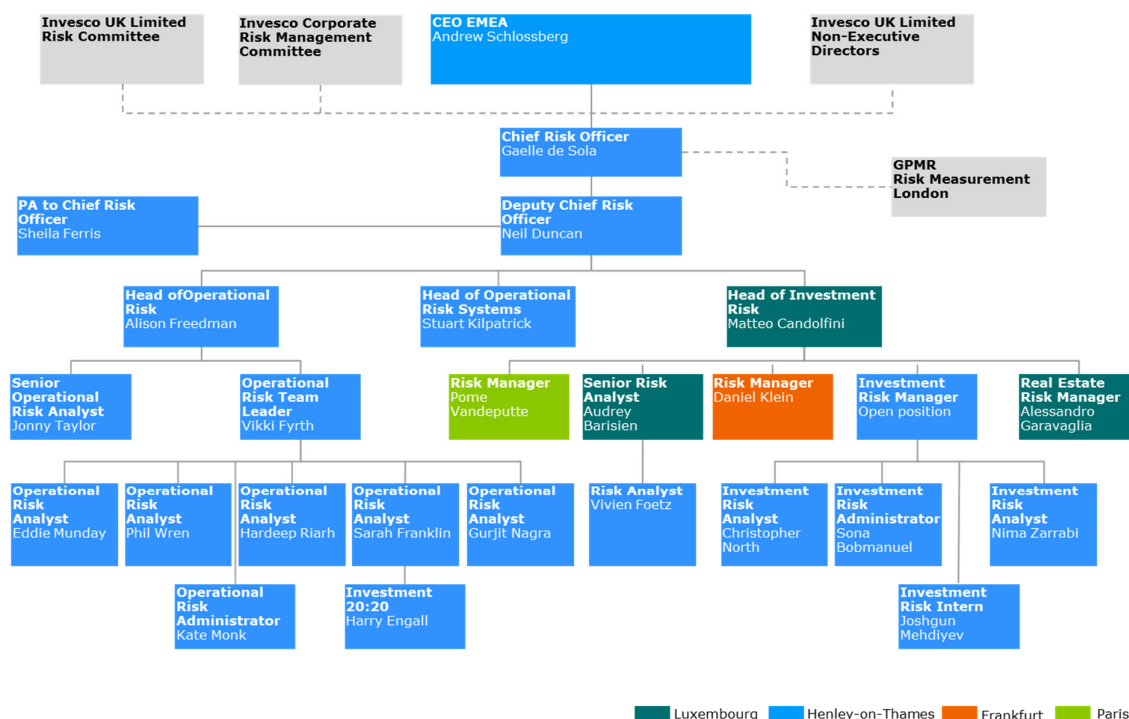
Independent Risk Function (IRF) in Europe, the Middle East and Africa (EMEA)

Gaelle de Sola, Chief Risk Officer for EMEA, leads the IRF 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 market, liquidity and counterparty risk) for the firm's UK and European (France, Ireland and Luxembourg) domiciled UCITS funds, Alternative Investment Funds (AIFs) and other relevant portfolios.

Gaelle reports directly to Andrew Schlossberg CEO of Invesco EMEA, Senior Managing Director of Invesco and Head of Invesco's EMEA region. The chart below illustrates the framework in which the IRF functions:

Japanese equities

Invesco Perpetual



Source: Invesco as at 4 January 2017.

The IRF is an independent assurance function for Invesco UK Limited⁴, and respectively all Invesco entities within EMEA. Its aim is to support and facilitate directors, senior management and the business in assessing, managing, monitoring and reporting all of Invesco's risks in EMEA. Risks that are assessed by the business or the senior management team to be inadequately managed, outside of Invesco's policies and procedures, risk appetite, best practice and regulatory requirements, are reported together with recommended actions for their risk reduction within the Invesco tolerance level. The IRF has a duty to highlight where risks may be inadequately or incorrectly assessed to the Invesco UK Limited Board to ensure appropriate attention is paid to these risks.

The role of the IRF is to undertake independent risk controlling duties at both a company and fund level. The tasks and duties of the IRF encompass different areas that include the oversight of implemented actions, strategies and processes aimed to comply with regulatory requirements for internal audit, compliance, risk management and risk reporting. The IRF ensures relevant techniques for risk measurement and reviews regularly the adequacy of existing methods. Furthermore, the IRF is in charge of coordinating the execution of identification, evaluation and quantification of risks.

The activities of the two teams within the IRF are as follows:

Operational risk

- Facilitate and coordinate the quarterly risk self-assessment (RSA) process and independently challenge the RSAs completed by each business function
- Active management and administration of the risk management module of BWISE, the system used to record incidents and risks

⁴ Invesco UK Limited is the parent company of IAML.

Japanese equities

Invesco Perpetual

- Provide operational risk information for capital requirements directive purposes e.g. for the ICAAP (Internal Capital Adequacy Assessment Process), including quantified aggregated inherent impact exposures and viable stress-test scenarios
- End-to-end management of the incident reporting module of B Wise including independently following up on and ensuring effective mitigation of incidents logged by the business and investigation of systemic and thematic issues

Investment risk

- Independently monitor, quantify and assess all investment-related risks within and across products during the new product development phase and within the life of a product
- Monitoring of portfolio risk limits (regulatory and internal) with application of the escalation process
- Communicate/heighten awareness and escalate investment-related risks, on an ad hoc basis as warranted, through regular 'risk challenge' sessions with fund managers
- Derivatives risk management oversight
- Oversight of risk systems, models and analytics

The IRF is also responsible for setting up adequate risk management policies to reflect processes and guidelines in place to ensure they are in line with regulatory standards across EMEA as well as best practices and oversee their implementation.

Additionally, the IRF is in charge of risk reports for senior management and boards and communication on risk-related matters to internal and external stakeholders.

The IRF collaborates closely with other risk experts within the firm, in particular the GPMR team, an independent function consisting of over 90 professionals. GPMR is responsible for analysing performance and activities, as well as position and risk, in the context of investment process and philosophy, market environment and client expectations. In particular, in EMEA, the GPMR team focuses on the production of risk metrics, such as the Value-at-Risk (VaR), stress-testing or liquidity risk analysis.

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 investments 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 below, this process is implemented via challenge meetings that are attended by the CIO, a member of the Investment Oversight team and the fund manager and seeks to check that the individuals managing money are doing so in a way that adds value to the firm's clients, and that the risks taken on behalf of its clients are understood and are considered appropriate. The objective is to review each fund manager annually, although where particular issues are identified with performance or the investment process, these take precedence.

Risk management is an integral component of Invesco Perpetual's 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.

Japanese equities

Invesco Perpetual

Although the fund manager is always aware of the relative risk they are running – where relative risk is defined as the holding of investment positions that differ from the structure of the benchmark – they do not set out to manage the relative risk characteristics of their portfolios.

A portfolio's relative risk characteristics will simply be a function of the investment decisions and absolute risk judgments that were made while constructing the portfolio.

Continuous monitoring

At the total portfolio level, monthly performance, attribution and risk reports are considered by Invesco Perpetual's Investment Oversight team, ensuring 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, a member of the Investment Oversight team and the fund manager. Where the CIO is the lead manager, Invesco Perpetual's Head of Investment Oversight undertakes the CIO challenge process. 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 the firm's 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 potential 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 the firm's 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.

As mentioned, 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. The challenge process seeks to check that the individuals managing money are doing so in a way that strives to add value to the firm's clients.

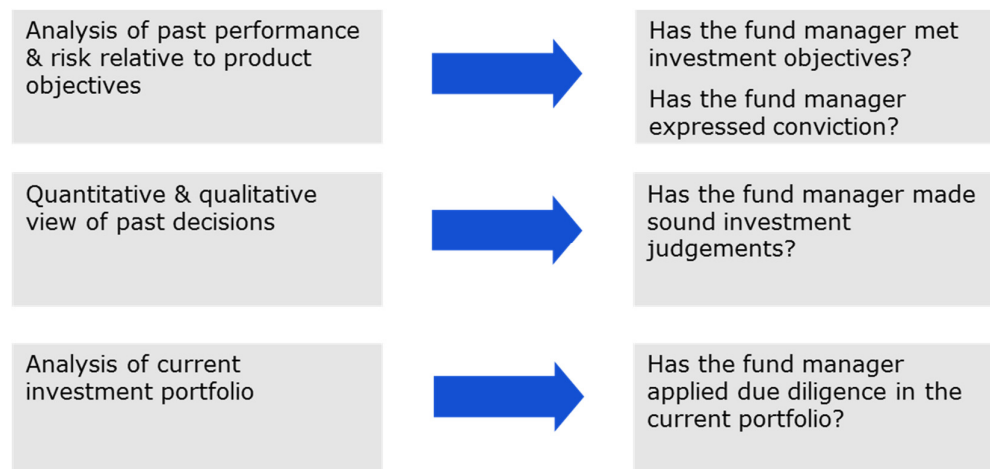
Fund managers are given the autonomy to back their investment judgment within the scope of fund mandates and regulations. Invesco Perpetual does not wish to put in place unnecessary restrictions that limit a fund manager's ability to back his/her own convictions in a stock or investment strategy. In an environment that allows such free thought, traditional controls and processes are particularly important, but applied in a pragmatic way.

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 Invesco Perpetual's Henley investment centre.

Japanese equities

Invesco Perpetual

The chart below illustrates this process:



For illustrative purposes only.

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 has trading activity 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 the Investment Oversight team to check the understanding of a fund manager's active positions against their investable universe.
- **Risk reporting:** to challenge/support where the investment teams believe their excess returns will come from.
- **Active positions:** where are major stock, industry, country or asset class positions being taken?

The aim of the CIO challenge process is to ensure that there is sufficient investment oversight to monitor that risks taken on behalf of Invesco Perpetual's clients are understood and are considered appropriate. It is accepted that Invesco Perpetual's business is judgmental 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.

Japanese equities

Invesco Perpetual

Investment monitoring

A summary of the main IT systems used by the IRF for risk management oversight is provided below:

Risks covered	IT system	Service provider	Use
Market	RiskMetrics	MSCI	Daily VaR and monthly stress-testing
	APT	FIS (Formerly SunGard)	Volatility analysis for the Invesco Perpetual Multi Asset team's funds
Liquidity	Liquidity Analyser	RC Banken	Liquidity reports
Counterparty	GPMR internal database	GPMR (Internal)	Concentration exposure
Operational	BWise	NASDAQ OMX	Incident reporting and operational risk management
	Stress Controller	Risk Control	Capital adequacy assessments

In assessing portfolio risk, Invesco Perpetual's Investment Oversight team measures performance analysis, portfolio contribution and attribution at both sector and individual stock level and portfolio characteristics, such as financial ratios.

A summary of the investment monitoring tools used by the team is provided below:

Investment monitoring tools	Service provider	Use
Contribution, Attribution and Performance Reporting (CAPeR)	GPMR (Internal)	Performance attribution and contribution system used to provide stock level bottom-up or top-down attribution/contribution analysis
Perspective II	Internal	Fund management system used by fund managers for the day-to-day management of portfolios and their analysis relative to benchmark on a country/sector/stock basis
Style Research	Style Research	Used to analyse the 'style profile' of portfolios using measures such as book to price, dividend yield, earnings growth, market cap, debt/equity ratio etc.
APT	APT	Used to understand the ex-ante risk exposures of a portfolio at the country, sector, stock and factor level. Is also used for what-if scenario analysis to understand the risk impact of any changes made to the portfolio and for stress testing
Statpro Analytics Composites	Statpro	AIMR-GIPS performance and risk metrics tool
Morningstar	Morningstar	Retail fund performance analysis relative to the benchmark and competitor universe
Lipper	Lipper	Retail fund performance analysis relative to the benchmark and competitor universe

Japanese equities

Invesco Perpetual

Strategy overview

Japanese equities

Strategy name, manager and objective	Benchmark	Concentration
Japanese equities Paul Chesson / Tony Roberts The strategy is invested to achieve capital growth in Japan.	TOPIX	Typically 30 – 70 stocks

Appendix 1: Biographies**Lead fund managers:****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.

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.

Supported by:**Andy Tidby, Japanese Equities Fund Manager at Invesco Perpetual**

Based in Henley-on-Thames, Andy is a fund manager 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 his current capacity at the beginning of 2011. He began his investment career in 1997 as a client portfolio manager with HSBC Bank, then joined HSBC Global Asset Management in 2003 as a senior investment writer. Andy holds the IMC qualification from the CFA Society of the UK and passed Level 1 of the CFA exam in December 2012.

Important information

The information contained in this document relating to the composition of the 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).

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.

All data is as at 31 December 2016, sourced from Invesco unless otherwise stated.

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

As with all investments there are associated risks. Please obtain and review all relevant materials carefully before investing.

The strategy invests in a limited number of holdings and is less diversified, and therefore this may result in large fluctuations of the value of the strategy.

Invesco Perpetual is a business name of Invesco Asset Management Limited, Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire RG9 1HH, UK. Authorised and regulated by the Financial Conduct Authority.

GLRF237

Contact information

Christopher Edge

Director of UK Compliance

Telephone +44 (0) 1491 417000

Christopher.edge@invescopetual.co.uk

Invesco Asset Management Limited

Perpetual Park

Perpetual Park Drive

Henley-on-Thames

Oxfordshire

RG9 1HH

UK

www.invescopetual.co.uk



Strategy profile
Asia ex-Japan equities
Invesco Perpetual
February 2017



Asia ex-Japan equities

Invesco Perpetual

Corporate overview	3
Investment team & assets under management	Error! Bookmark not defined.
Investment philosophy	7
Investment process	8
Risk management	15
Strategy overview	15
Appendix 1: Biographies	23

Asia ex-Japan equities

Invesco Perpetual

Corporate overview

Invesco Ltd. (Invesco)

Invesco is one of the world's leading independent global investment firms, solely focused on investment management. With 6,788 employees worldwide as at 31 December 2016, the firm directs all of its intellectual capital, global strength and operational stability toward helping investors achieve their long term financial objectives. By delivering the combined power of the firm's distinctive investment management capabilities, Invesco provides a wide range of investment strategies and vehicles to retail and institutional clients around the world. Operating in over 20 countries, the company is listed on the New York Stock Exchange under the symbol IVZ.

Invesco offers diversified investment strategies spanning all major equity, fixed income, asset allocation and alternative asset classes. These strategies are managed across various worldwide investment centres, each of which focus on distinct asset classes, investment styles or regional expertise and adhere to clearly defined investment philosophies aligned with client expectations. Each team is able to operate independently, allowing them to follow and further their specific investment style and expertise.

To further strengthen its investment culture, Invesco also maintains an active Investors Forum that consists of senior investment professionals from each investment centre. Co-chaired by Chief Executive Officer (CEO) Martin L. Flanagan and Senior Managing Director Karen Dunn Kelley, the role of the Investors Forum is primarily to foster, promote and grow investment excellence across the organisation.

Invesco's distinctive combination of independent thought within individual investment centres and collaboration across investment centres provides clients the reach and resources of a global organisation and the focus and attention of a boutique firm: Invesco's investment capabilities are both diverse and specialised; the firm is global in reach yet local in presence and its processes are disciplined yet can be delivered in customised ways. All of which distinctively positions Invesco to keep pace with clients' evolving investment needs worldwide.

Invesco Perpetual

Background

Invesco Perpetual is a business name of Invesco Asset Management Limited (IAML). IAML forms part of Invesco UK Limited, which itself forms part of Invesco.

With USD116.45 billion in assets under management¹ as at 31 December 2016 and located in Henley-on-Thames (Henley), Invesco Perpetual's investment team structure exhibits many of the advantages of a boutique firm structure, albeit part of a larger organisation: small high-quality teams; the location of the team away from the main UK investment centres, 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 fund manager and analyst are combined.

¹ Total assets managed by Invesco Perpetual's investment centre as at 31 December 2016.

Asia ex-Japan equities

Invesco Perpetual

Invesco Perpetual's highly experienced investment team consists of 68 investment professionals with an average 17 years' investment experience². The firm believes that a focused and highly-experienced team provides the best means of maximising value that it can generate for its clients by continuing to adopt a long-term, active approach to investment.

Invesco Perpetual's 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, the firm remains passionately focused on that original aim. Today, from its office in Henley, Oxfordshire, its investment team invests across 40 stock markets, over 500 companies globally and travels extensively to meet companies and their management.

Stability:

Turnover within Invesco Perpetual's investment team is low, and the stability of the team is a factor in helping the firm in its aim to deliver long-term sustainable outperformance. Invesco Perpetual believes that the unique location of its 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. Invesco Perpetual believes that investment management must be undertaken in a work environment where fund managers, who are focused on longer-term performance, are free to operate independently but with clear accountability and within a challenge culture. Fund managers must be given the opportunity to stand by their convictions. Invesco Perpetual believes that culture and environment are more important to "get right" than mapping a dogmatic process. The firm must be pragmatic and flexible.

Invesco Perpetual has 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 the firm's fund managers are aided in this by a robust oversight and risk management process.

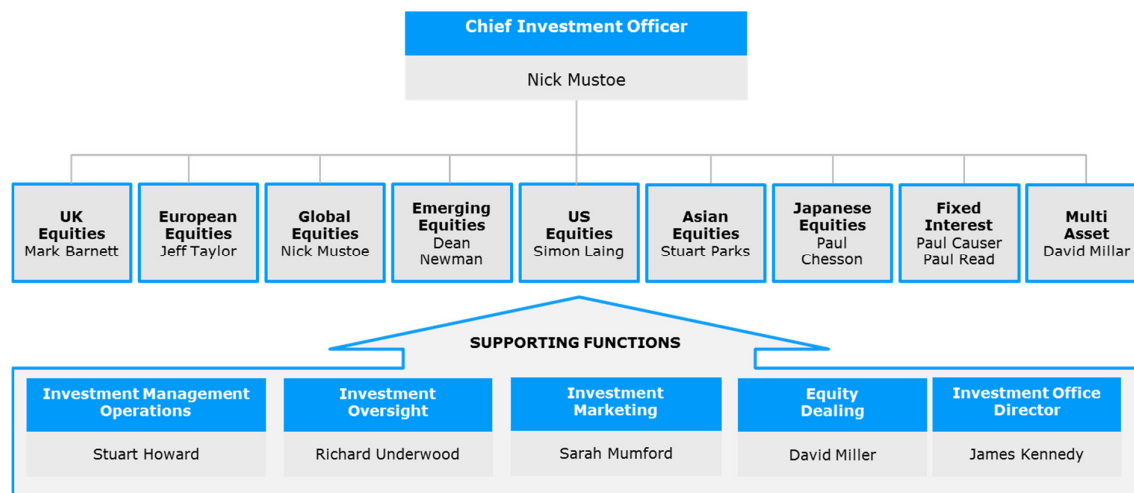
² Investment professionals as at 31 December 2016 include Invesco Perpetual's Chief Investment Officer (CIO), fund managers, analysts, trainee analysts, strategists, Multi Asset research director, Multi Asset portfolio director, Multi Asset product director and fixed income dealers.

Asia ex-Japan equities

Invesco Perpetual

Investment team & assets under management

Invesco Perpetual's investment team is structured as follows:



Source: Invesco Perpetual as at 31 December 2016.

Within the team, the fund 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.

The table below sets out an overview of the decision makers within the team. Led by Stuart Parks, the Asian Equities team comprises five members:

Name	Role	Years' industry experience	Years' tenure
Asian Equities team			
Stuart Parks	Head of Asian equities team	32	23
Ian Hargreaves	Asian equities fund manager	22	22
William Lam	Asian equities fund manager	16	11
Tim Dickson	Asian equities fund manager	24	8
Charles Bond	Analyst	6	5

Source: Invesco Perpetual as at 31 December 2016. Years' tenure and industry experience may be subject to rounding up.

Biographies of team members are included within **Appendix 1**.

Asia ex-Japan equities

Invesco Perpetual

Assets under management

As at 31 December 2016, the Asia ex-Japan equities team had US\$15.2 billion in assets under management. This covers all Asian ex Japan (sub-) portfolios within segregated and pooled investment vehicles³.

Provided in the table below is a breakdown of the assets managed specifically under the Asia ex-Japan equity strategy:

Asset breakdown	US\$ million	£ million	EUR million
Asia ex-Japan equity mandates	14,037.9	11,421.7	13,308.6
Asia ex-Japan sub portfolios of broader global equity mandates	1,136.3	902.6	1,077.3
Total Asia ex-Japan equity	15,174.2	12,324.3	14,385.8

Source: Invesco Perpetual as at 31 December 2016. May not sum due to rounding.

³ Data includes all assets managed including carve-outs of global equity and multi-asset mandates.

Asia ex-Japan equities

Invesco Perpetual

Investment philosophy

At the core of the investment team'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.

Market inefficiencies

Invesco Perpetual believes that investors' behavioural biases repeatedly give rise to 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

The investment team seeks to exploit these market inefficiencies through careful fundamental analysis and a strong emphasis on valuation.

Asia ex-Japan equities

Invesco Perpetual

Investment process

Investment universe

Within the restrictions as to where the team's strategy can invest, the universe theoretically covers all stocks that are quoted in Asia ex-Japan. In practice, the team has created an investable universe of around 500 stocks, most of which has been covered in detail for a considerable period of time.

The 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 summarised, as follows:

- Size: liquidity factors and the size of the strategies that the team manage mean that they rarely hold companies with a market capitalisation of below US\$300m
- Liquidity: the team aim to be able to enter and exit the majority of positions over 10 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.

Idea generation

The investment process begins by identifying stocks that meet the teams' investment criteria. The team adopts a flexible approach to sourcing ideas, and tries to avoid dismissing ideas for pre-conceived reasons. Indeed, it is this type of investor behaviour that often provides the investment team with opportunity to invest in undervalued companies. Ideas are generated from a number of sources:

- Research capabilities and the individual and collective experience of the Henley-based regional equity investment teams
- Third party brokers/external research providing the investment team with an experienced network of sell side analysts, economists and strategists
- Company meetings
- Research trips, visits and seminars
- Screening tools - technical analysis and quant screening
- Macro - companies do not operate in a vacuum, so it is important to understand how their profitability will be impacted by changes in the macro environment.

Investment approach

There are a number of characteristics central to the team's investment approach:

Active:

The investment team are conviction investors, actively managing portfolios and investing where they believe the best returns are to be found irrespective of the index.

Top-down and bottom-up fundamental analysis:

The investment team combines detailed top-down and bottom-up fundamental analysis, both for new idea generation and the ongoing evaluation of existing holdings in their 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

Asia ex-Japan equities

Invesco Perpetual

economic cycle. In their fundamental analysis, they incorporate internal proprietary research, selected externally sourced research and extensive company contact.

Valuation:

The investment team is valuation driven. Valuation determines whether a stock is an attractive investment or not. The 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 the investment approach. This gives the fund managers the freedom to position the funds in response to underlying market conditions and the availability of investment opportunities. Consequently, they may change significantly over time.

Conviction portfolios:

The investment team often take contrarian views, but this is on a considered, not an automatic, basis. They 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 their portfolios will reflect the level of their conviction. They are prepared to stand by their views through a period of underperformance if they are confident that their 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 in individual countries (current account balance, Foreign Direct Investment and portfolio flows)
- 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.

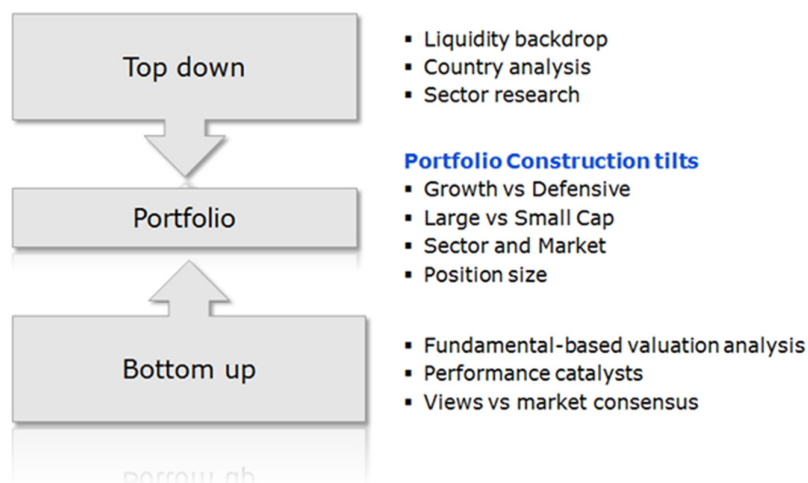
Long-term investing:

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

The process for Invesco Perpetual's Asian equity portfolios is illustrated below:

Asia ex-Japan equities

Invesco Perpetual



Source: Invesco, as at 31 December 2016. For illustrative purposes only.

Stock research

Invesco Perpetual's Asian Equities team's research effort is structured to maximise its ability to identify and analyse the stocks that have the potential to add the most value to the fund. To achieve this, Invesco Perpetual combines the role of fund manager and analyst. This approach leverages from the experience of the fund 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 fund manager.

All members of the Asian Equities 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 it to leverage from its top-down macro work and allocate the research resource to where it believes 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 the fund managers look to leverage from, complimented by any further research undertaken by other team members.

Fund managers are all stock pickers, while Stuart Parks spends more time than other team members studying the macro outlook and liquidity conditions in the region. This helps to allocate exposure to the most favourable markets and sectors, which is where the team can add value to their portfolios, particularly at market inflection points.

Although team members are all generalists, each member maintains geographical and sectorial responsibilities in order to capitalise on particular areas of strength. For example, stock ideas with regard to the China and Hong Kong markets are discussed with Ian Hargreaves, who is particularly familiar with these markets, especially the consumer stocks, whereas William Lam has a strong grasp of the Korean and Taiwanese markets, given their heavy technology composition. Tim Dickson has an advantage when it comes to analysing financial companies and is a valuable source of ideas for Australia and the materials sector. Charles Bond is the team's ASEAN specialist. Team members complement each other well.

Asia ex-Japan equities

Invesco Perpetual

There are a number of key elements central to the team's approach to research:

- Internal proprietary research undertaken by an individual fund manager
- Extensive company contact
- Selective external research providers

The majority of the team's research is bottom-up stock specific, with a strong focus on valuation, incorporating its perception of the macro outlook.

Top-down research

Significant time is dedicated to the understanding macroeconomic conditions, market valuations, capital flows and geopolitical events.

Within the investment team's analysis they consider how the environment might impact the relative attractiveness of individual sectors and the impact it may have on stocks at a micro level. The team 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 team's portfolios and in the emphasis of its bottom-up research described below.

Bottom-up research

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. The team sources many ideas from the primary market, and their close network of specialist brokers and analysts regularly introduce them to potential investments. They also generate ideas in the secondary market through regular discussions with analysts and brokers, and through their 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 the team.

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

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 fund 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

Asia ex-Japan equities

Invesco Perpetual

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 judgment on valuation. Contact is maintained with industry analysts that a fund manager considers to 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 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 he 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.

Meeting company management is critical in the fund manager's information gathering process. 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 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 he 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.

Each Asia equity fund 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.

Asia ex-Japan equities

Invesco Perpetual

Approximately 250 of these meetings will be on-site, with the remainder split between conference calls and in-house meetings.

Valuation

In addition to proprietary research, as explained above, Invesco Perpetual's 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.

Invesco Perpetual emphasises the importance of internal proprietary research in combination with extensive company contact in the research stage. External research that is used is used purely as an input, as opposed to being a 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 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 judgmental business and the major scope to add value is in the interpretation that Invesco Perpetual's investment team places on the available information. The experience of fund managers in this respect is critical and key to the Asian 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.

In summary, the fund 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 fund manager's assessment of its risk and potential return
- **Stock selection** – depending on the fund 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

Portfolio constraints

There are no formal country, sector or stock limits set in the portfolio construction process, other than to meet regulatory or specific client investment restrictions. This gives the fund managers the freedom to position their strategies in response to underlying market conditions and the availability of investment opportunities. Consequently, they may change significantly over time.

Asia ex-Japan equities

Invesco Perpetual

Buy/sell discipline

The buy and sell decision-making process is driven by qualitative analysis. As quantitative buy and sell disciplines are not used, there therefore is no trigger or chain of events used to automatically induce a buy or sell.

Stocks will be purchased if they demonstrate sufficient potential for share price appreciation subject to the team's assessment of risk. At the stock level, the key risks are highlighted and assessed during the research stage. The resulting risk/reward will then be considered in context of a portfolio's existing holdings, and their inclusion in the portfolio is permitted under its investment parameters.

Once bought, portfolio holdings are very actively monitored. A stock will be considered for sale if it is no longer undervalued; a more attractive opportunity has been identified elsewhere; or the investment case for the stock no longer applies.

Any decision to sell will be the decision of the fund managers, normally following on from discussion and consultation with other members of the investment teams. When purchasing/selling a position, fund managers will typically scale into and out of a stock over time rather than buy or sell a full position at once.

Asia ex-Japan equities

Invesco Perpetual

Risk management

Invesco employs a multi-faceted approach to oversight and risk management that is deeply embedded in the firm's culture, organisational governance and business structure. 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. These investment teams' processes are bolstered and overseen by multi-dimensional independent controls.

Invesco's Global Performance Measurement and Risk (GPMR) team is an independent function consisting of over 90 professionals providing comprehensive, detailed sources of information and analysis that will help Invesco better understand investment performance, quality, and risk. This team provides regular reviews of the performance and risk attributes of the various investment team disciplines to senior leadership.

With regards to firm-level risk management, Invesco'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.

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 regulatory requirements. The Invesco Compliance group (Compliance) 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 leadership regularly or as necessary.

The table overleaf visually presents how investment teams' processes are bolstered and overseen by multi-dimensional independent controls.

These controls include:

- The GPMR team (consisting of over 90 professionals), an independent group responsible for analysing performance and activities, as well as position and risk, in the context of investment process and philosophy, market environment and client expectations.
- Invesco's senior leadership oversight, comprised of:
 - Reporting lines running from investment team CIOs who have day-to-day responsibility for investment team risk controls up to the Invesco Senior Managing Director having management responsibility for the investment team.
 - Quarterly and monthly reviews, performed based upon investment performance and risk analytics of each investment discipline produced by the GPMR team. These reviews are conducted by the CEO and those Senior Managing Directors who oversee the investment teams.
 - Review of operational controls and related corporate exposures by the Invesco Corporate Risk Management Committee.

Asia ex-Japan equities Invesco Perpetual

- Regular review of investment matters by the Invesco Board of Directors and independent Fund Boards, 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'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.

Risk Oversight and Governance	Board of Directors and Fund Boards			
	Executive Management Team			
Risk Management Facilitation	Risk Areas of Focus	<ul style="list-style-type: none">InvestmentCredit/Asset/Liability	<ul style="list-style-type: none">FinancialOperational	<ul style="list-style-type: none">Business
	Global Performance Measurement and Risk <ul style="list-style-type: none">Facilitates investment oversight functionIndependently reviews investment execution and process applicationMonitors consistency of investment results with mandates, market environments, client and CIO expectations90+ professionals	Corporate Risk Management Committee <ul style="list-style-type: none">Timely and consistent identification, evaluation and mitigation of operational and business riskSenior executives from all major business functions including:<ul style="list-style-type: none">Investment management/tradingProduct managementAdministration (information technology, investment operations, human resources, procurement)Portfolio operationsLegal and complianceFinance and internal auditStrategy		
Risk Management Embedded in the Business	Investment Risk Management Managing our core risks through the investment centers			
	Business/Operational Risk Management Managing all other risks in the business			
Internal Control	Compliance and Internal Audit Facilitate and monitor internal control at all levels			

For illustrative purposes only.

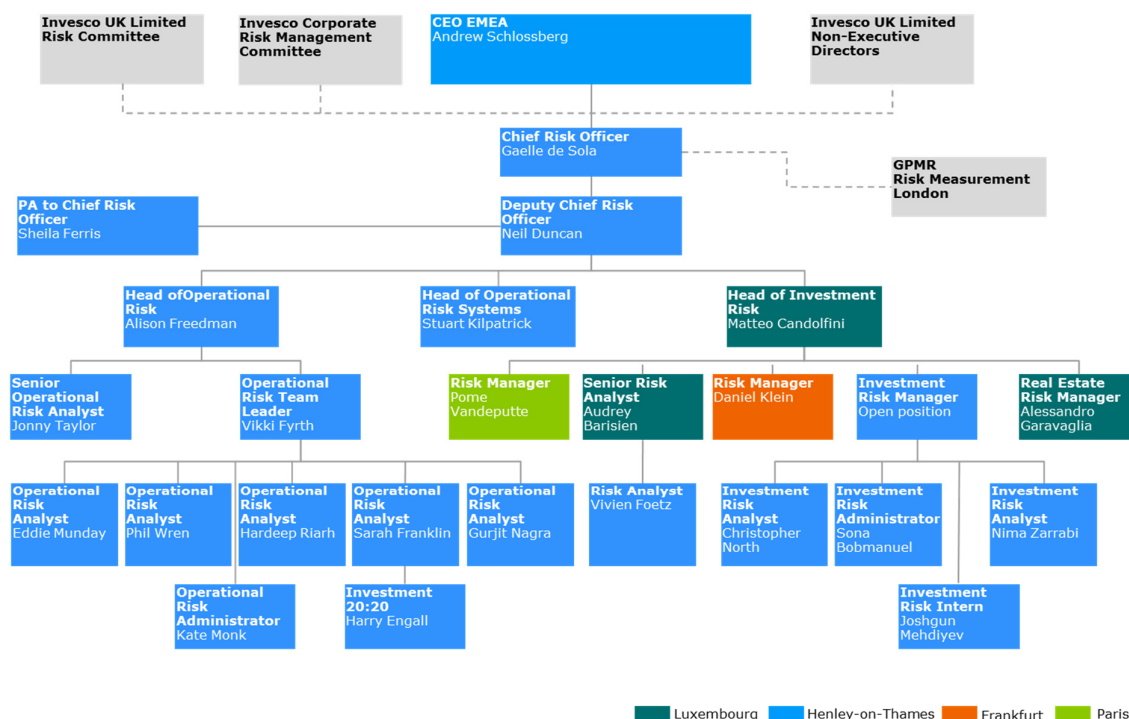
Independent Risk Function (IRF) in Europe, the Middle East and Africa (EMEA)

Gaelle de Sola, Chief Risk Officer for EMEA, leads the IRF 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 market, liquidity and counterparty risk) for the firm's UK and European (France, Ireland and Luxembourg) domiciled UCITS funds, Alternative Investment Funds (AIFs) and other relevant portfolios.

Gaelle reports directly to Andrew Schlossberg CEO of Invesco EMEA, Senior Managing Director of Invesco and Head of Invesco's EMEA region. The chart below illustrates the framework in which the IRF functions:

Asia ex-Japan equities

Invesco Perpetual



Source: Invesco as at 4 January 2017.

The IRF is an independent assurance function for Invesco UK Limited⁴, and respectively all Invesco entities within EMEA. Its aim is to support and facilitate directors, senior management and the business in assessing, managing, monitoring and reporting all of Invesco's risks in EMEA. Risks that are assessed by the business or the senior management team to be inadequately managed, outside of Invesco's policies and procedures, risk appetite, best practice and regulatory requirements, are reported together with recommended actions for their risk reduction within the Invesco tolerance level. The IRF has a duty to highlight where risks may be inadequately or incorrectly assessed to the Invesco UK Limited Board to ensure appropriate attention is paid to these risks.

The role of the IRF is to undertake independent risk controlling duties at both a company and fund level. The tasks and duties of the IRF encompass different areas that include the oversight of implemented actions, strategies and processes aimed to comply with regulatory requirements for internal audit, compliance, risk management and risk reporting. The IRF ensures relevant techniques for risk measurement and reviews regularly the adequacy of existing methods. Furthermore, the IRF is in charge of coordinating the execution of identification, evaluation and quantification of risks.

The activities of the two teams within the IRF are as follows:

Operational risk

- Facilitate and coordinate the quarterly risk self-assessment (RSA) process and independently challenge the RSAs completed by each business function
- Active management and administration of the risk management module of BWISE, the system used to record incidents and risks

⁴ Invesco UK Limited is the parent company of IAML.

Asia ex-Japan equities

Invesco Perpetual

- Provide operational risk information for capital requirements directive purposes e.g. for the ICAAP (Internal Capital Adequacy Assessment Process), including quantified aggregated inherent impact exposures and viable stress-test scenarios
- End-to-end management of the incident reporting module of B Wise including independently following up on and ensuring effective mitigation of incidents logged by the business and investigation of systemic and thematic issues

Investment risk

- Independently monitor, quantify and assess all investment-related risks within and across products during the new product development phase and within the life of a product
- Monitoring of portfolio risk limits (regulatory and internal) with application of the escalation process
- Communicate/heighten awareness and escalate investment-related risks, on an ad hoc basis as warranted, through regular 'risk challenge' sessions with fund managers
- Derivatives risk management oversight
- Oversight of risk systems, models and analytics

The IRF is also responsible for setting up adequate risk management policies to reflect processes and guidelines in place to ensure they are in line with regulatory standards across EMEA as well as best practices and oversee their implementation.

Additionally, the IRF is in charge of risk reports for senior management and boards and communication on risk-related matters to internal and external stakeholders.

The IRF collaborates closely with other risk experts within the firm, in particular the GPMR team, an independent function consisting of over 90 professionals. GPMR is responsible for analysing performance and activities, as well as position and risk, in the context of investment process and philosophy, market environment and client expectations. In particular, in EMEA, the GPMR team focuses on the production of risk metrics, such as the Value-at-Risk (VaR), stress-testing or liquidity risk analysis.

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 investments 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 below, this process is implemented via challenge meetings that are attended by the CIO, a member of the Investment Oversight team and the fund manager and seeks to check that the individuals managing money are doing so in a way that adds value to the firm's clients, and that the risks taken on behalf of its clients are understood and are considered appropriate. The objective is to review each fund manager annually, although where particular issues are identified with performance or the investment process, these take precedence.

Risk management is an integral component of Invesco Perpetual's 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.

Asia ex-Japan equities

Invesco Perpetual

Although the fund manager is always aware of the relative risk they are running – where relative risk is defined as the holding of investment positions that differ from the structure of the benchmark – they do not set out to manage the relative risk characteristics of their portfolios.

A portfolio's relative risk characteristics will simply be a function of the investment decisions and absolute risk judgments that were made while constructing the portfolio.

Continuous monitoring

At the total portfolio level, monthly performance, attribution and risk reports are considered by Invesco Perpetual's Investment Oversight team, ensuring 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, a member of the Investment Oversight team and the fund manager. Where the CIO is the lead manager, Invesco Perpetual's Head of Investment Oversight undertakes the CIO challenge process. 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 the firm's 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 potential 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 the firm's 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.

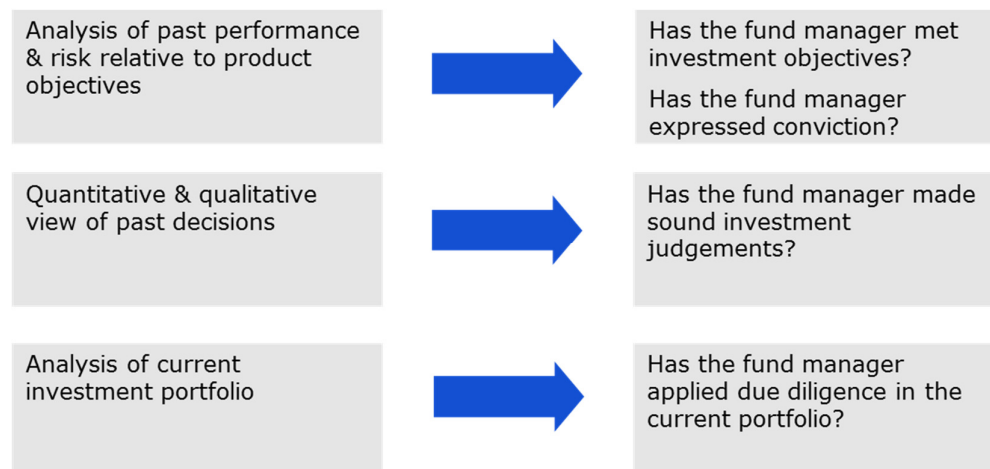
As mentioned, Invesco Perpetual's essential belief is that fund management is a skill and the inherent risks taken in managing money are those made by the fund managers themselves. The challenge process seeks to check that the individuals managing money are doing so in a way that strives to add value to the firm's clients.

Fund managers are given the autonomy to back their investment judgment within the scope of fund mandates and regulations. Invesco Perpetual does not wish to put in place unnecessary restrictions that limit a fund manager's ability to back his/her own convictions in a stock or investment strategy. In an environment that allows such free thought, traditional controls and processes are particularly important, but applied in a pragmatic way.

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 Invesco Perpetual's Henley investment centre.

Asia ex-Japan equities Invesco Perpetual

The chart below illustrates this process:



For illustrative purposes only.

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 has trading activity 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 the Investment Oversight team to check the understanding of a fund manager's active positions against their investable universe.
- **Risk reporting:** to challenge/support where the investment teams believe their excess returns will come from.
- **Active positions:** where are major stock, industry, country or asset class positions being taken?

The aim of the CIO challenge process is to ensure that there is sufficient investment oversight to monitor that risks taken on behalf of Invesco Perpetual's clients are understood and are considered appropriate. It is accepted that Invesco Perpetual's business is judgmental 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.

Asia ex-Japan equities Invesco Perpetual

Investment monitoring

A summary of the main IT systems used by the IRF for risk management oversight is provided below:

Risks covered	IT system	Service provider	Use
Market	RiskMetrics	MSCI	Daily VaR and monthly stress-testing
	APT	FIS (Formerly SunGard)	Volatility analysis for the Invesco Perpetual Multi Asset team's funds
Liquidity	Liquidity Analyser	RC Banken	Liquidity reports
Counterparty	GPMR internal database	GPMR (Internal)	Concentration exposure
Operational	BWise	NASDAQ OMX	Incident reporting and operational risk management
	Stress Controller	Risk Control	Capital adequacy assessments

In assessing portfolio risk, Invesco Perpetual's Investment Oversight team measures performance analysis, portfolio contribution and attribution at both sector and individual stock level and portfolio characteristics, such as financial ratios.

A summary of the investment monitoring tools used by the team is provided below:

Investment monitoring tools	Service provider	Use
Contribution, Attribution and Performance Reporting (CAPeR)	GPMR (Internal)	Performance attribution and contribution system used to provide stock level bottom-up or top-down attribution/contribution analysis
Perspective II	Internal	Fund management system used by fund managers for the day-to-day management of portfolios and their analysis relative to benchmark on a country/sector/stock basis
Style Research	Style Research	Used to analyse the 'style profile' of portfolios using measures such as book to price, dividend yield, earnings growth, market cap, debt/equity ratio etc.
APT	APT	Used to understand the ex-ante risk exposures of a portfolio at the country, sector, stock and factor level. Is also used for what-if scenario analysis to understand the risk impact of any changes made to the portfolio and for stress testing
Statpro Analytics Composites	Statpro	AIMR-GIPS performance and risk metrics tool
Morningstar	Morningstar	Retail fund performance analysis relative to the benchmark and competitor universe
Lipper	Lipper	Retail fund performance analysis relative to the benchmark and competitor universe

Asia ex-Japan equities

Invesco Perpetual

Strategy overview

Asia ex-Japan equities

Strategy name, manager and objective	Benchmark	Concentration
Asia ex- Japan Equity strategy Stuart parks The objective of the Fund is to achieve long-term capital growth by investing in a portfolio of equity or equity related instruments of companies with exposure to Asian countries.	MSCI AC Asia (ex-Japan)	Typically 55 to 75 stocks
Asia Pacific ex- Japan Equity strategy Stuart Parks The Fund aims to achieve capital growth in Asia and Australasia, excluding Japan.	MSCI AC Asia Pacific (ex-Japan)	Typically 60 to 90

Appendix 1: 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 one of the most experienced fund managers covering the region. He began his investment career in 1985 at Wood MacKenzie as a UK financial stocks analyst. 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 1994. Stuart holds an MA in Modern History from Oxford University and is an Associate of the CFA Society of the UK.

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.

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

Based in Henley-on-Thames, William is responsible for the management of a number of Asian equity mandates, and has co-managed the Pacific funds since the start of 2010. 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 Limited 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 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. Building on his central bank experience, in particular within the Asian region, Tim joined F&C Emerging Markets in 1998, where he became an assistant director on their Pacific equities desk. He later joined Scottish Widows Investment Partnership 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 Birkbeck College, University of London, and is a CFA charterholder.

Charles Bond, Analyst

Based in Henley-on-Thames, Charles is an analyst within Invesco Perpetual's Asian Equities team, providing stock and sector research with a focus on ASEAN markets. He joined our company in 2012 having started his investment career one year earlier with investment broker, Chelsea Financial Services. Charles holds a BSc in International Relations from the University of Manchester.

Product Director:

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 1996, joining The Bank of New York in Brussels, before joining Credit Agricole Indosuez, then JP Morgan Chase in Luxembourg, holding a variety of global

Asia ex-Japan equities Invesco Perpetual

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.

Important information

The information contained in this document relating to the composition of the 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).

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.

All data is as at 31 December 2016, sourced from Invesco unless otherwise stated.

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

As a large portion of the strategy is invested in less developed countries, you should be prepared to accept significantly large fluctuations of the value of the strategy.

As with all investments there are associated risks. Please obtain and review all relevant materials carefully before investing.

Invesco Perpetual is a business name of Invesco Asset Management Limited, Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire RG9 1HH, UK. Authorised and regulated by the Financial Conduct Authority.

GLRFP235

Contact information

Christopher Edge

Director of UK Compliance

Telephone +44 (0) 1491 417000

Christopher.edge@invescopetual.co.uk

Invesco Asset Management Limited

Perpetual Park

Perpetual Park Drive

Henley-on-Thames

Oxfordshire

RG9 1HH

UK

www.invescopetual.co.uk



Strategy profile

Asia Pacific (Inc. Japan) equities

Invesco Perpetual

February 2017



Asia Pacific (inc. Japan) equities
Invesco Perpetual

Corporate overview	3
Investment team & assets under management	5
Investment philosophy	8
Investment process	9
Risk management	15
Appendix 1: Biographies	23

Asia Pacific (inc. Japan) equities

Invesco Perpetual

Corporate overview

Invesco Ltd. (Invesco)

Invesco is one of the world's leading independent global investment firms, solely focused on investment management. With 6,788 employees worldwide as at 31 December 2016, the firm directs all of its intellectual capital, global strength and operational stability toward helping investors achieve their long term financial objectives. By delivering the combined power of the firm's distinctive investment management capabilities, Invesco provides a wide range of investment strategies and vehicles to retail and institutional clients around the world. Operating in over 20 countries, the company is listed on the New York Stock Exchange under the symbol IVZ.

Invesco offers diversified investment strategies spanning all major equity, fixed income, asset allocation and alternative asset classes. These strategies are managed across various worldwide investment centres, each of which focus on distinct asset classes, investment styles or regional expertise and adhere to clearly defined investment philosophies aligned with client expectations. Each team is able to operate independently, allowing them to follow and further their specific investment style and expertise.

To further strengthen its investment culture, Invesco also maintains an active Investors Forum that consists of senior investment professionals from each investment centre. Co-chaired by Chief Executive Officer (CEO) Martin L. Flanagan and Senior Managing Director Karen Dunn Kelley, the role of the Investors Forum is primarily to foster, promote and grow investment excellence across the organisation.

Invesco's distinctive combination of independent thought within individual investment centres and collaboration across investment centres provides clients the reach and resources of a global organisation and the focus and attention of a boutique firm: Invesco's investment capabilities are both diverse and specialised; the firm is global in reach yet local in presence and its processes are disciplined yet can be delivered in customised ways. All of which distinctively positions Invesco to keep pace with clients' evolving investment needs worldwide.

Invesco Perpetual

Background

Invesco Perpetual is a business name of Invesco Asset Management Limited (IAML). IAML forms part of Invesco UK Limited, which itself forms part of Invesco.

With USD116.45 billion in assets under management¹ as at 31 December 2016 and located in Henley-on-Thames (Henley), Invesco Perpetual's investment team structure exhibits many of the advantages of a boutique firm structure, albeit part of a larger organisation: small high-quality teams; the location of the team away from the main UK investment centres, 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 fund manager and analyst are combined.

¹ Total assets managed by Invesco Perpetual's investment centre as at 31 December 2016.

Asia Pacific (inc. Japan) equities

Invesco Perpetual

Invesco Perpetual's highly experienced investment team consists of 68 investment professionals with an average 17 years' investment experience². The firm believes that a focused and highly-experienced team provides the best means of maximising value that it can generate for its clients by continuing to adopt a long-term, active approach to investment.

Invesco Perpetual's 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, the firm remains passionately focused on that original aim. Today, from its office in Henley, Oxfordshire, its investment team invests across 40 stock markets, over 500 companies globally and travels extensively to meet companies and their management.

Stability:

Turnover within Invesco Perpetual's investment team is low, and the stability of the team is a factor in helping the firm in its aim to deliver long-term sustainable outperformance. Invesco Perpetual believes that the unique location of its 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. Invesco Perpetual believes that investment management must be undertaken in a work environment where fund managers, who are focused on longer-term performance, are free to operate independently but with clear accountability and within a challenge culture. Fund managers must be given the opportunity to stand by their convictions. Invesco Perpetual believes that culture and environment are more important to "get right" than mapping a dogmatic process. The firm must be pragmatic and flexible.

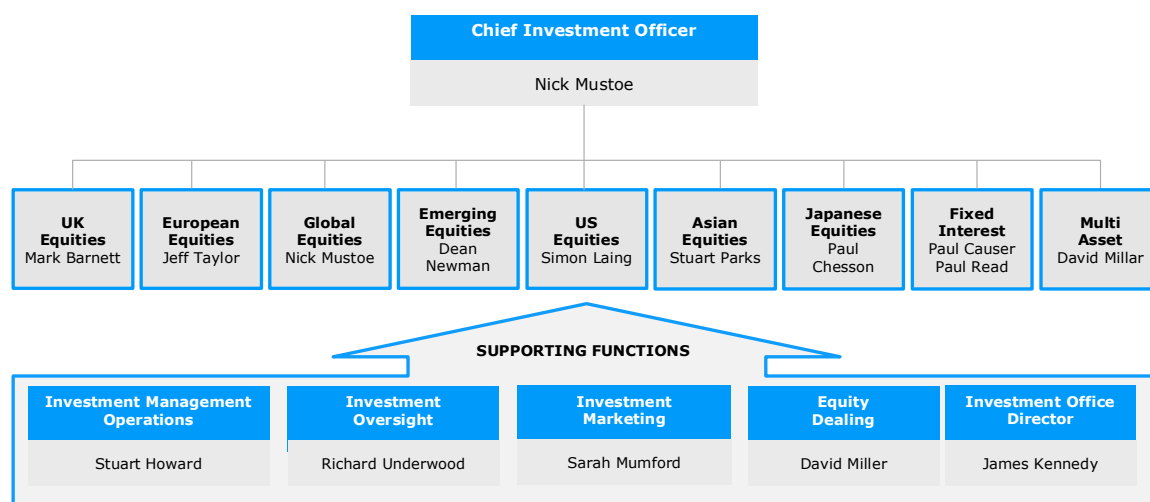
Invesco Perpetual has always fostered a culture of accountability, with performance being the single largest contributor to a fund manager's remuneration. With that accountability comes greater responsibility, and the firm's fund managers are aided in this by a robust oversight and risk management process.

² Investment professionals as at 31 December 2016 include Invesco Perpetual's Chief Investment Officer (CIO), fund managers, analysts, trainee analysts, strategists, Multi Asset research director, Multi Asset portfolio director, Multi Asset product director and fixed income dealers.

Asia Pacific (inc. Japan) equities Invesco Perpetual

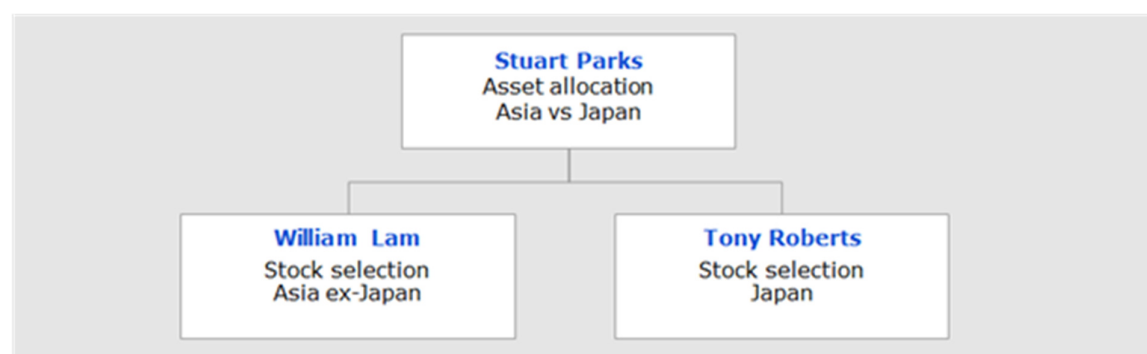
Investment team & assets under management

Invesco Perpetual's investment team is structured as follows:



Source: Invesco Perpetual as at 7 January 2016.

Asia Pacific (inc Japan) equities portfolios are co-managed by Stuart Parks, Head of Asian Equities, Tony Roberts, Fund Manager, Japanese Equities, and William Lam, Fund Manager, Asian Equities at Invesco Perpetual, with the following specific responsibilities:



Source: Invesco Perpetual, as at 31 December 2016. For illustrative purposes only.

Allocation decisions are based on the medium-term outlook for both regions and tend to remain stable over time. Large short term allocation swings are very rare. Among the inputs to Stuart Parks' process are the liquidity environment for Asia ex-Japan, the aggregate message coming from bottom-up views on stocks, and Tony Roberts' views on the Japanese market.

Led by Stuart Parks, the Asia Pacific (inc Japan) team comprises eight members:

Name	Role	Years' industry experience	Years' tenure
Asian Equities team			
Stuart Parks	Head of Asian equities team	32	23

Asia Pacific (inc. Japan) equities Invesco Perpetual

Ian Hargreaves	Asian equities fund manager	22	22
William Lam	Asian equities fund manager	16	11
Tim Dickson	Asian equities fund manager	24	8
Charles Bond	Analyst	6	5
Japanese Equities team			
Paul Chesson	Head of Japanese equities	26	24
Tony Roberts	Japanese equities fund manager	21	17
Andy Tidby	Japanese equities fund manager	20	8

Source: Invesco Perpetual as at 31 December 2016. Years' tenure and industry experience may be subject to rounding up.

Biographies of team members are included within **Appendix 1**.

Asia Pacific (inc. Japan) equities

Invesco Perpetual

Assets under management

As at 31 December 2016, the Asia Pacific (inc Japan) Equities team had US\$15.6 billion in assets under management. This covers all Asian ex Japan (sub-) portfolios within segregated and pooled investment vehicles³.

Provided in the table below is a breakdown of the assets managed specifically under the Asia Pacific (inc Japan) equity strategy. Also detailed are the total assets managed by the Asian Equities team (ex-Asia Pacific) and the Japanese Equities team (ex-Asia Pacific):

Asset breakdown	US\$ million	£ million	EUR million
Asia Pacific (inc Japan) equity mandates only	437.0	353.7	414.3
Total assets managed by Asian Equities team (ex-Asia Pacific mandates)	14,002.6	11,392.8	13,275.2
Total assets managed by Japanese Equities team (ex-Asia Pacific mandates)	1,130.3	914.8	1,060.7
Total	15,569.9	12,661.3	14,750.2

Source: Invesco Perpetual as at 31 December 2016.

³ Data includes all assets managed including carve-outs of global equity and multi-asset mandates.

Asia Pacific (inc. Japan) equities

Invesco Perpetual

Investment philosophy

At the core of the investment teams' 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.

Market inefficiencies

Invesco Perpetual believes that investors' behavioural biases repeatedly give rise to 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

The investment team seeks to exploit these market inefficiencies through careful fundamental analysis and a strong emphasis on valuation.

Asia Pacific (inc. Japan) equities

Invesco Perpetual

Investment process

Investment universe

Asia ex-Japan investment strategy universe

Within the restrictions as to where the team's strategy can invest, the universe theoretically covers all stocks that are quoted in Asia ex-Japan*. In practice, the team has created an investable universe of around 500 stocks, most of which has been covered in detail for a considerable period of time.

The 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 summarised, as follows:

- Size: liquidity factors and the size of the strategies that the team manage mean that they rarely hold companies with a market capitalisation of below US\$300m
- Liquidity: the team aim to be able to enter and exit the majority of positions over 10 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.

* For the purposes of this investment policy, the investment adviser has defined Asian countries as all countries in Asia excluding Japan, Australia and New Zealand.

Japan investment strategy universe

The Japanese Equities team researches all areas of the universe and considers the Topix 1st Section Index to be their primary universe of stocks.

Idea generation

The investment process begins by identifying stocks that meet the teams' investment criteria. The teams adopt a flexible approach to sourcing ideas, and try to avoid dismissing ideas for pre-conceived reasons. Indeed, it is this type of investor behaviour that often provides the investment teams with opportunity to invest in undervalued companies. Ideas are generated from a number of sources:

- Research capabilities and the individual and collective experience of the Henley-based regional equity investment teams
- Third party brokers/external research providing the investment team with an experienced network of sell side analysts, economists and strategists
- Company meetings
- Research trips, visits and seminars
- Screening tools - technical analysis and quant screening
- Macro - companies do not operate in a vacuum, so it is important to understand how their profitability will be impacted by changes in the macro environment.

Investment approach

There are a number of characteristics central to the teams' investment approach:

Active:

The investment teams are conviction investors, actively managing portfolios and investing where they believe the best returns are to be found irrespective of the index.

Top-down and bottom-up fundamental analysis:

Asia Pacific (inc. Japan) equities

Invesco Perpetual

The investment teams combine detailed top-down and bottom-up fundamental analysis, both for new idea generation and the ongoing evaluation of existing holdings in their 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 their fundamental analysis, they incorporate internal proprietary research, selected externally sourced research and extensive company contact.

Valuation:

The investment teams are valuation driven. Valuation determines whether a stock is an attractive investment or not. The 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 the investment approach. This gives the fund managers the freedom to position the strategy in response to underlying market conditions and the availability of investment opportunities. Consequently, they may change significantly over time.

Conviction portfolios:

The investment teams often take contrarian views, but this is on a considered, not an automatic, basis. They 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 their portfolios will reflect the level of their conviction. They are prepared to stand by their views through a period of underperformance if they are confident that their 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 in individual countries (current account balance, Foreign Direct Investment and portfolio flows)
- 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

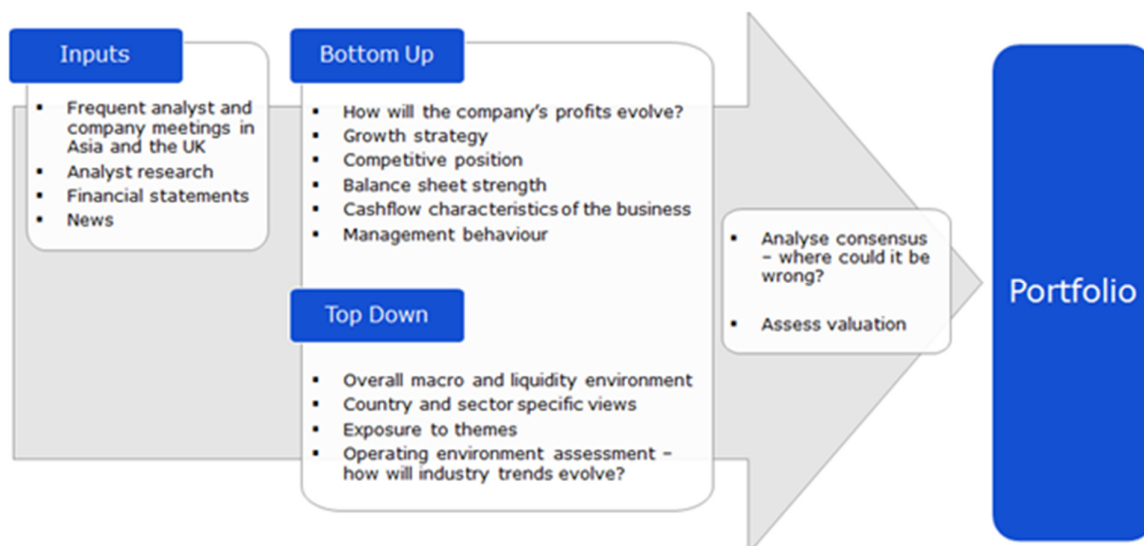
Due to the importance of liquidity flows as a driver of valuations in the region, the top-down macroeconomic view forms a key input into the investment and asset allocation process, influencing both portfolio construction and stock selection. However, the bottom-up analysis remains the key driver of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

Long-term investing:

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

The process for Invesco Perpetual's Asia Pacific equity portfolios is illustrated below:

Asia Pacific (inc. Japan) equities Invesco Perpetual



Source: Invesco, as at 31 December 2016. For illustrative purposes only.

Potential investment opportunities that meet the team's criteria then undergo thorough fundamental research. Whilst the market often invests on the basis of history, the team endeavours to understand the potential future of a business.

Stock research

Invesco Perpetual's Asian and Japanese Equities teams' research effort is structured to maximise their ability to identify and analyse the stocks that have the potential to add the most value to the strategy. To achieve this, Invesco Perpetual combines the role of fund manager and analyst. This approach leverages from the experience of the fund 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 fund manager.

All members of the Asian and Japanese Equities teams have a generalist rather than specialist research role. By adopting a generalist approach to research responsibilities, the teams avoid the drawbacks of over specialisation and the subsequent loss of perspective on the overall market that this might encourage. It also allows them to leverage from their top-down macro work and allocate the research resource to where they believe the best investment opportunities lie, whilst at the same time ensuring that no area of the market is left uncovered. However, within the teams there clearly will be individuals who have particular expertise in certain sectors or stocks in the market, which the fund managers look to leverage from, complimented by any further research undertaken by other team members.

Fund managers are all stock pickers, while Stuart Parks and Tony Roberts spend more time than other team members studying the macro outlook and liquidity conditions in the region. This helps to allocate exposure to the most favourable markets and sectors, which is where the team can add value to their portfolios, particularly at market inflection points.

Although team members are all generalists, each member maintains geographical and sectorial responsibilities in order to capitalise on particular areas of strength. For example, stock ideas with regard to the China and Hong Kong markets are discussed with Ian Hargreaves, who is particularly familiar with these markets, especially the consumer stocks, whereas William Lam has a strong grasp of the Korean and Taiwanese markets, given their heavy technology composition. Tim Dickson has an advantage when it comes

Asia Pacific (inc. Japan) equities Invesco Perpetual

to analysing financial companies and is a valuable source of ideas for Australia and the materials sector. Charles Bond is the team's ASEAN specialist. Team members complement each other well.

There are a number of key elements central to the teams' approach to research:

- Internal proprietary research undertaken by an individual fund manager
- Extensive company contact
- Selective external research providers

The majority of the team's research is bottom-up stock specific, with a strong focus on valuation, incorporating its perception of the macro outlook.

Top-down research

Significant time is dedicated to the understanding macroeconomic conditions, market valuations, capital flows and geopolitical events.

Within the investment teams' analysis, they consider how the environment might impact the relative attractiveness of individual sectors and the impact it may have on stocks at a micro level. The teams 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 team's portfolios and in the emphasis of its bottom-up research described below.

Bottom-up research

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. The teams source many ideas from the primary market, and their close network of specialist brokers and analysts regularly introduce them to potential investments. They also generate ideas in the secondary market through regular discussions with analysts and brokers, and through their 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 the teams.

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

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 fund 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.

Asia Pacific (inc. Japan) equities Invesco Perpetual

▪ **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 judgment on valuation. Contact is maintained with industry analysts that a fund manager considers to 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 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 managers believe 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 managers 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 managers 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, Invesco Perpetual's 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.

Invesco Perpetual emphasises the importance of internal proprietary research in combination with extensive company contact in the research stage. External research that is used is used purely as an input, as opposed to being a 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 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 judgmental business and the major scope to add value is in the interpretation that Invesco Perpetual's investment teams places on the available information. The experience of fund managers in this respect is critical and key to the Asian and Japanese Equities teams' success.

Asia Pacific (inc. Japan) equities

Invesco Perpetual

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.

Portfolio constraints

There are no formal country, sector or stock limits set in the portfolio construction process, other than to meet regulatory or specific client investment restrictions. This gives the fund managers the freedom to position their strategies in response to underlying market conditions and the availability of investment opportunities. Consequently, they may change significantly over time.

Buy/sell discipline

The buy and sell decision-making process is driven by qualitative analysis. As quantitative buy and sell disciplines are not used, there therefore is no trigger or chain of events used to automatically induce a buy or sell.

Stocks will be purchased if they demonstrate sufficient potential for share price appreciation subject to the team's assessment of risk. At the stock level, the key risks are highlighted and assessed during the research stage. The resulting risk/reward will then be considered in context of a portfolio's existing holdings, and their inclusion in the portfolio is permitted under its investment parameters.

Once bought, portfolio holdings are very actively monitored. A stock will be considered for sale if it is no longer undervalued; a more attractive opportunity has been identified elsewhere; or the investment case for the stock no longer applies.

Any decision to sell will be the decision of the fund managers, normally following on from discussion and consultation with other members of the investment teams. When purchasing/selling a position, fund managers will typically scale into and out of a stock over time rather than buy or sell a full position at once.

Asia Pacific (inc. Japan) equities Invesco Perpetual

Risk management

Invesco employs a multi-faceted approach to oversight and risk management that is deeply embedded in the firm's culture, organisational governance and business structure. 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. These investment teams' processes are bolstered and overseen by multi-dimensional independent controls.

Invesco's Global Performance Measurement and Risk (GPMR) team is an independent function consisting of over 90 professionals providing comprehensive, detailed sources of information and analysis that will help Invesco better understand investment performance, quality, and risk. This team provides regular reviews of the performance and risk attributes of the various investment team disciplines to senior leadership.

With regards to firm-level risk management, Invesco'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.

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 regulatory requirements. The Invesco Compliance group (Compliance) 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 leadership regularly or as necessary.

The table overleaf visually presents how investment teams' processes are bolstered and overseen by multi-dimensional independent controls.

These controls include:

- The GPMR team (consisting of over 90 professionals), an independent group responsible for analysing performance and activities, as well as position and risk, in the context of investment process and philosophy, market environment and client expectations.
- Invesco's senior leadership oversight, comprised of:
 - Reporting lines running from investment team CIOs who have day-to-day responsibility for investment team risk controls up to the Invesco Senior Managing Director having management responsibility for the investment team.
 - Quarterly and monthly reviews, performed based upon investment performance and risk analytics of each investment discipline produced by the GPMR team. These reviews are conducted by the CEO and those Senior Managing Directors who oversee the investment teams.
 - Review of operational controls and related corporate exposures by the Invesco Corporate Risk Management Committee.

Asia Pacific (inc. Japan) equities Invesco Perpetual

- Regular review of investment matters by the Invesco Board of Directors and independent Fund Boards, 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'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.

Risk Oversight and Governance	Board of Directors and Fund Boards			
	Executive Management Team			
Risk Management Facilitation	Risk Areas of Focus	<ul style="list-style-type: none">InvestmentCredit/Asset/Liability	<ul style="list-style-type: none">FinancialOperational	<ul style="list-style-type: none">Business
	Global Performance Measurement and Risk <ul style="list-style-type: none">Facilitates investment oversight functionIndependently reviews investment execution and process applicationMonitors consistency of investment results with mandates, market environments, client and CIO expectations90+ professionals	Corporate Risk Management Committee <ul style="list-style-type: none">Timely and consistent identification, evaluation and mitigation of operational and business riskSenior executives from all major business functions including:<ul style="list-style-type: none">Investment management/tradingProduct managementAdministration (information technology, investment operations, human resources, procurement)Portfolio operationsLegal and complianceFinance and internal auditStrategy		
Risk Management Embedded in the Business	Investment Risk Management Managing our core risks through the investment centers			
	Business/Operational Risk Management Managing all other risks in the business			
Internal Control	Compliance and Internal Audit Facilitate and monitor internal control at all levels			

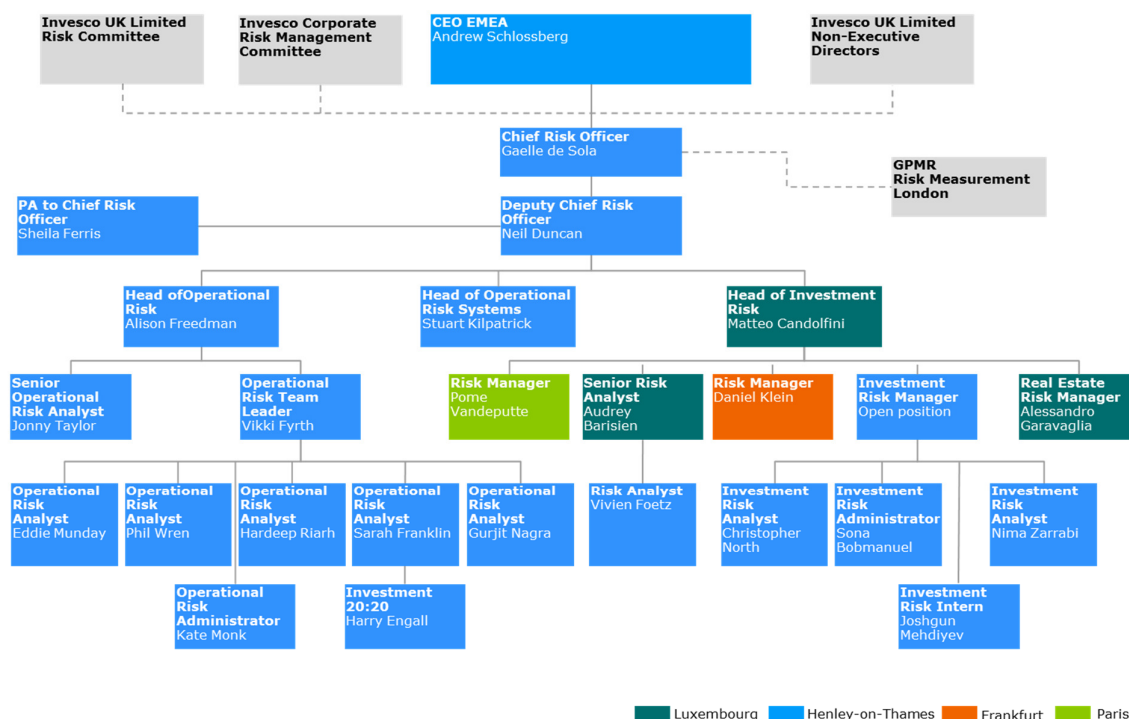
For illustrative purposes only.

Independent Risk Function (IRF) in Europe, the Middle East and Africa (EMEA)

Gaelle de Sola, Chief Risk Officer for EMEA, leads the IRF 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 market, liquidity and counterparty risk) for the firm's UK and European (France, Ireland and Luxembourg) domiciled UCITS funds, Alternative Investment Funds (AIFs) and other relevant portfolios.

Gaelle reports directly to Andrew Schlossberg CEO of Invesco EMEA, Senior Managing Director of Invesco and Head of Invesco's EMEA region. The chart below illustrates the framework in which the IRF functions:

Asia Pacific (inc. Japan) equities Invesco Perpetual



Source: Invesco as at 4 January 2017.

The IRF is an independent assurance function for Invesco UK Limited⁴, and respectively all Invesco entities within EMEA. Its aim is to support and facilitate directors, senior management and the business in assessing, managing, monitoring and reporting all of Invesco's risks in EMEA. Risks that are assessed by the business or the senior management team to be inadequately managed, outside of Invesco's policies and procedures, risk appetite, best practice and regulatory requirements, are reported together with recommended actions for their risk reduction within the Invesco tolerance level. The IRF has a duty to highlight where risks may be inadequately or incorrectly assessed to the Invesco UK Limited Board to ensure appropriate attention is paid to these risks.

The role of the IRF is to undertake independent risk controlling duties at both a company and fund level. The tasks and duties of the IRF encompass different areas that include the oversight of implemented actions, strategies and processes aimed to comply with regulatory requirements for internal audit, compliance, risk management and risk reporting. The IRF ensures relevant techniques for risk measurement and reviews regularly the adequacy of existing methods. Furthermore, the IRF is in charge of coordinating the execution of identification, evaluation and quantification of risks.

The activities of the two teams within the IRF are as follows:

Operational risk

- Facilitate and coordinate the quarterly risk self-assessment (RSA) process and independently challenge the RSAs completed by each business function
- Active management and administration of the risk management module of BWISE, the system used to record incidents and risks

⁴ Invesco UK Limited is the parent company of IAML.

Asia Pacific (inc. Japan) equities

Invesco Perpetual

- Provide operational risk information for capital requirements directive purposes e.g. for the ICAAP (Internal Capital Adequacy Assessment Process), including quantified aggregated inherent impact exposures and viable stress-test scenarios
- End-to-end management of the incident reporting module of B Wise including independently following up on and ensuring effective mitigation of incidents logged by the business and investigation of systemic and thematic issues

Investment risk

- Independently monitor, quantify and assess all investment-related risks within and across products during the new product development phase and within the life of a product
- Monitoring of portfolio risk limits (regulatory and internal) with application of the escalation process
- Communicate/heighten awareness and escalate investment-related risks, on an ad hoc basis as warranted, through regular 'risk challenge' sessions with fund managers
- Derivatives risk management oversight
- Oversight of risk systems, models and analytics

The IRF is also responsible for setting up adequate risk management policies to reflect processes and guidelines in place to ensure they are in line with regulatory standards across EMEA as well as best practices and oversee their implementation.

Additionally, the IRF is in charge of risk reports for senior management and boards and communication on risk-related matters to internal and external stakeholders.

The IRF collaborates closely with other risk experts within the firm, in particular the GPMR team, an independent function consisting of over 90 professionals. GPMR is responsible for analysing performance and activities, as well as position and risk, in the context of investment process and philosophy, market environment and client expectations. In particular, in EMEA, the GPMR team focuses on the production of risk metrics, such as the Value-at-Risk (VaR), stress-testing or liquidity risk analysis.

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 investments 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 below, this process is implemented via challenge meetings that are attended by the CIO, a member of the Investment Oversight team and the fund manager and seeks to check that the individuals managing money are doing so in a way that adds value to the firm's clients, and that the risks taken on behalf of its clients are understood and are considered appropriate. The objective is to review each fund manager annually, although where particular issues are identified with performance or the investment process, these take precedence.

Risk management is an integral component of Invesco Perpetual's 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.

Asia Pacific (inc. Japan) equities Invesco Perpetual

Although the fund manager is always aware of the relative risk they are running – where relative risk is defined as the holding of investment positions that differ from the structure of the benchmark – they do not set out to manage the relative risk characteristics of their portfolios.

A portfolio's relative risk characteristics will simply be a function of the investment decisions and absolute risk judgments that were made while constructing the portfolio.

Continuous monitoring

At the total portfolio level, monthly performance, attribution and risk reports are considered by Invesco Perpetual's Investment Oversight team, ensuring 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, a member of the Investment Oversight team and the fund manager. Where the CIO is the lead manager, Invesco Perpetual's Head of Investment Oversight undertakes the CIO challenge process. 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 the firm's 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 potential 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 the firm's 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.

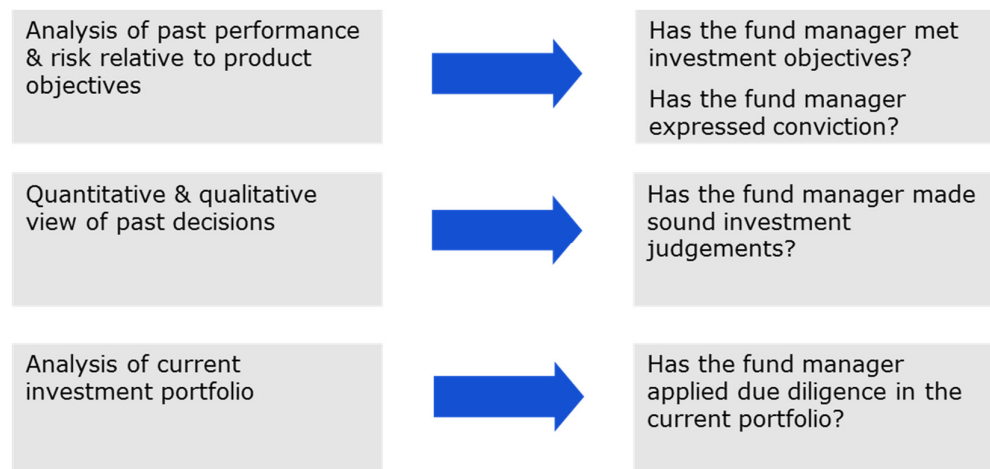
As mentioned, Invesco Perpetual's essential belief is that fund management is a skill and the inherent risks taken in managing money are those made by the fund managers themselves. The challenge process seeks to check that the individuals managing money are doing so in a way that strives to add value to the firm's clients.

Fund managers are given the autonomy to back their investment judgment within the scope of fund mandates and regulations. Invesco Perpetual does not wish to put in place unnecessary restrictions that limit a fund manager's ability to back his/her own convictions in a stock or investment strategy. In an environment that allows such free thought, traditional controls and processes are particularly important, but applied in a pragmatic way.

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 Invesco Perpetual's Henley investment centre.

Asia Pacific (inc. Japan) equities Invesco Perpetual

The chart below illustrates this process:



For illustrative purposes only.

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 has trading activity 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 the Investment Oversight team to check the understanding of a fund manager's active positions against their investable universe.
- **Risk reporting:** to challenge/support where the investment teams believe their excess returns will come from.
- **Active positions:** where are major stock, industry, country or asset class positions being taken?

The aim of the CIO challenge process is to ensure that there is sufficient investment oversight to monitor that risks taken on behalf of Invesco Perpetual's clients are understood and are considered appropriate. It is accepted that Invesco Perpetual's business is judgmental 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.

Asia Pacific (inc. Japan) equities Invesco Perpetual

I Investment monitoring

A summary of the main IT systems used by the IRF for risk management oversight is provided below:

Risks covered	IT system	Service provider	Use
Market	RiskMetrics	MSCI	Daily VaR and monthly stress-testing
	APT	FIS (Formerly SunGard)	Volatility analysis for the Invesco Perpetual Multi Asset team's funds
Liquidity	Liquidity Analyser	RC Banken	Liquidity reports
Counterparty	GPMR internal database	GPMR (Internal)	Concentration exposure
Operational	BWise	NASDAQ OMX	Incident reporting and operational risk management
	Stress Controller	Risk Control	Capital adequacy assessments

In assessing portfolio risk, Invesco Perpetual's Investment Oversight team measures performance analysis, portfolio contribution and attribution at both sector and individual stock level and portfolio characteristics, such as financial ratios.

A summary of the investment monitoring tools used by the team is provided below:

Investment monitoring tools	Service provider	Use
Contribution, Attribution and Performance Reporting (CAPeR)	GPMR (Internal)	Performance attribution and contribution system used to provide stock level bottom-up or top-down attribution/contribution analysis
Perspective II	Internal	Fund management system used by fund managers for the day-to-day management of portfolios and their analysis relative to benchmark on a country/sector/stock basis
Style Research	Style Research	Used to analyse the 'style profile' of portfolios using measures such as book to price, dividend yield, earnings growth, market cap, debt/equity ratio etc.
APT	APT	Used to understand the ex-ante risk exposures of a portfolio at the country, sector, stock and factor level. Is also used for what-if scenario analysis to understand the risk impact of any changes made to the portfolio and for stress testing
Statpro Analytics Composites	Statpro	AIMR-GIPS performance and risk metrics tool
Morningstar	Morningstar	Retail fund performance analysis relative to the benchmark and competitor universe
Lipper	Lipper	Retail fund performance analysis relative to the benchmark and competitor universe

Asia Pacific (inc. Japan) equities

Invesco Perpetual

Strategy overview

Asian Pacific equities

Strategy name, manager and objective	Benchmark	Concentration
Asia Pacific (inc Japan) strategy Stuart Parks/William Lam / Tony Roberts The strategy aims to achieve long-term capital growth by investing in the securities of companies throughout Asia, but with particular emphasis on those based in the Asian Pacific region. For the purposes of the strategy, the Manager has defined the Asian Pacific region as South East Asia (including Singapore, Malaysia, Thailand, Indonesia and the Philippines), East Asia (including Taiwan, South and North Korea, Hong Kong and Japan), China, Australia and New Zealand.	MSCI AC Pacific	Typically 85 – 105 stocks

Appendix 1: Biographies

Lead fund managers:

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 one of the most experienced fund managers covering the region. He began his investment career in 1985 at Wood MacKenzie as a UK financial stocks analyst. 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 1994. Stuart holds an MA in Modern History from Oxford University and is an Associate of the CFA Society of the UK.

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.

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

Based in Henley-on-Thames, William is responsible for the management of a number of Asian equity mandates, and has co-managed the Pacific funds since the start of 2010. 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 Limited 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 and is a CFA charterholder.

Supported by:

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.

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. Building on his central bank experience, in particular within the Asian region, Tim joined F&C Emerging Markets in 1998, where he became an assistant director on their Pacific equities desk. He later joined Scottish Widows Investment Partnership 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 Birkbeck College, University of London, and is a CFA charterholder.

Asia Pacific (inc. Japan) equities Invesco Perpetual

Charles Bond, Analyst

Based in Henley-on-Thames, Charles is an analyst within Invesco Perpetual's Asian Equities team, providing stock and sector research with a focus on ASEAN markets. He joined our company in 2012 having started his investment career one year earlier with investment broker, Chelsea Financial Services. Charles holds a BSc in International Relations from the University of Manchester.

Andy Tidby, Japanese Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Andy is a fund manager 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 his current capacity at the beginning of 2011. He began his investment career in 1997 as a client portfolio manager with HSBC Bank, then joined HSBC Global Asset Management in 2003 as a senior investment writer. Andy holds the IMC qualification from the CFA Society of the UK and passed Level 1 of the CFA exam in December 2012.

Product Director:

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 1996, 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.

Important information

The information contained in this document relating to the composition of the 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).

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.

All data is as at 31 December 2016, sourced from Invesco unless otherwise stated.

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

As a large portion of the strategy is invested in less developed countries, you should be prepared to accept significantly large fluctuations of the value of the strategy.

As with all investments there are associated risks. Please obtain and review all relevant materials carefully before investing.

Invesco Perpetual is a business name of Invesco Asset Management Limited, Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire RG9 1HH, UK. Authorised and regulated by the Financial Conduct Authority.

GLRFP236

Contact information

Christopher Edge

Director of UK Compliance

Telephone +44 (0) 1491 417000

Christopher.edge@invescopetual.co.uk

Invesco Asset Management Limited

Perpetual Park

Perpetual Park Drive

Henley-on-Thames

Oxfordshire

RG9 1HH

UK

www.invescopetual.co.uk



Strategy profile

Global diversified and global diversified ex US
equity strategies

Invesco Perpetual

February 2017



Global diversified and global diversified ex US equity strategies

Invesco Perpetual

Corporate overview	3
Investment team & assets under management	5
Investment philosophy	7
Investment process	8
Risk management	12
Strategy overview	13
Appendix 1: Biographies	14
Appendix 2: Risk management	17

Global diversified and global diversified ex US equity strategies

Invesco Perpetual

Corporate overview

Invesco Ltd. (Invesco)

Invesco is one of the world's leading independent global investment firms, solely focused on investment management. With 6,788 employees worldwide as at 31 December 2016, the firm directs all of its intellectual capital, global strength and operational stability toward helping investors achieve their long term financial objectives. By delivering the combined power of the firm's distinctive investment management capabilities, Invesco provides a wide range of investment strategies and vehicles to retail and institutional clients around the world. Operating in over 20 countries, the company is listed on the New York Stock Exchange under the symbol IVZ.

Invesco offers diversified investment strategies spanning all major equity, fixed income, asset allocation and alternative asset classes. These strategies are managed across various worldwide investment centres, each of which focus on distinct asset classes, investment styles or regional expertise and adhere to clearly defined investment philosophies aligned with client expectations. Each team is able to operate independently, allowing them to follow and further their specific investment style and expertise.

To further strengthen its investment culture, Invesco also maintains an active Investors Forum that consists of senior investment professionals from each investment centre. Co-chaired by Chief Executive Officer (CEO) Martin L. Flanagan and Senior Managing Director Karen Dunn Kelley, the role of the Investors Forum is primarily to foster, promote and grow investment excellence across the organisation.

Invesco's distinctive combination of independent thought within individual investment centres and collaboration across investment centres provides clients the reach and resources of a global organisation and the focus and attention of a boutique firm: Invesco's investment capabilities are both diverse and specialised; the firm is global in reach yet local in presence and its processes are disciplined yet can be delivered in customised ways. All of which distinctively positions Invesco to keep pace with clients' evolving investment needs worldwide.

Invesco Perpetual

Background

Invesco Perpetual is a business name of Invesco Asset Management Limited (IAML). IAML forms part of Invesco UK Limited, which itself forms part of Invesco.

With USD116.45 billion in assets under management¹ as at 31 December 2016 and located in Henley-on-Thames (Henley), Invesco Perpetual's investment team structure exhibits many of the advantages of a boutique firm structure, albeit part of a larger organisation: small high-quality teams; the location of the team away from the main UK investment centres, 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 fund manager and analyst are combined.

¹ Total assets managed by Invesco Perpetual's investment centre as at 31 December 2016.

Global diversified and global diversified ex US equity strategies

Invesco Perpetual

Invesco Perpetual's highly experienced investment team consists of 68 investment professionals with an average 17 years' investment experience². The firm believes that a focused and highly-experienced team provides the best means of maximising value that it can generate for its clients by continuing to adopt a long-term, active approach to investment.

Invesco Perpetual's 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, the firm remains passionately focused on that original aim. Today, from its office in Henley, Oxfordshire, its investment team invests across 40 stock markets, over 500 companies globally and travels extensively to meet companies and their management.

Stability:

Turnover within Invesco Perpetual's investment team is low, and the stability of the team is a factor in helping the firm in its aim to deliver long-term sustainable outperformance. Invesco Perpetual believes that the unique location of its 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. Invesco Perpetual believes that investment management must be undertaken in a work environment where fund managers, who are focused on longer-term performance, are free to operate independently but with clear accountability and within a challenge culture. Fund managers must be given the opportunity to stand by their convictions. Invesco Perpetual believes that culture and environment are more important to "get right" than mapping a dogmatic process. The firm must be pragmatic and flexible.

Invesco Perpetual has 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 the firm's fund managers are aided in this by a robust oversight and risk management process.

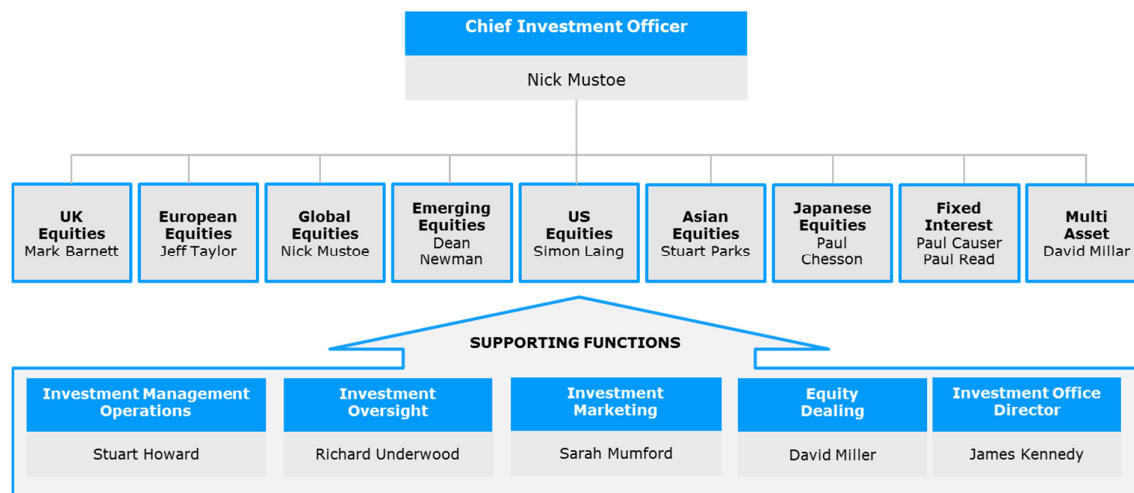
² Investment professionals as at 31 December 2016 include Invesco Perpetual's Chief Investment Officer (CIO), fund managers, analysts, trainee analysts, strategists, Multi Asset research director, Multi Asset portfolio director, Multi Asset product director and fixed income dealers.

Global diversified and global diversified ex US equity strategies

Invesco Perpetual

Investment team & assets under management

Invesco Perpetual's investment team is structured as follows:



Source: Invesco Perpetual as at 31 December 2016.

Invesco Perpetual Global Equity Group

Invesco Perpetual's global diversified and global diversified ex US equity strategies are managed by CIO Nick Mustoe (lead) and the Invesco Perpetual Global Equity Group (Group). The Group consists of a cross-section of the wider Invesco Perpetual investment team. It harnesses Invesco Perpetual's heritage and expertise of its successful Henley-based investment team. Alongside Nick Mustoe, who leads the Group, are seven specialist fund managers from Invesco Perpetual's regional equity investment teams. These specialists bring forward the very best ideas from their respective regional teams in order to build a portfolio of the best ideas globally.

Details of the Group's structure and its members are provided in the table below:

Name	Role	Year joined industry	Year joined firm
Global product strategy: Total portfolio ownership/monitoring			
Nick Mustoe	CIO Invesco Perpetual	1985	2010
Martin Weiss	Investment strategist	1990	2005
Arwel Green	Strategist	2001	2001
Fund managers: Original fundamental research and portfolio construction insight			
Stephen Anness	Global specialist	2002	2002
Simon Laing	US regional specialist	1997	2012
John Surplice	Europe ex UK regional specialist	1995	1995
Martin Walker	UK regional specialist	1997	1999
Ian Hargreaves	Asia ex Japan regional specialist	1994	1994
Tony Roberts	Japan regional specialist	1995	2000

Global diversified and global diversified ex US equity strategies

Invesco Perpetual

Name	Role	Year joined industry	Year joined firm
Dean Newman	Emerging markets ex Asia regional specialist	1985	1993
Global product: Client communication			
John Botham	Product director	1993	2013
Rob Stabler	Product director	2000	2002

Source: Invesco Perpetual as at 31 December 2016. The product directors are integral members of the investment team, responsible for communicating Invesco Perpetual's global equities capabilities internally and externally.

Biographies of Group members are included within **Appendix 1**.

Assets under management

Assets under management for Invesco Perpetual's global diversified equity strategy totalled USD2,151.33 million as at 31 December 2016. These assets are held across four pooled vehicles and one institutional segregated mandate.

Please note that there are currently no assets under management within Invesco Perpetual's global diversified ex US equity strategy.

Source: Invesco Perpetual as at 31 December 2016.

Global diversified and global diversified ex US equity strategies

Invesco Perpetual

Investment philosophy

Invesco Perpetual firmly believes 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 firm's fund managers' research. The market's disproportionate focus on short-term factors allows an investor with a long-term horizon to buy stocks at attractive valuations. Invesco Perpetual believes that its philosophy, applied in a consistent and rigorous way should lead to outperformance over the longer term.

The firm's global diversified equity strategy is an active, bottom-up investment strategy focusing on constructing a diversified portfolio of the best valuation opportunities globally.

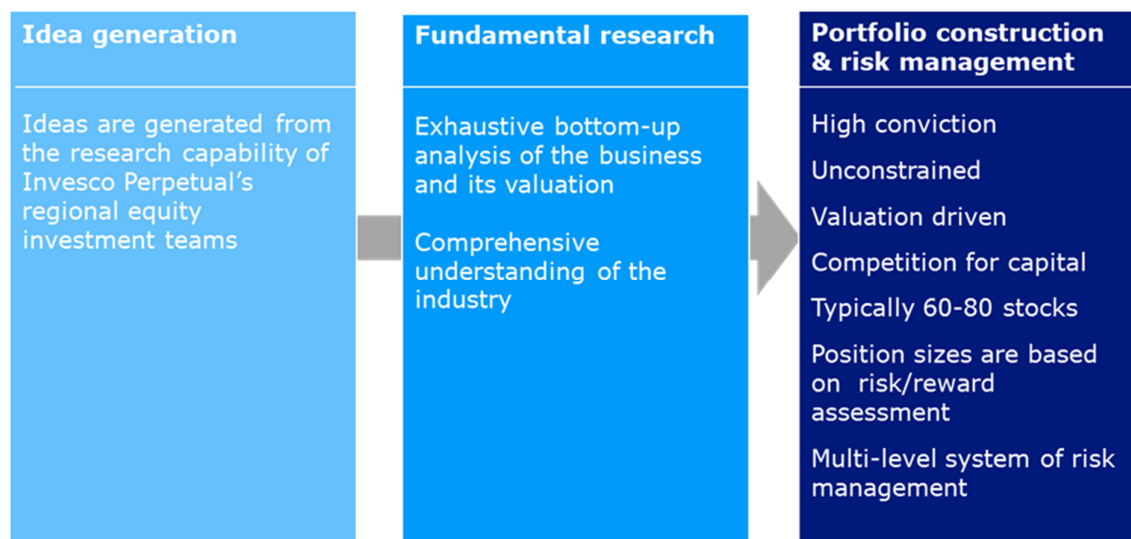
The Invesco Perpetual Global Equity Group's focus is on stock selection. It's assessment of a company and its valuation is the key driver. The Group's specialist regional fund managers believe that stock prices often fail to reflect their intrinsic fair value because financial markets tend to focus on short-term factors. The Group aims to exploit these market inefficiencies by investing in quality companies that are trading at what it considers to be below intrinsic worth. Invesco Perpetual believes the key to identifying these companies is thorough proprietary fundamental research.

Global diversified and global diversified ex US equity strategies

Invesco Perpetual

Investment process

An overview of Invesco Perpetual's global diversified equity investment process is illustrated below:



For illustrative purposes only.

Investment universe

The Invesco Perpetual Global Equity Group seeks the best ideas from around the world. As such, the global universe is made up of the investible universes of Invesco Perpetual's regional equity investment teams based in Henley. These regional universes cover stocks across all capitalisations, sectors and regions, and are not restricted to stocks from the main regional indices. The best ideas from each regional investment team are proposed by members of the Group where they are peer reviewed and debated by fellow team members. When agreement is reached within the Group, the stock is added to the portfolio.

Idea generation

Ideas are generated from the research capabilities of the wider Invesco Perpetual regional equity investment teams, which provide the primary research for candidate investments. Invesco Perpetual believes that each regional investment team's expertise and knowledge delivers a breadth of knowledge across stocks, sectors and countries.

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. The best investment ideas from the regional equity investment teams are presented to the Invesco Perpetual Global Equity Group.

Lead manager Nick Mustoe ensures that investments fully meet the global diversified equity strategy's investment criteria.

Global diversified and global diversified ex US equity strategies

Invesco Perpetual

Fundamental research

Fundamental analysis is the key input to the investment process and a principal driver of stock selection. The strategy's bottom-up research is driven by the investment work of Invesco Perpetual's regional equity investment teams. Each regional candidate investment idea undergoes rigorous fundamental research, in order to assess the quality of the business and arrive at an assessment of its valuation, before being proposed to the Invesco Perpetual Global Equity Group. 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 Invesco Perpetual believes brings out the best in individuals and thereby strengthens the firm's investment capability.

However, in broad terms, each investment team focuses on the following:

- **Bottom-up, fundamental, proprietary research:** This is to assess the quality of a business and 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.
- **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.
- **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, fund managers maintain contact with industry analysts that they consider have superior analytical insights.

The majority of research undertaken is proprietary research. Areas considered when assessing a business are included below:

- **Franchise and business quality analysis:** Fund managers look for companies with competitive products or services that exhibit a durable demand and possess significant and sustainable market shares. Fund managers assess the intensity of the competitive environment in which firms operate, examining a broad array of factors such as barriers to entry and exit, product substitution and differentiation, and cost leadership for each company. Fund managers also consider relationships and bargaining power with suppliers, customers, regulators and shareholders. This allows fund managers to draw conclusions about the quality of a business, the intensity of competition and the company's ability to manage it.
- **Analysis of a company's financial position:** Fund managers look for companies that can grow margins and deliver sustainable returns through an economic cycle. When analysing financial strength they focus on balance sheet strength and the ability to generate strong and sustainable cashflow, particularly free cashflow. Free cashflow can be used to pay dividends, fund expansion - organic or via acquisitions - and to reduce leverage. Careful attention is paid to the consistency, clarity and fullness of a company's financial statements and their disclosures as an indication of the quality and strength of the company's management.

Global diversified and global diversified ex US equity strategies

Invesco Perpetual

- **Analysis of management quality:** Fund managers seek executives whose actions are likely to result in added value for shareholders. They look for managements' clear understanding of the principal dynamics of their business, especially in the context of global markets, and empathy with their shareholders' interests. In particular, fund managers consider whether they are efficient allocators of cash between capital expenditure, debt reduction and returns to shareholders.
- **Analysis of dividends:** Fund managers assess the attractiveness of a company's dividend and potential for dividend growth over time. Dividend yields reflect historical cash payments. Therefore future dividends are dependent on a company's operating performance. It is important to focus on the sustainability of a company's operating cashflow, from which the dividends are ultimately paid. In addition, the capital discipline that underpins the payment of dividends aligns to management discipline, an important trait of high performing companies.

Whilst the fund managers' primary focus is on bottom-up, fundamental research, significant time is dedicated to the understanding and forecasting of current and future macroeconomic conditions.

Portfolio construction

Portfolios are constructed on a bottom-up basis with the weight of each stock in the portfolio being conviction-led. Weightings represent a blend of the Invesco Perpetual Global Equity Group's fund managers' conviction in the merits of the investment case and the assessment of the relevant risks. Country and sector exposures are an important consequence of the search for what the Group's fund managers' view as the most attractive investment ideas globally. 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 are overseen and challenged in the context of their fit into the overall portfolio and to ensure that they meet the Group's investment criteria. Ultimate responsibility for this function lies with the Group's leader, CIO Nick Mustoe.

There is competition for capital and an environment 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 fund 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 fund manager who manages the position from purchase to sale, including the adding to and trimming of positions as valuation dictates.

Investment horizon

Decisions relating to stock selection are long-term in nature as the Invesco Perpetual Global Equity Group's specialist fund managers do not typically move into or out of positions in the short-term. The anticipated holding period for a stock is typically in excess of three years.

Global diversified and global diversified ex US equity strategies

Invesco Perpetual

Sell discipline

The decision to sell a stock is based on the same principles as the decision to buy: valuation and business fundamentals. Whilst price objectives are discussed at the time of purchase, these may be amended during the course of ownership of a position. A stock will be sold by the Invesco Perpetual Global Equity Group if it meets one or more of the following criteria:

- It is no longer undervalued
- A more attractive opportunity has been identified elsewhere
- The investment case for the stock no longer applies

Under no circumstances would the Group deviate from these disciplines.

Global diversified and global diversified ex US equity strategies

Invesco Perpetual

Risk management

The Invesco Perpetual Global Equity Group primarily considers risk as the potential for permanent loss of capital. It does not operate on the basis of a fixed 'risk budget' based on volatility, tracking error, or any other such measure; however it does monitor its exposures to ensure that there are no unintended exposures.

The Group's risk management process is conducted at both a stock and portfolio level.

- **Stock level:** At the stock level, the Group is primarily concerned with the investment thesis for each stock, particularly valuation. In addition to investment thesis challenge, valuation/conviction challenge and management assessment, the Group monitors factors such as stock liquidity (Bloomberg and Style Research) and stock contribution to relative risk (APT) on a continuous basis.
- **Portfolio level:** At the portfolio level, the Group undertakes the following risk monitoring on a continuous basis:
 - Performance attribution analysis (CAPeR*)
 - Portfolio liquidity (Style Research)
 - Style analysis (Style Research)
 - Relative 'risk budget' analysis (APT)
 - Sector, geographic and market capitalisation exposures (Perspective 2*)
 - Factor/scenario analysis (APT)

* Proprietary system.

Investment oversight

Invesco Perpetual's Investment Oversight team provides the Group with a quarterly formal risk report which incorporates many of the factors listed above. In addition, the team independently monitors the global diversified equity strategy's portfolios and undertakes at least annually, the CIO challenge process to ensure that these portfolios are being managed in line with the stated investment philosophy/approach, that the investment process is robust and that the portfolios are being managed in order to generate value for clients and that the risks taken on behalf of clients are understood and considered appropriate. Assessments are both qualitative and quantitative and cover a number of factors including performance (Lipper, Morningstar and Statpro Composites), attribution/contribution, absolute and relative risk, capacity, flows & liquidity, financial attributes, active positioning and transaction/stock analysis.

Independent risk management oversight

The Independent Risk Function (IRF) in EMEA monitors both operational and portfolio risk, including market, liquidity and counterparty risk. It also ensures that the investment team meets with regulatory requirements for internal audit, compliance, risk management and risk reporting. That includes the relevance of the techniques used for risk measurement, regularly reviewing the adequacy of existing methods.

The Global Performance Measurement and Risk (GPMR) team provides comprehensive, detailed sources of information and analysis that help the firm better understand investment performance, quality and risk. The team provides regular reviews of the performance and risk attributes of Invesco's investment teams to stakeholders in the business, including senior leadership. The team's risk reporting focuses on Value-at-Risk (VaR) together with back-testing and stress testing, as well as liquidity risk analysis.

Please refer to **Appendix 2** for further details.

Global diversified and global diversified ex US equity strategies

Invesco Perpetual

Strategy overview

Global diversified equity

Strategy name, management and objective	Reference benchmark	Concentration
Invesco Perpetual global diversified equity strategy Nick Mustoe (lead) and the Invesco Perpetual Global Equity Group This strategy aims to achieve capital growth by investing in equities which are quoted on the world stockmarkets	MSCI AC World index	Typically 60 to 80 securities

Global diversified ex US equity

Strategy name, management and objective	Reference benchmark	Concentration
Invesco Perpetual global diversified ex US equity strategy Nick Mustoe (lead) and the Invesco Perpetual Global Equity Group This strategy aims to achieve capital growth by investing in equities which are quoted on the world's stockmarkets ex US	MSCI AC World ex US index	Typically 40 to 60 securities

Global diversified and global diversified ex US equity strategies

Invesco Perpetual

Appendix 1: Biographies

Global product strategy

Total portfolio ownership/monitoring

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 30 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.

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 Fund-of-Fund Strategist 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 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 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.

Fund managers

Original fundamental research and portfolio construction insight

Stephen Anness, Global Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Stephen is lead manager for Invesco Perpetual's global opportunities strategy. He specialises in managing concentrated global equity portfolios. Stephen has been a key part of the idea generation and stock selection process in global equity portfolios since 2009. He took over responsibility for the global opportunities strategy on 1 January 2013. Stephen began his investment career with Invesco Perpetual's UK Equities team, joining the company in July 2002 as a trainee analyst. Having come through the investment team ranks, Stephen started managing UK equity portfolios in September 2004 and took on management of his first UK fund in 2008, before moving to the Global Equities team at the end of 2012. Stephen holds a BSc in Economics, the Securities Institute Diploma, the Investment Management Certificate from the CFA Society of the UK and has studied Corporate Finance at The London Business School.

Global diversified and global diversified ex US equity strategies

Invesco Perpetual

Simon Laing, CFA, Head of US Equities at Invesco Perpetual

Based in Henley-on-Thames, Simon joined the company in January 2012 as the Head of US Equities. 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.

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 Invesco Perpetual in 1995. John holds an MA (Honours) in Economics from Edinburgh 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.

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.

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.

Dean Newman, Head of Emerging Market Equities at Invesco Perpetual

Based in Henley-on-Thames, Dean is Head of Emerging Market 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 Market Equities at Invesco Perpetual in April 2007, having joined the company in 1993 and the Emerging Market 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 market regions. Dean graduated from Durham University with a BA honours degree in Economics and Politics.

Global diversified and global diversified ex US equity strategies

Invesco Perpetual

Global product

Client communication

John Botham, Global Equities Product Director at Invesco Perpetual

Based in Henley-on-Thames, John joined the company as Product Director in November 2013 responsible for communicating Invesco Perpetual's global equities capabilities internally and externally. He started his industry career in 1993 upon joining Guardian Royal Exchange as a European equities fund manager before joining Henderson Investors in 1994, where he became Director of Pan European Equities. In 2007 he subsequently joined Aviva Investors as Head of European Equities. John gained a degree in Economics from Loughborough University in 1985, and qualified as a Chartered Accountant in 1989. He also holds the IMC qualification from the CFA Society of the UK.

Rob Stabler, Global Equities Product Director at Invesco Perpetual

Based in Henley-on-Thames, Rob is a product director for Invesco Perpetual's Global Equities team, and is responsible for developing and delivering the team's investment message. Rob began his career in financial services in 2000, working as an independent financial adviser. He joined Invesco Perpetual in 2002, spending 11 years working as a regional sales manager within the Retail Sales team, where he developed and maintained relationships across a range of wealth managers, IFA and fund-of-fund clients. He joined the Global Equities team in July 2013. He holds a BA in Politics & Economics from Newcastle University and the Investment Management Certificate from the CFA Society of the UK.

Global diversified and global diversified ex US equity strategies

Invesco Perpetual

Appendix 2: Risk management

Invesco employs a multi-faceted approach to oversight and risk management that is deeply embedded in the firm's culture, organisational governance and business structure. 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. These investment teams' processes are bolstered and overseen by multi-dimensional independent controls.

Invesco's GPMR team is an independent function consisting of over 90 professionals providing comprehensive, detailed sources of information and analysis that will help Invesco better understand investment performance, quality, and risk. This team provides regular reviews of the performance and risk attributes of the various investment team disciplines to senior leadership.

With regards to firm-level risk management, Invesco'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.

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 regulatory requirements. The Invesco Compliance group (Compliance) 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 leadership regularly or as necessary.

The table overleaf visually presents how investment teams' processes are bolstered and overseen by multi-dimensional independent controls.

These controls include:

- The GPMR team (consisting of over 90 professionals), an independent group responsible for analysing performance and activities, as well as position and risk, in the context of investment process and philosophy, market environment and client expectations.
- Invesco's senior leadership oversight, comprised of:
 - Reporting lines running from investment team CIOs who have day-to-day responsibility for investment team risk controls up to the Invesco Senior Managing Director having management responsibility for the investment team.
 - Quarterly and monthly reviews, performed based upon investment performance and risk analytics of each investment discipline produced by the GPMR team. These reviews are conducted by the CEO and those Senior Managing Directors who oversee the investment teams.
 - Review of operational controls and related corporate exposures by the Invesco Corporate Risk Management Committee.

Global diversified and global diversified ex US equity strategies

Invesco Perpetual

- Regular review of investment matters by the Invesco Board of Directors and independent Fund Boards, 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'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.

Risk Oversight and Governance	Board of Directors and Fund Boards			
	Executive Management Team			
Risk Management Facilitation	Risk Areas of Focus	<ul style="list-style-type: none">▪ Investment▪ Credit/Asset/Liability	<ul style="list-style-type: none">▪ Financial▪ Operational	<ul style="list-style-type: none">▪ Business
	Global Performance Measurement and Risk <ul style="list-style-type: none">▪ Facilitates investment oversight function▪ Independently reviews investment execution and process application▪ Monitors consistency of investment results with mandates, market environments, client and CIO expectations▪ 90+ professionals	Corporate Risk Management Committee <ul style="list-style-type: none">▪ Timely and consistent identification, evaluation and mitigation of operational and business risk▪ Senior executives from all major business functions including:<ul style="list-style-type: none">– Investment management/trading– Product management– Administration (information technology, investment operations, human resources, procurement)– Portfolio operations– Legal and compliance– Finance and internal audit– Strategy		
Risk Management Embedded in the Business	Investment Risk Management Managing our core risks through the investment centers			
	Business/Operational Risk Management Managing all other risks in the business			
Internal Control	Compliance and Internal Audit Facilitate and monitor internal control at all levels			

For illustrative purposes only.

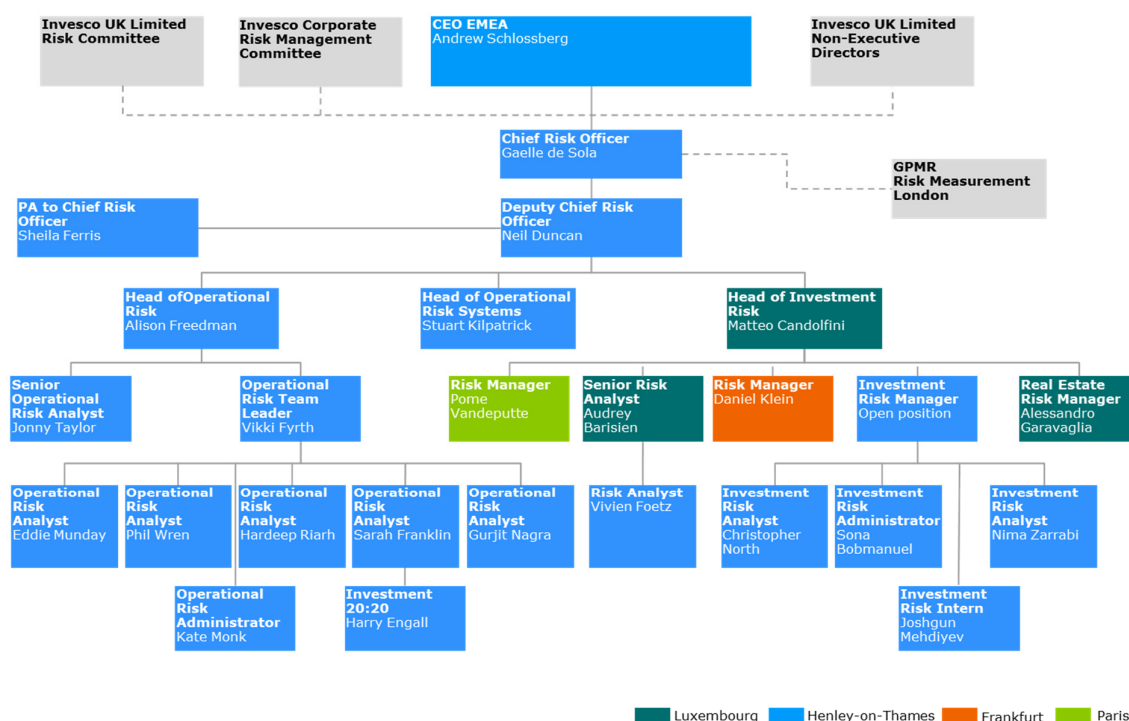
IRF in EMEA

Gaelle de Sola, Chief Risk Officer for EMEA, leads the IRF 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 market, liquidity and counterparty risk) for the firm's UK and European (France, Ireland and Luxembourg) domiciled UCITS funds, Alternative Investment Funds (AIFs) and other relevant portfolios.

Gaelle reports directly to Andrew Schlossberg CEO of Invesco EMEA, Senior Managing Director of Invesco and Head of Invesco's EMEA region. The chart below illustrates the framework in which the IRF functions:

Global diversified and global diversified ex US equity strategies

Invesco Perpetual



Source: Invesco as at 4 January 2017.

The IRF is an independent assurance function for Invesco UK Limited³, and respectively all Invesco entities within EMEA. Its aim is to support and facilitate directors, senior management and the business in assessing, managing, monitoring and reporting all of Invesco's risks in EMEA. Risks that are assessed by the business or the senior management team to be inadequately managed, outside of Invesco's policies and procedures, risk appetite, best practice and regulatory requirements, are reported together with recommended actions for their risk reduction within the Invesco tolerance level. The IRF has a duty to highlight where risks may be inadequately or incorrectly assessed to the Invesco UK Limited Board to ensure appropriate attention is paid to these risks.

The role of the IRF is to undertake independent risk controlling duties at both a company and fund level. The tasks and duties of the IRF encompass different areas that include the oversight of implemented actions, strategies and processes aimed to comply with regulatory requirements for internal audit, compliance, risk management and risk reporting. The IRF ensures relevant techniques for risk measurement and reviews regularly the adequacy of existing methods. Furthermore, the IRF is in charge of coordinating the execution of identification, evaluation and quantification of risks.

The activities of the two teams within the IRF are as follows:

Operational risk

- Facilitate and coordinate the quarterly risk self-assessment (RSA) process and independently challenge the RSAs completed by each business function
- Active management and administration of the risk management module of B Wise, the system used to record incidents and risks

³ Invesco UK Limited is the parent company of IAML.

Global diversified and global diversified ex US equity strategies

Invesco Perpetual

- Provide operational risk information for capital requirements directive purposes e.g. for the ICAAP (Internal Capital Adequacy Assessment Process), including quantified aggregated inherent impact exposures and viable stress-test scenarios
- End-to-end management of the incident reporting module of B Wise including independently following up on and ensuring effective mitigation of incidents logged by the business and investigation of systemic and thematic issues

Investment risk

- Independently monitor, quantify and assess all investment-related risks within and across products during the new product development phase and within the life of a product
- Monitoring of portfolio risk limits (regulatory and internal) with application of the escalation process
- Communicate/heighten awareness and escalate investment-related risks, on an ad hoc basis as warranted, through regular 'risk challenge' sessions with fund managers
- Derivatives risk management oversight
- Oversight of risk systems, models and analytics

The IRF is also responsible for setting up adequate risk management policies to reflect processes and guidelines in place to ensure they are in line with regulatory standards across EMEA as well as best practices and oversee their implementation.

Additionally, the IRF is in charge of risk reports for senior management and boards and communication on risk-related matters to internal and external stakeholders.

The IRF collaborates closely with other risk experts within the firm, in particular the GPMR team, an independent function consisting of over 90 professionals. GPMR is responsible for analysing performance and activities, as well as position and risk, in the context of investment process and philosophy, market environment and client expectations. In particular, in EMEA, the GPMR team focuses on the production of risk metrics, such as VaR, stress-testing or liquidity risk analysis.

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 investments 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 below, this process is implemented via challenge meetings that are attended by the CIO, a member of the Investment Oversight team and the fund manager and seeks to check that the individuals managing money are doing so in a way that adds value to the firm's clients, and that the risks taken on behalf of its clients are understood and are considered appropriate. The objective is to review each fund manager annually, although where particular issues are identified with performance or the investment process, these take precedence.

Risk management is an integral component of Invesco Perpetual's 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.

Global diversified and global diversified ex US equity strategies

Invesco Perpetual

Although the fund manager is always aware of the relative risk they are running – where relative risk is defined as the holding of investment positions that differ from the structure of the benchmark – they do not set out to manage the relative risk characteristics of their portfolios.

A portfolio's relative risk characteristics will simply be a function of the investment decisions and absolute risk judgments that were made while constructing the portfolio.

Continuous monitoring

At the total portfolio level, monthly performance, attribution and risk reports are considered by Invesco Perpetual's Investment Oversight team, ensuring 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, a member of the Investment Oversight team and the fund manager. Where the CIO is the lead manager, Invesco Perpetual's Head of Investment Oversight undertakes the CIO challenge process. 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 the firm's 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 potential 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 the firm's 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.

As mentioned, 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. The challenge process seeks to check that the individuals managing money are doing so in a way that strives to add value to the firm's clients.

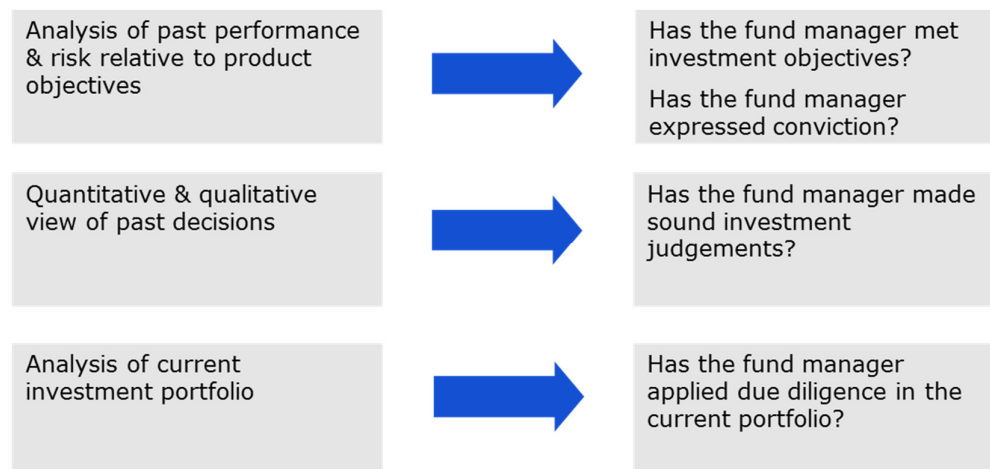
Fund managers are given the autonomy to back their investment judgment within the scope of fund mandates and regulations. Invesco Perpetual does not wish to put in place unnecessary restrictions that limit a fund manager's ability to back his/her own convictions in a stock or investment strategy. In an environment that allows such free thought, traditional controls and processes are particularly important, but applied in a pragmatic way.

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 Invesco Perpetual's Henley investment centre.

Global diversified and global diversified ex US equity strategies

Invesco Perpetual

The chart below illustrates this process:



For illustrative purposes only.

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 has trading activity 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 the Investment Oversight team to check the understanding of a fund manager's active positions against their investable universe.
- **Risk reporting:** to challenge/support where the investment teams believe their excess returns will come from.
- **Active positions:** where are major stock, industry, country or asset class positions being taken?

The aim of the CIO challenge process is to ensure that there is sufficient investment oversight to monitor that risks taken on behalf of Invesco Perpetual's clients are understood and are considered appropriate. It is accepted that Invesco Perpetual's business is judgmental 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.

Global diversified and global diversified ex US equity strategies

Invesco Perpetual

Investment monitoring

A summary of the main IT systems used by the IRF for risk management oversight is provided below:

Risks covered	IT system	Service provider	Use
Market	RiskMetrics	MSCI	Daily VaR and monthly stress-testing
	APT	FIS (Formerly SunGard)	Volatility analysis for the Invesco Perpetual Multi Asset team's funds
Liquidity	Liquidity Analyser	RC Banken	Liquidity reports
Counterparty	GPMR internal database	GPMR (Internal)	Concentration exposure
Operational	BWise	NASDAQ OMX	Incident reporting and operational risk management
	Stress Controller	Risk Control	Capital adequacy assessments

In assessing portfolio risk, Invesco Perpetual's Investment Oversight team measures performance analysis, portfolio contribution and attribution at both sector and individual stock level and portfolio characteristics, such as financial ratios.

A summary of the investment monitoring tools used by the team is provided below:

Investment monitoring tools	Service provider	Use
Contribution, Attribution and Performance Reporting (CAPeR)	GPMR (Internal)	Performance attribution and contribution system used to provide stock level bottom-up or top-down attribution/contribution analysis
Perspective II	Internal	Fund management system used by fund managers for the day-to-day management of portfolios and their analysis relative to benchmark on a country/sector/stock basis
Style Research	Style Research	Used to analyse the 'style profile' of portfolios using measures such as book to price, dividend yield, earnings growth, market cap, debt/equity ratio etc.
APT	APT	Used to understand the ex-ante risk exposures of a portfolio at the country, sector, stock and factor level. Is also used for what-if scenario analysis to understand the risk impact of any changes made to the portfolio and for stress testing
Statpro Analytics Composites	Statpro	AIMR-GIPS performance and risk metrics tool
Morningstar	Morningstar	Retail fund performance analysis relative to the benchmark and competitor universe
Lipper	Lipper	Retail fund performance analysis relative to the benchmark and competitor universe

Important information

The information contained in this document relating to the composition of the 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).

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.

All data is as at 31 December 2016, sourced from Invesco unless otherwise stated.

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

As with all investments there are associated risks. Please obtain and review all relevant materials carefully before investing.

Invesco Perpetual is a business name of Invesco Asset Management Limited, Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire RG9 1HH, UK. Authorised and regulated by the Financial Conduct Authority.

GLRFP169



Strategy profile

Global smaller companies (all-markets)
strategy

Invesco Perpetual

February 2017



Global smaller companies (all-markets) strategy

Invesco Perpetual

Corporate overview	3
Investment team & assets under management	5
Investment philosophy and process	7
Research	10
Portfolio construction	13
Risk management	16
Strategy overview	17
Appendix 1: Biographies	18
Appendix 2: Risk management	21

Global smaller companies (all-markets) strategy

Invesco Perpetual

Corporate overview

Invesco Ltd. (Invesco)

Invesco is one of the world's leading independent global investment firms, solely focused on investment management. With 6,788 employees worldwide as at 31 December 2016, the firm directs all of its intellectual capital, global strength and operational stability toward helping investors achieve their long term financial objectives. By delivering the combined power of the firm's distinctive investment management capabilities, Invesco provides a wide range of investment strategies and vehicles to retail and institutional clients around the world. Operating in over 20 countries, the company is listed on the New York Stock Exchange under the symbol IVZ.

Invesco offers diversified investment strategies spanning all major equity, fixed income, asset allocation and alternative asset classes. These strategies are managed across various worldwide investment centres, each of which focus on distinct asset classes, investment styles or regional expertise and adhere to clearly defined investment philosophies aligned with client expectations. Each team is able to operate independently, allowing them to follow and further their specific investment style and expertise.

To further strengthen its investment culture, Invesco also maintains an active Investors Forum that consists of senior investment professionals from each investment centre. Co-chaired by Chief Executive Officer (CEO) Martin L. Flanagan and Senior Managing Director Karen Dunn Kelley, the role of the Investors Forum is primarily to foster, promote and grow investment excellence across the organisation.

Invesco's distinctive combination of independent thought within individual investment centres and collaboration across investment centres provides clients the reach and resources of a global organisation and the focus and attention of a boutique firm: Invesco's investment capabilities are both diverse and specialised; the firm is global in reach yet local in presence and its processes are disciplined yet can be delivered in customised ways. All of which distinctively positions Invesco to keep pace with clients' evolving investment needs worldwide.

Invesco Perpetual

Background

Invesco Perpetual is a business name of Invesco Asset Management Limited (IAML). IAML forms part of Invesco UK Limited, which itself forms part of Invesco.

With USD116.45 billion in assets under management¹ as at 31 December 2016 and located in Henley-on-Thames (Henley), Invesco Perpetual's investment team structure exhibits many of the advantages of a boutique firm structure, albeit part of a larger organisation: small high-quality teams; the location of the team away from the main UK investment centres, 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 fund manager and analyst are combined.

¹ Total assets managed by Invesco Perpetual's investment centre as at 31 December 2016.

Global smaller companies (all-markets) strategy

Invesco Perpetual

Invesco Perpetual's highly experienced investment team consists of 68 investment professionals with an average 17 years' investment experience². The firm believes that a focused and highly-experienced team provides the best means of maximising value that it can generate for its clients by continuing to adopt a long-term, active approach to investment.

Invesco Perpetual's 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, the firm remains passionately focused on that original aim. Today, from its office in Henley, Oxfordshire, its investment team invests across 40 stock markets, over 500 companies globally and travels extensively to meet companies and their management.

Stability:

Turnover within Invesco Perpetual's investment team is low, and the stability of the team is a factor in helping the firm in its aim to deliver long-term sustainable outperformance. Invesco Perpetual believes that the unique location of its 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. Invesco Perpetual believes that investment management must be undertaken in a work environment where fund managers, who are focused on longer-term performance, are free to operate independently but with clear accountability and within a challenge culture. Fund managers must be given the opportunity to stand by their convictions. Invesco Perpetual believes that culture and environment are more important to "get right" than mapping a dogmatic process. The firm must be pragmatic and flexible.

Invesco Perpetual has 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 the firm's fund managers are aided in this by a robust oversight and risk management process.

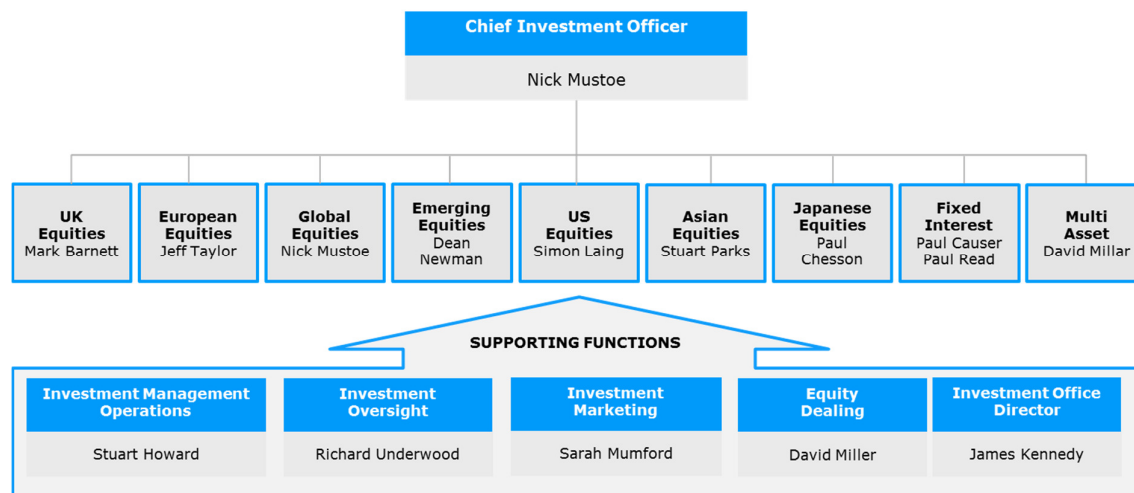
² Investment professionals as at 31 December 2016 include Invesco Perpetual's Chief Investment Officer (CIO), fund managers, analysts, trainee analysts, strategists, Multi Asset research director, Multi Asset portfolio director, Multi Asset product director and fixed income dealers.

Global smaller companies (all-markets) strategy

Invesco Perpetual

Investment team & assets under management

Invesco Perpetual's investment team is structured as follows:



Source: Invesco Perpetual as at 31 December 2016.

Invesco Perpetual Global Smaller Companies Group

Invesco Perpetual's global smaller companies (all-markets) strategy is managed as a series of six regional sub-portfolios, with asset allocation driven by the Invesco Perpetual Global Smaller Companies Group (Group) led by CIO Nick Mustoe. Day-to-day discretion for stock selection lies with the Group's eight specialist regional fund managers. Details of the Group's structure and its members are provided in the table below:

Name	Role	Office location	Year joined industry	Year joined firm
Specialist regional fund managers:				
Company research and sub-portfolio construction				
Jonathan Brown	UK regional specialist	Henley, UK	1997	2000
Erik Esselink	Europe ex UK regional specialist	Atlanta, USA	2000	2007
Ian Hargreaves	Asia Pacific regional specialist	Henley, UK	1994	1994
Paul Chesson	Japan regional specialist	Henley, UK	1990	1993
Andy Tidby	Japan regional specialist	Henley, UK	1997	2008
Juliet Ellis	North America regional specialist	Houston, USA	1981	2004
Juan Hartsfield	North America regional specialist	Houston, USA	2000	2004
Dean Newman	Emerging markets ex Asia regional specialist	Henley, UK	1985	1993
Management:				
Asset allocation				
Nick Mustoe	CIO, Invesco Perpetual	Henley, UK	1985	2010
Strategy oversight and implementation				
Martin Weiss	Investment strategist	Henley, UK	1990	2005

Global smaller companies (all-markets) strategy

Invesco Perpetual

Name	Role	Office location	Year joined industry	Year joined firm
Arwel Green	Strategist	Henley, UK	2001	2001
Product directors				
John Botham	Product director	Henley, UK	1993	2013
Rob Stabler	Product director	Henley, UK	2000	2002

Source: Invesco Perpetual as at 31 December 2016. The product directors are an integral member of the investment team, responsible for communicating Invesco Perpetual's global equities capabilities internally and externally.

Biographies of Group members are included within **Appendix 1**.

Assets under management

Assets under management for Invesco Perpetual's global smaller companies strategy totalled USD1,517.71 million (all-markets USD1,399.66 million and developed-markets USD118.05 million) as at 31 December 2016. These assets are held across four pooled vehicles.

Source: Invesco Perpetual as at 31 December 2016.

Global smaller companies (all-markets) strategy

Invesco Perpetual

Investment philosophy and process

Investment philosophy

Financial markets tend to focus on short-term factors, but the Invesco Perpetual Global Smaller Companies Group believes that concentrating on longer-term investing, rather than current consensus and trends, is essential to finding sound investments because companies within the under-researched small-cap global universe operate over long-term business cycles.

The Group believes that investing in global smaller companies favours a fundamental stock picking approach and that the under-researched nature of the market presents opportunities for thorough bottom-up research. The Group believes 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 fund managers don't like a stock they don't hold it, regardless of how large its weighting in the index is.

The key focus is stock selection and the fund manager's assessment of a company and its valuation is the key driver in the investment team's decision-making process. As part of the investment process, the Group's 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. Stock selection is combined with a top-down capital allocation to deliver an all-markets globally diversified portfolio.

Market inefficiencies

The Invesco Perpetual Global Smaller Companies Group's regional sub-portfolio fund managers believe that investors' behavioural biases repeatedly give rise to market inefficiencies. To a large extent, these inefficiencies derive from the following 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
- Smaller companies are the least well researched part of the market and here it is possible to discover sizeable pricing anomalies

The fund managers seek to exploit these market inefficiencies through careful fundamental analysis and a strong emphasis on valuation.

Investment process

Invesco Perpetual's global smaller companies (all-markets) strategy is managed as a series of six sub-portfolios with asset allocation driven by the Invesco Perpetual Global Smaller Companies Group. As leader of the Group, CIO 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. The asset allocation process is described below.

Global smaller companies (all-markets) strategy

Invesco Perpetual

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 dedicates significant time and effort to top-down analysis, seeking to understand the current macroeconomic and market valuation environment through:

- Consideration of a broad range of economic indicators
- Assessing the political landscape
- Reviewing analysis of external economists and strategists
- Company meetings
- Appraisal of market valuations across the globe using bespoke valuation data
- An appraisal of relevant money flow data in respect of key emerging markets

Global investment strategy

A monthly global investment strategy meeting is held, which is chaired by Invesco Perpetual's CIO. Attendees at this meeting include all members of Invesco Perpetual's investment team. Using the meeting as a forum, key economic and market themes are considered and discussed. The geographic breadth of Invesco Perpetual's investment team 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. The agenda for the Group's smaller companies asset allocation meeting is influenced by the outcome of the topics discussed at this meeting.

Smaller companies asset allocation

The insights of the Group's specialist regional fund managers are important inputs into the decision around capital allocation across an investment portfolio. At this monthly meeting, a range of economic and market factors are considered, which the Group believes directly impact the smaller companies markets where it is invested. This information is combined with analysis of the Group's portfolios and each specialist regional fund managers' outlook. Asset allocation decisions are taken by the CIO who leads the meeting. Decisions are generally incremental and taken with a long-term perspective. Keeping portfolio turnover low is a factor that the Group believes tends to improve portfolio performance. Allocation decisions are led by valuation.

Once asset allocation has been agreed, each fund manager is then responsible for the stock, country and sector weights for their region.

In his role leading the Group, Nick Mustoe is ultimately accountable for the performance of these portfolios. His main responsibilities include:

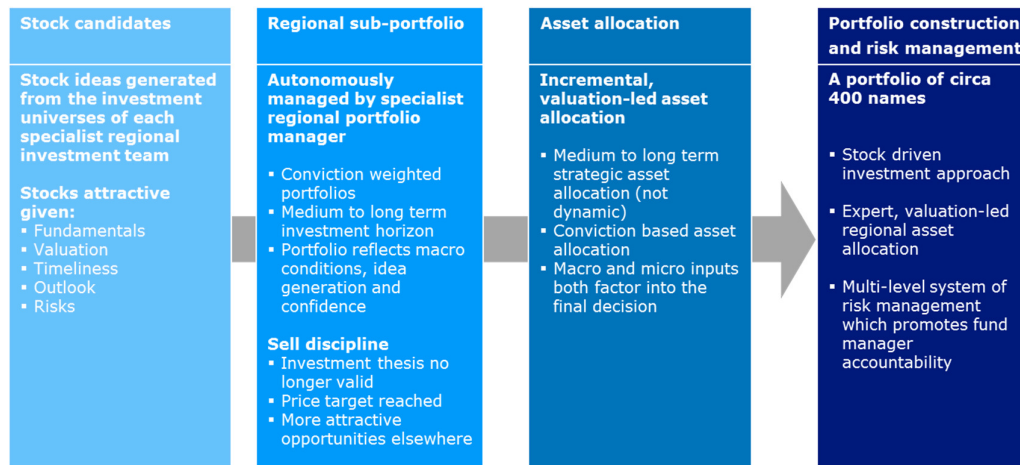
- Leading asset allocation decisions, reflecting top-down and bottom-up views
- Ensuring effective implementation of asset allocation
- Challenging the views and performance of the specialist regional fund managers

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 (all-markets) strategy

Invesco Perpetual

The investment process can be summarised as follows:



For illustrative purposes only.

Global smaller companies (all-markets) strategy

Invesco Perpetual

Research

Invesco Perpetual does not employ a separate research team. The Invesco Perpetual Global Smaller Companies Group's regional fund managers are generalist fund managers, responsible for the construction of their own sub-portfolios. These fund managers are part of, or lead, teams that cover all global developed and emerging smaller company markets, and undertake original research into all companies in which they invest into. This dual role delivers ownership and responsibility for each investment decision. Invesco Perpetual believes that the Group's regional fund manager's expertise delivers a breadth of knowledge across stocks and sectors. This is an important distinction and one it believes is central to the Group's success. The number of stocks covered by each fund manager at a given point in time is fluid and dependent upon a number of factors, including the current opportunity set.

Each regional fund manager within the Group is responsible for managing a portion of the total portfolio, with allocation determined during the monthly asset allocation investment meeting, as described previously.

Security selection and research is a process that takes the investment team right across the world. Whilst exhaustive research is undertaken on company data and third-party data, company visits and time with the management of each company that Invesco Perpetual invests in is an important part of the research approach. As long-term investors the firm views its relationship with companies' management as a critical investment factor.

The research approach, undertaken by Invesco Perpetual's investment team is described below:

Top-down research

Significant time is dedicated to the understanding macroeconomic conditions, market valuations, capital flows and geopolitical events.

Within the investment team's analysis it considers how the environment might impact the relative attractiveness of individual sectors and the impact it may have on stocks at a micro level. The team believes 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 team's portfolios and in the emphasis of its bottom-up research described below.

Monthly, the asset allocation process combines the fundamental views of the team's regional experts, with top-down inputs on markets, valuation and capital flows.

Bottom-up research

Bottom-up research is driven by the investment work of Invesco Perpetual's regional equity investment teams. Fundamental analysis is a key input to the investment process and the principal driver of stock selection.

Stock ideas are generated from a number of sources including proprietary market screens, brokerage houses, independent research firms and analysts. In some regions, particularly in Asia and in the emerging markets, macroeconomic views 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.

Global smaller companies (all-markets) strategy

Invesco Perpetual

The investment decisions that shape the portfolio are the consequence of a fund manager's assessment of the information inputs. Invesco Perpetual believes that value is added as a consequence of the insights of its fund managers, their 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 fund 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 fund manager compares the assumptions behind this research to their own, in order to form a judgment on valuation. Contact is maintained with industry analysts that a fund manager considers having 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, Invesco Perpetual's 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.

Global smaller companies (all-markets) strategy

Invesco Perpetual

Quantitative screening tools

Specific to the Group, the specialist US regional fund manager has developed a comprehensive market screening tool which forms a key part of their process and enables them to reduce the size of the investment universe which they will focus on for further qualitative analysis. This system is maintained by the investment team and supported by the corporate IT resources of Invesco in Houston. The Group's other specialist regional fund managers place less emphasis on quantitative screening and hence use less bespoke market analysis tools provided by external parties. These externally provided services include Factset, DataStream, Holt and I/B/E/S. Internally developed systems are typically intranet delivered statistical and analytical databases that use data from the aforementioned services. Access to Bloomberg and Reuters is also available.

External research

The majority of fundamental research undertaken is proprietary internal research. In addition to this, the Group's specialist regional fund managers also draw on additional information from sell-side analysts and independent industry specialists, such as rating agencies and consultants. Independent research providers and market research systems are also used by the fund managers. Invesco Perpetual would emphasise that the external research is used purely as an input, as opposed to being a driver of the decision-making process.

Global smaller companies (all-markets) strategy

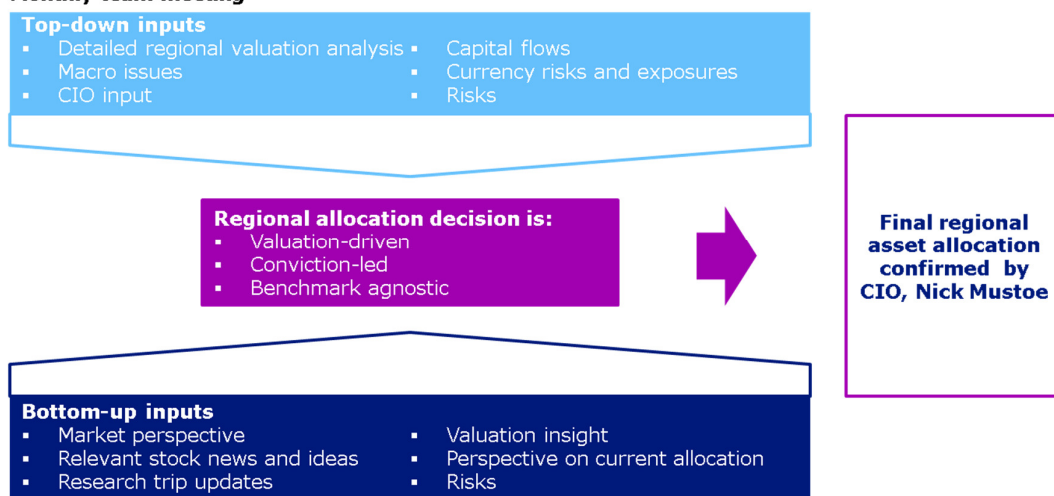
Invesco Perpetual

Portfolio construction

The aim of the global smaller companies (all-markets) strategy's construction process is to maximise exposure to the most attractive countries, sectors and stocks within the portfolio's investment parameters. This globally diversified strategy combines expert top-down regional asset allocation with regional led, research driven, fundamental stock selection.

Regional asset allocation

Monthly team meeting



For illustrative purposes only.

Whilst no formal constraints apply, other than any regulatory requirements, the Invesco Perpetual Global Smaller Companies Group aims to have at least 80% of the portfolio in small capitalisation companies. Small capitalisation companies are defined as any company whose market capitalisation is less than the USD market capitalisation of the largest company included in the MSCI ACWI Small Cap index.

As the Group's leader, Nick Mustoe is ultimately responsible for all asset allocation decisions. Each regional allocation is managed by the appropriate specialist regional fund manager who has complete autonomy over that portion of the total portfolio.

The investment team allows the specialist regional fund managers discretion in developing systems and processes appropriate to their own market and investment approach. For example, top-down macro input plays a greater part in the Asian investment process as the region is much more diverse than, for example, the US equity market.

Buy discipline

Each regional sub-portfolio is constructed from the bottom-up on a stock by stock basis. The decision-making process for each stock involves rigorous fundamental analysis. The weights of each stock in the sub-portfolio are conviction-led, based on the fund manager's considered view of the risk-adjusted upside. Weightings represent the fund manager's conviction in the investment case for the company and assessment of the potential downside risk. They can also be influenced by the number of attractive opportunities available, the value of the stock as a diversifier and regulatory/liquidity constraints.

Global smaller companies (all-markets) strategy

Invesco Perpetual

An overview of how companies are identified and the sub-portfolios are constructed is illustrated below:

Regional equity investment teams provide all market coverage

- Long history of investing in regional markets
- Hundreds of research trips
- Thousands of company meetings
- Proprietary and third party screening tools

Universe

- Over 15,000 companies
- All market coverage

Regional equity investment teams

- Specialist, regional led research
- Undertake hundreds of research trips and thousands of meetings
- Proprietary and third-party screening tools

Regional sub-portfolios

- 7 lead regional fund managers leverage the research of their respective regional teams to build a high conviction sub-portfolio

Lead regional fund managers leverage the expertise of their regional teams

- There is no prescribed research methodology – each regional team is given the freedom to employ their expertise as long-term investors in their respective regions

- Candidate companies are considered on the basis of:
 - Fundamentals
 - Valuation
 - Timeliness
 - Outlook
 - Risks

- Assessment of the return potential and downside risk for each stock is considered.

- Stock weightings are conviction led

- Efficient recycling of capital means that holdings are sold if:
 - Investment thesis no longer valid
 - Price target reached
 - More attractive opportunities exist elsewhere

Diversified, risk-adjusted regional sub-portfolio

Regional specialists construct risk-adjusted, conviction-led sub-portfolios

For illustrative purposes only.

Sell discipline

The decision to sell a stock is based on the same principles as the decision to buy: valuation and business fundamentals. A stock will be sold if it meets one or more of the following criteria:

- It is no longer undervalued
- A more attractive opportunity has been identified elsewhere
- The investment case for the stock no longer applies

Global smaller companies (all-markets) strategy

Invesco Perpetual

Under no circumstances would the Invesco Perpetual Global Smaller Companies Group's regional fund managers typically deviate from these disciplines.

Average holding period

There is no typical holding period for a position. The Invesco Perpetual Global Smaller Companies Group's specialist regional fund managers believe in building portfolios where each holding has the potential to deliver absolute upside. Typically, their long-term approach to investing covers an investment horizon of between three and five years.

Global smaller companies (all-markets) strategy

Invesco Perpetual

Risk management

The Invesco Perpetual Global Smaller Companies Group primarily considers risk as the potential for permanent loss of capital. The Group does not operate on the basis of a fixed 'risk budget' based on volatility, tracking error, or any other such measure; however exposures are monitored to ensure that there are no unintended exposures.

The process for managing portfolio risk is multi-faceted, encompassing portfolio monitoring at the aggregate portfolio level, and at the underlying regional sub-portfolio level.

The Group's strategists Martin Weiss and Arwel Green assist lead manager CIO Nick Mustoe with the monitoring of the strategy's portfolios. The strategists ensure that the aggregate portfolio is in line with allocation decisions and any regulatory requirements, whilst also ensuring that there are no unintended exposures.

Risk management for the six regional sub-portfolios is firstly undertaken at the fund manager level, where continual analysis of the fundamentals of all holdings gives fund managers a comprehensive understanding of the financial risks associated. Additionally, the Henley-based specialist regional fund managers are also subject to the firm's CIO challenge process, which is undertaken at least annually. This process ensures that portfolios are being managed in order to generate value for clients, and that the risks taken on behalf of clients are understood and considered appropriate. Assessments are both qualitative and quantitative, and cover a number of factors including performance attribution/contribution, absolute and relative risk, capacity, flows & liquidity, financial attributes, active positioning, and transaction/stock analysis.

The aggregate portfolio is independently monitored by Invesco's Independent Risk Function (IRF) in EMEA. The IRF monitors portfolio risk, including market, liquidity, leverage and counterparty risk. The IRF cooperates closely with other risk experts within the firm, in particular the Global Performance Measurement and Risk (GPMR) team. The GPMR team focuses on the production of Value-at-Risk (VaR) together with back-testing and stress-testing as well as liquidity risk analysis. Output from this measure is shared with the IRF, as well as the business for analysis, and where relevant, investigation.

Please refer to **Appendix 2** for further details.

Global smaller companies (all-markets) strategy

Invesco Perpetual

Strategy overview

Global smaller companies (all-markets)

Strategy name, management and objective	Reference benchmark	Concentration
Invesco Perpetual global smaller companies (all-markets) strategy Nick Mustoe (lead) and the Invesco Perpetual Global Smaller Companies Group 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 ACWI Small Cap index	Diversified

Global smaller companies (all-markets) strategy

Invesco Perpetual

Appendix 1: Biographies

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 30 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.

Specialist regional fund managers based in Henley:

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 UMIST and has also secured both the Investment Management Certificate from the CFA Society of the UK and the Securities Institute Diploma.

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.

Andy Tidby, Japanese Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Andy is a fund manager 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. He joined the Japanese Equities team as an analyst at the beginning of 2011 and assumed fund management responsibilities, focusing on small cap companies, at the beginning of 2015. 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 and passed Level 1 of the CFA exam in December 2012.

Global smaller companies (all-markets) strategy

Invesco Perpetual

Dean Newman, Head of Emerging Market Equities at Invesco Perpetual

Based in Henley-on-Thames, Dean is Head of Emerging Market 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 Market Equities at Invesco Perpetual in April 2007, having joined the company in 1993 and the Emerging Market 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 market regions. Dean graduated from Durham University with a BA honours degree in Economics and Politics.

Specialist regional fund manager based in Atlanta, USA:

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

Based in Atlanta, Erik specialises in the research and management of equities strategies for Invesco. Not only is he a member of the Global Core Equity team in Atlanta, but he also forms part of Invesco Perpetual's European Equities team and the Invesco Perpetual Global Smaller Companies Group based in Henley-on-Thames, spending approximately two months a year there. Erik's career started in 1997 and prior to joining Invesco in October 2007, he worked with Morgan Stanley, most recently as a pan European small and mid-cap equity specialist covering institutional equity sales into the Benelux region. Previously, he had worked for three years with ING Barings in Amsterdam, specialising in Dutch equities institutional sales. 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.

Specialist regional fund managers based in Houston, USA:

Juliet Ellis, CFA

Senior Portfolio Manager

Managing Director

CIO of Invesco's US Growth Investment Management Unit

Juliet Ellis, Managing Director, is a senior portfolio manager for Invesco's small cap equity and growth funds. She also serves as CIO of Invesco's US Growth Investment Management Unit. Prior to joining Invesco in 2004, Juliet was a Managing Director with JP Morgan Fleming Asset Management where she served as a senior portfolio manager of their small cap equity and growth strategies. Juliet began her investment career in 1981 as a financial consultant with Merrill Lynch. She joined JP Morgan in 1987 as an equity analyst, and 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 graduated Cum Laude and is a Phi Beta Kappa graduate of Indiana University with a BA degree in Economics and Political Science. She is also a CFA charterholder.

Juan Hartsfield, CFA

US Small Cap Equities Portfolio Manager at Invesco

Juan Hartsfield is a portfolio manager for Invesco's small-cap core and small-cap growth products. Prior to joining Invesco in 2004, Juan was a portfolio manager with JPMorgan Fleming Asset Management, where he was involved with the management of various small-cap portfolios. Prior to joining JPMorgan, he served as an associate with Booz Allen & Hamilton. Juan earned a BS degree in petroleum engineering from The University of Texas at Austin and an MBA from the University of Michigan. He is a CFA charterholder.

Global smaller companies (all-markets) strategy

Invesco Perpetual

Strategy oversight and implementation:

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 Fund-of-Fund Strategist 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 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 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.

Product directors:

John Botham, Global Equities Product Director at Invesco Perpetual

Based in Henley-on-Thames, John joined the company as Product Director in November 2013 responsible for communicating Invesco Perpetual's global equities capabilities internally and externally. He started his industry career in 1993 upon joining Guardian Royal Exchange as a European equities fund manager before joining Henderson Investors in 1994, where he became Director of Pan European Equities. In 2007 he subsequently joined Aviva Investors as Head of European Equities. John gained a degree in Economics from Loughborough University in 1985, and qualified as a Chartered Accountant in 1989. He also holds the IMC qualification from the CFA Society of the UK.

Rob Stabler, Global Equities Product Director at Invesco Perpetual

Based in Henley-on-Thames, Rob is a product director for Invesco Perpetual's Global Equities team, and is responsible for developing and delivering the team's investment message. Rob began his career in financial services in 2000, working as an independent financial adviser. He joined Invesco Perpetual in 2002, spending 11 years working as a regional sales manager within the Retail Sales team, where he developed and maintained relationships across a range of wealth managers, IFA and fund-of-fund clients. He joined the Global Equities team in July 2013. He holds a BA in Politics & Economics from Newcastle University and the Investment Management Certificate from the CFA Society of the UK.

Global smaller companies (all-markets) strategy

Invesco Perpetual

Appendix 2: Risk management

Invesco employs a multi-faceted approach to oversight and risk management that is deeply embedded in the firm's culture, organisational governance and business structure. 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. These investment teams' processes are bolstered and overseen by multi-dimensional independent controls.

Invesco's GPMR team is an independent function consisting of over 90 professionals providing comprehensive, detailed sources of information and analysis that will help Invesco better understand investment performance, quality, and risk. This team provides regular reviews of the performance and risk attributes of the various investment team disciplines to senior leadership.

With regards to firm-level risk management, Invesco'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.

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 regulatory requirements. The Invesco Compliance group (Compliance) 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 leadership regularly or as necessary.

The table overleaf visually presents how investment teams' processes are bolstered and overseen by multi-dimensional independent controls.

These controls include:

- The GPMR team (consisting of over 90 professionals), an independent group responsible for analysing performance and activities, as well as position and risk, in the context of investment process and philosophy, market environment and client expectations.
- Invesco's senior leadership oversight, comprised of:
 - Reporting lines running from investment team CIOs who have day-to-day responsibility for investment team risk controls up to the Invesco Senior Managing Director having management responsibility for the investment team.
 - Quarterly and monthly reviews, performed based upon investment performance and risk analytics of each investment discipline produced by the GPMR team. These reviews are conducted by the CEO and those Senior Managing Directors who oversee the investment teams.
 - Review of operational controls and related corporate exposures by the Invesco Corporate Risk Management Committee.

Global smaller companies (all-markets) strategy

Invesco Perpetual

- Regular review of investment matters by the Invesco Board of Directors and independent Fund Boards, 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'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.

Risk Oversight and Governance	Board of Directors and Fund Boards			
	Executive Management Team			
Risk Management Facilitation	Risk Areas of Focus	<ul style="list-style-type: none">▪ Investment▪ Credit/Asset/Liability	<ul style="list-style-type: none">▪ Financial▪ Operational	<ul style="list-style-type: none">▪ Business
	Global Performance Measurement and Risk <ul style="list-style-type: none">▪ Facilitates investment oversight function▪ Independently reviews investment execution and process application▪ Monitors consistency of investment results with mandates, market environments, client and CIO expectations▪ 90+ professionals	Corporate Risk Management Committee <ul style="list-style-type: none">▪ Timely and consistent identification, evaluation and mitigation of operational and business risk▪ Senior executives from all major business functions including:<ul style="list-style-type: none">– Investment management/trading– Product management– Administration (information technology, investment operations, human resources, procurement)– Portfolio operations– Legal and compliance– Finance and internal audit– Strategy		
Risk Management Embedded in the Business	Investment Risk Management Managing our core risks through the investment centers			
	Business/Operational Risk Management Managing all other risks in the business			
Internal Control	Compliance and Internal Audit Facilitate and monitor internal control at all levels			

For illustrative purposes only.

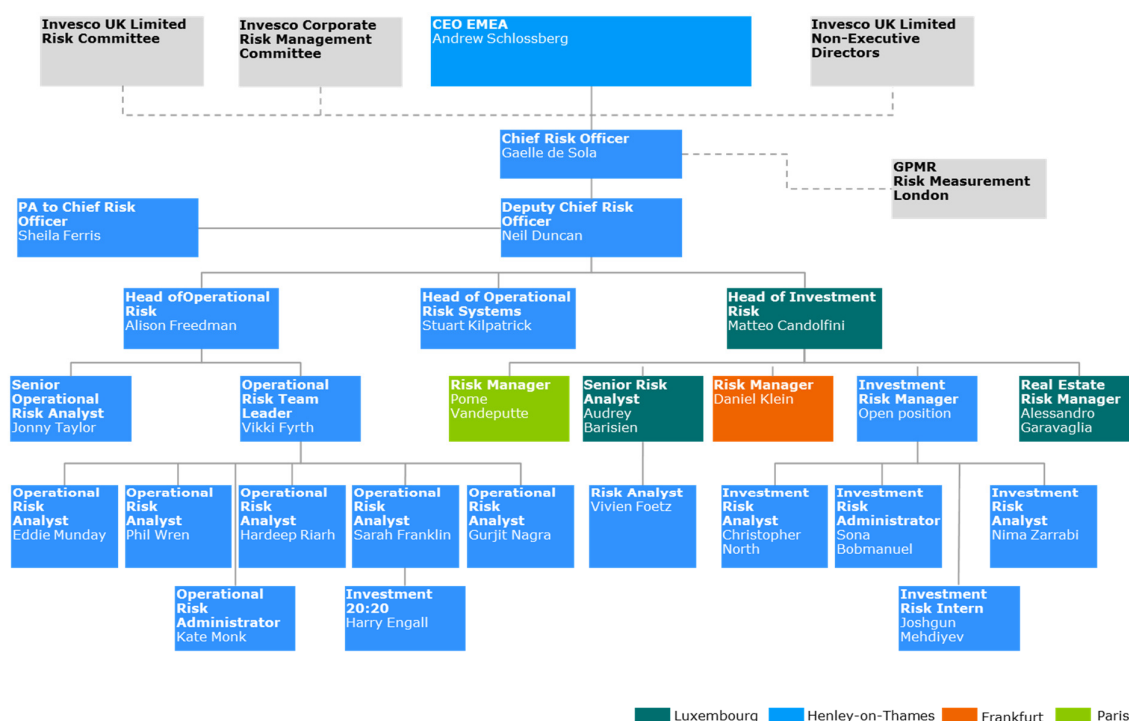
IRF in EMEA

Gaelle de Sola, Chief Risk Officer for EMEA, leads the IRF 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 market, liquidity and counterparty risk) for the firm's UK and European (France, Ireland and Luxembourg) domiciled UCITS funds, Alternative Investment Funds (AIFs) and other relevant portfolios.

Gaelle reports directly to Andrew Schlossberg CEO of Invesco EMEA, Senior Managing Director of Invesco and Head of Invesco's EMEA region. The chart below illustrates the framework in which the IRF functions:

Global smaller companies (all-markets) strategy

Invesco Perpetual



Source: Invesco as at 4 January 2017.

The IRF is an independent assurance function for Invesco UK Limited³, and respectively all Invesco entities within EMEA. Its aim is to support and facilitate directors, senior management and the business in assessing, managing, monitoring and reporting all of Invesco's risks in EMEA. Risks that are assessed by the business or the senior management team to be inadequately managed, outside of Invesco's policies and procedures, risk appetite, best practice and regulatory requirements, are reported together with recommended actions for their risk reduction within the Invesco tolerance level. The IRF has a duty to highlight where risks may be inadequately or incorrectly assessed to the Invesco UK Limited Board to ensure appropriate attention is paid to these risks.

The role of the IRF is to undertake independent risk controlling duties at both a company and fund level. The tasks and duties of the IRF encompass different areas that include the oversight of implemented actions, strategies and processes aimed to comply with regulatory requirements for internal audit, compliance, risk management and risk reporting. The IRF ensures relevant techniques for risk measurement and reviews regularly the adequacy of existing methods. Furthermore, the IRF is in charge of coordinating the execution of identification, evaluation and quantification of risks.

The activities of the two teams within the IRF are as follows:

Operational risk

- Facilitate and coordinate the quarterly risk self-assessment (RSA) process and independently challenge the RSAs completed by each business function
- Active management and administration of the risk management module of B Wise, the system used to record incidents and risks

³ Invesco UK Limited is the parent company of IAML.

Global smaller companies (all-markets) strategy

Invesco Perpetual

- Provide operational risk information for capital requirements directive purposes e.g. for the ICAAP (Internal Capital Adequacy Assessment Process), including quantified aggregated inherent impact exposures and viable stress-test scenarios
- End-to-end management of the incident reporting module of BWISE including independently following up on and ensuring effective mitigation of incidents logged by the business and investigation of systemic and thematic issues

Investment risk

- Independently monitor, quantify and assess all investment-related risks within and across products during the new product development phase and within the life of a product
- Monitoring of portfolio risk limits (regulatory and internal) with application of the escalation process
- Communicate/heighten awareness and escalate investment-related risks, on an ad hoc basis as warranted, through regular 'risk challenge' sessions with fund managers
- Derivatives risk management oversight
- Oversight of risk systems, models and analytics

The IRF is also responsible for setting up adequate risk management policies to reflect processes and guidelines in place to ensure they are in line with regulatory standards across EMEA as well as best practices and oversee their implementation.

Additionally, the IRF is in charge of risk reports for senior management and boards and communication on risk-related matters to internal and external stakeholders.

The IRF collaborates closely with other risk experts within the firm, in particular the GPMR team, an independent function consisting of over 90 professionals. GPMR is responsible for analysing performance and activities, as well as position and risk, in the context of investment process and philosophy, market environment and client expectations. In particular, in EMEA, the GPMR team focuses on the production of risk metrics, such as VaR, stress-testing or liquidity risk analysis.

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 investments 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 below, this process is implemented via challenge meetings that are attended by the CIO, a member of the Investment Oversight team and the fund manager and seeks to check that the individuals managing money are doing so in a way that adds value to the firm's clients, and that the risks taken on behalf of its clients are understood and are considered appropriate. The objective is to review each fund manager annually, although where particular issues are identified with performance or the investment process, these take precedence.

Risk management is an integral component of Invesco Perpetual's 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.

Global smaller companies (all-markets) strategy

Invesco Perpetual

Although the fund manager is always aware of the relative risk they are running – where relative risk is defined as the holding of investment positions that differ from the structure of the benchmark – they do not set out to manage the relative risk characteristics of their portfolios.

A portfolio's relative risk characteristics will simply be a function of the investment decisions and absolute risk judgments that were made while constructing the portfolio.

Continuous monitoring

At the total portfolio level, monthly performance, attribution and risk reports are considered by Invesco Perpetual's Investment Oversight team, ensuring 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, a member of the Investment Oversight team and the fund manager. Where the CIO is the lead manager, Invesco Perpetual's Head of Investment Oversight undertakes the CIO challenge process. 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 the firm's 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 potential 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 the firm's 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.

As mentioned, 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. The challenge process seeks to check that the individuals managing money are doing so in a way that strives to add value to the firm's clients.

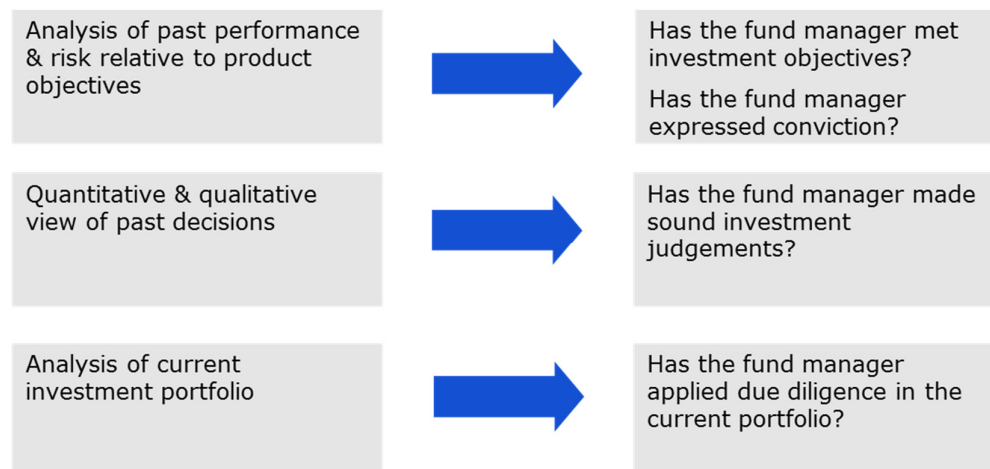
Fund managers are given the autonomy to back their investment judgment within the scope of fund mandates and regulations. Invesco Perpetual does not wish to put in place unnecessary restrictions that limit a fund manager's ability to back his/her own convictions in a stock or investment strategy. In an environment that allows such free thought, traditional controls and processes are particularly important, but applied in a pragmatic way.

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 Invesco Perpetual's Henley investment centre.

Global smaller companies (all-markets) strategy

Invesco Perpetual

The chart below illustrates this process:



For illustrative purposes only.

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 has trading activity 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 the Investment Oversight team to check the understanding of a fund manager's active positions against their investable universe.
- **Risk reporting:** to challenge/support where the investment teams believe their excess returns will come from.
- **Active positions:** where are major stock, industry, country or asset class positions being taken?

The aim of the CIO challenge process is to ensure that there is sufficient investment oversight to monitor that risks taken on behalf of Invesco Perpetual's clients are understood and are considered appropriate. It is accepted that Invesco Perpetual's business is judgmental 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.

Global smaller companies (all-markets) strategy

Invesco Perpetual

Investment monitoring

A summary of the main IT systems used by the IRF for risk management oversight is provided below:

Risks covered	IT system	Service provider	Use
Market	RiskMetrics	MSCI	Daily VaR and monthly stress-testing
	APT	FIS (Formerly SunGard)	Volatility analysis for the Invesco Perpetual Multi Asset team's funds
Liquidity	Liquidity Analyser	RC Banken	Liquidity reports
Counterparty	GPMR internal database	GPMR (Internal)	Concentration exposure
Operational	BWise	NASDAQ OMX	Incident reporting and operational risk management
	Stress Controller	Risk Control	Capital adequacy assessments

In assessing portfolio risk, Invesco Perpetual's Investment Oversight team measures performance analysis, portfolio contribution and attribution at both sector and individual stock level and portfolio characteristics, such as financial ratios.

A summary of the investment monitoring tools used by the team is provided below:

Investment monitoring tools	Service provider	Use
Contribution, Attribution and Performance Reporting (CAPeR)	GPMR (Internal)	Performance attribution and contribution system used to provide stock level bottom-up or top-down attribution/contribution analysis
Perspective II	Internal	Fund management system used by fund managers for the day-to-day management of portfolios and their analysis relative to benchmark on a country/sector/stock basis
Style Research	Style Research	Used to analyse the 'style profile' of portfolios using measures such as book to price, dividend yield, earnings growth, market cap, debt/equity ratio etc.
APT	APT	Used to understand the ex-ante risk exposures of a portfolio at the country, sector, stock and factor level. Is also used for what-if scenario analysis to understand the risk impact of any changes made to the portfolio and for stress testing
Statpro Analytics Composites	Statpro	AIMR-GIPS performance and risk metrics tool
Morningstar	Morningstar	Retail fund performance analysis relative to the benchmark and competitor universe
Lipper	Lipper	Retail fund performance analysis relative to the benchmark and competitor universe

Important information

The information contained in this document relating to the composition of the 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).

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.

All data is as at 31 December 2016, sourced from Invesco unless otherwise stated.

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

As with all investments there are associated risks. Please obtain and review all relevant materials carefully before investing.

Invesco Perpetual is a business name of Invesco Asset Management Limited, Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire RG9 1HH, UK. Authorised and regulated by the Financial Conduct Authority.

GLRFP173



Strategy profile

Global smaller companies (developed-

markets) strategy

Invesco Perpetual

February 2017



Global smaller companies (developed-markets) strategy

Invesco Perpetual

Corporate overview	3
Investment team & assets under management	5
Investment philosophy and approach	8
Investment process	10
Risk management	14
Strategy overview	21
Appendix 1: Biographies	22

Global smaller companies (developed-markets) strategy

Invesco Perpetual

Corporate overview

Invesco Ltd. (Invesco)

Invesco is one of the world's leading independent global investment firms, solely focused on investment management. With 6,788 employees worldwide as at 31 December 2016, the firm directs all of its intellectual capital, global strength and operational stability toward helping investors achieve their long term financial objectives. By delivering the combined power of the firm's distinctive investment management capabilities, Invesco provides a wide range of investment strategies and vehicles to retail and institutional clients around the world. Operating in over 20 countries, the company is listed on the New York Stock Exchange under the symbol IVZ.

Invesco offers diversified investment strategies spanning all major equity, fixed income, asset allocation and alternative asset classes. These strategies are managed across various worldwide investment centres, each of which focus on distinct asset classes, investment styles or regional expertise and adhere to clearly defined investment philosophies aligned with client expectations. Each team is able to operate independently, allowing them to follow and further their specific investment style and expertise.

To further strengthen its investment culture, Invesco also maintains an active Investors Forum that consists of senior investment professionals from each investment centre. Co-chaired by Chief Executive Officer (CEO) Martin L. Flanagan and Senior Managing Director Karen Dunn Kelley, the role of the Investors Forum is primarily to foster, promote and grow investment excellence across the organisation.

Invesco's distinctive combination of independent thought within individual investment centres and collaboration across investment centres provides clients the reach and resources of a global organisation and the focus and attention of a boutique firm: Invesco's investment capabilities are both diverse and specialised; the firm is global in reach yet local in presence and its processes are disciplined yet can be delivered in customised ways. All of which distinctively positions Invesco to keep pace with clients' evolving investment needs worldwide.

Invesco Perpetual

Background

Invesco Perpetual is a business name of Invesco Asset Management Limited (IAML). IAML forms part of Invesco UK Limited, which itself forms part of Invesco.

With USD116.45 billion in assets under management¹ as at 31 December 2016 and located in Henley-on-Thames (Henley), Invesco Perpetual's investment team structure exhibits many of the advantages of a boutique firm structure, albeit part of a larger organisation: small high-quality teams; the location of the team away from the main UK investment centres, 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 fund manager and analyst are combined.

¹ Total assets managed by Invesco Perpetual's investment centre as at 31 December 2016.

Global smaller companies (developed-markets) strategy

Invesco Perpetual

Invesco Perpetual's highly experienced investment team consists of 68 investment professionals with an average 17 years' investment experience². The firm believes that a focused and highly-experienced team provides the best means of maximising value that it can generate for its clients by continuing to adopt a long-term, active approach to investment.

Invesco Perpetual's 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, the firm remains passionately focused on that original aim. Today, from its office in Henley, Oxfordshire, its investment team invests across 40 stock markets, over 500 companies globally and travels extensively to meet companies and their management.

Stability:

Turnover within Invesco Perpetual's investment team is low, and the stability of the team is a factor in helping the firm in its aim to deliver long-term sustainable outperformance. Invesco Perpetual believes that the unique location of its 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. Invesco Perpetual believes that investment management must be undertaken in a work environment where fund managers, who are focused on longer-term performance, are free to operate independently but with clear accountability and within a challenge culture. Fund managers must be given the opportunity to stand by their convictions. Invesco Perpetual believes that culture and environment are more important to "get right" than mapping a dogmatic process. The firm must be pragmatic and flexible.

Invesco Perpetual has 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 the firm's fund managers are aided in this by a robust oversight and risk management process.

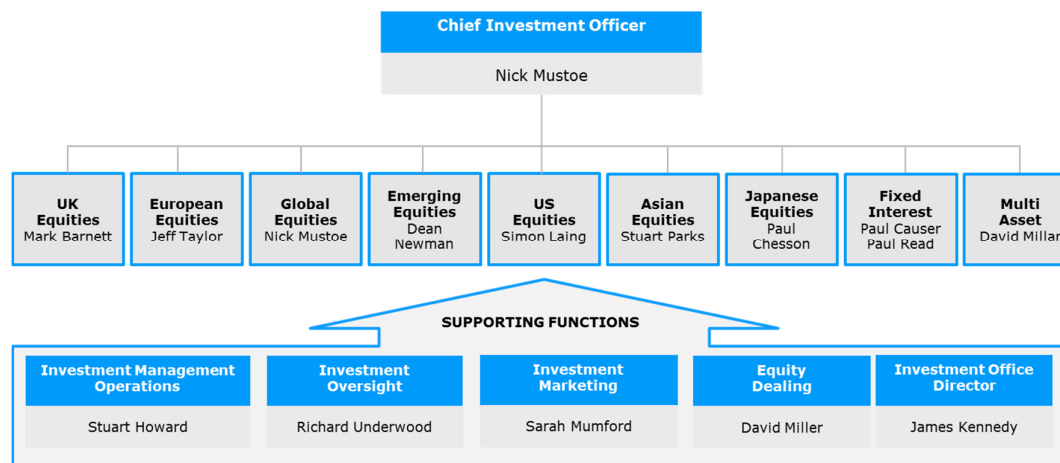
² Investment professionals as at 31 December 2016 include Invesco Perpetual's Chief Investment Officer (CIO), fund managers, analysts, trainee analysts, strategists, Multi Asset research director, Multi Asset portfolio director, Multi Asset product director and fixed income dealers.

Global smaller companies (developed-markets) strategy

Invesco Perpetual

Investment team & assets under management

Invesco Perpetual's investment team is structured as follows:



Source: Invesco Perpetual as at 31 December 2016.

Invesco Perpetual Global Smaller Companies Group

Invesco Perpetual's global smaller companies (developed-markets) strategy is managed as two regional sub-portfolios which are autonomously managed by Invesco Perpetual Global Smaller Companies Group (Group) members Erik Esselink (EAFE³ sub-portfolio) and Juliet Ellis/Juan Hartsfield (US sub-portfolio) who have day-to-day discretion for stock selection decisions. As the Group's leader, CIO Nick Mustoe provides oversight for the strategy.

In constructing the EAFE sub-portfolio, Erik uses the expertise and research work of the Group's UK, Asia Pacific and Japanese equities fund managers and their respective regional equity teams. In addition, Erik also makes use of small cap stock analysis undertaken by other colleagues throughout the Invesco group. Details of these individual are included in the table below:

Invesco Perpetual's global smaller companies (developed-markets) strategy EAFE sub-portfolio		Office location	Year joined firm	Year joined industry
Erik Esselink	European Small Cap Equities Fund Manager at Invesco Perpetual (Stock analysis on Continental Europe and Japan)	Atlanta, USA	2007	2000
Jonathan Brown	UK Small Cap Equities Fund Manager at Invesco Perpetual (Stock analysis on UK)	Henley, UK	2000	1997
Ian Hargreaves	Asian Equities Fund Manager at Invesco Perpetual (Stock analysis on Asia ex Japan)	Henley, UK	1994	1994
Paul Chesson	Head of Japanese Equities at Invesco Perpetual (Stock analysis on Japan)	Henley, UK	1993	1990

³ Europe, Australasia and Far East.

Global smaller companies (developed-markets) strategy

Invesco Perpetual

Invesco Perpetual's global smaller companies (developed-markets) strategy EAFE sub-portfolio		Office location	Year joined firm	Year joined industry
Andy Tidby	Japanese Equities Fund Manager at Invesco Perpetual (Stock analysis on Japan)	Henley, UK	2008	1997
Other resources:				
Oliver Collin	European Small Cap Equities Fund Manager at Invesco Perpetual (Stock analysis on Continental Europe)	Henley, UK	2014	2000
Andrew Herron	Emerging Markets Analyst at Invesco (Stock analysis on Asia)	Atlanta, USA	2011	2008
Kristina Garner	Equity Research Analyst at Invesco (Stock analysis on Canada, Australia and Latin America)	Nassau, Bahamas	2013	1997

Source: Invesco as at 31 December 2016.

In constructing the US sub-portfolio, Juliet Ellis and Juan Hartsfield are supported by Invesco's US Small Cap Equity team based in the US, which comprises six sector specialists, as detailed in the table below:

Invesco Perpetual's global smaller companies (developed-markets) strategy US sub-portfolio		Office location	Year joined firm	Year joined industry
Juliet Ellis	Senior Fund Manager and CIO of Invesco's US Growth Investment Management Unit (Health Care sector specialist)	Houston, USA	2004	1981
Juan Hartsfield	US Small Cap Equities Fund Manager at Invesco (Consumer, Retail and Energy sectors specialist)	Houston, USA	2004	2000
Clay Manley	US Small Cap Equities Fund Manager at Invesco (Technology sector specialist)	Houston, USA	2000	1996
Davis Paddock	US Small Cap Equities Fund Manager at Invesco (Industrials sector specialist)	Houston, USA	2000	1994
Christopher Godfrey	US Small Cap Equities Analyst at Invesco (Financials sector specialist)	Houston, USA	2012	2006
Scott Lipshutz	US Small Cap Equities Analyst at Invesco (Health Care sector specialist)	Houston, USA	2013	2006

Source: Invesco as at 31 December 2016.

On an informal basis, there is continuous interaction within investment teams encouraging individuals to actively share, challenge and debate ideas and views. Asset allocation decisions for the strategy are taken by Erik Esselink, in conjunction with CIO Nick Mustoe. At the Invesco Perpetual Global Smaller Companies Group's formal monthly meeting, a range of economic and market factors are discussed and considered, including the regional fund managers' insights into their own markets and their future prospects. The primary influences on capital allocation for the strategy are stock valuation and capital flows.

Biographies for Nick Mustoe, Erik Esselink, Juliet Ellis and Juan Hartsfield are provided in **Appendix 1**.

Global smaller companies (developed-markets) strategy

Invesco Perpetual

Assets under management

Assets under management for Invesco Perpetual's global smaller companies strategy totalled USD1,517.71 million (all-markets USD1,399.66 million and developed-markets USD118.05 million) as at 31 December 2016. These assets are held across four pooled vehicles.

Source: Invesco Perpetual as at 31 December 2016.

Global smaller companies (developed-markets) strategy

Invesco Perpetual

Investment philosophy and approach

Investment philosophy

The investment philosophy for Invesco Perpetual's global smaller companies (developed-markets) strategy is based upon a number of persistent investment anchors. These anchors, in the Invesco Perpetual Global Smaller Companies Group's view, combined with beliefs about market inefficiencies which provide opportunities to buy mispriced securities, define the strategy.

Unconstrained:

To outperform the market fund managers need to position their portfolios in a different way to the market. The strategy's EAFE and US sub-portfolio fund managers are active stock pickers, who seek to provide alpha through bottom-up company analysis and build a portfolio irrespective of benchmark weightings.

Valuation:

The Group believes that a rigorous assessment of valuation is the best way to determine future returns and mitigate risk. It believes that understanding a company's intrinsic worth and purchasing shares below that value is key to driving performance and minimising downside volatility. The strategy's EAFE and US sub-portfolio fund managers seek to invest in companies with high quality earnings growth and that are also managed in a sustainable fashion, respecting both the environment and society in which they operate.

Long term:

The strategy's EAFE and US sub-portfolio fund managers act as owners of a business, not as speculators. A long-term approach to their investments is taken, providing a 'time arbitrage' advantage versus a short-term approach typically employed by other market participants. Value is added by engaging with companies over time, allowing a deeper understanding and analysis.

Market inefficiencies

Invesco Perpetual's global smaller companies (developed-markets) strategy's EAFE and US sub-portfolio fund managers believe that investors' behavioural biases repeatedly give rise to market inefficiencies. To a large extent, these inefficiencies derive from the following 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
- Smaller companies are the least well researched part of the market and here it is possible to discover sizeable pricing anomalies

The fund managers seek to exploit these market inefficiencies through careful fundamental analysis and a strong emphasis on valuation.

Investment approach

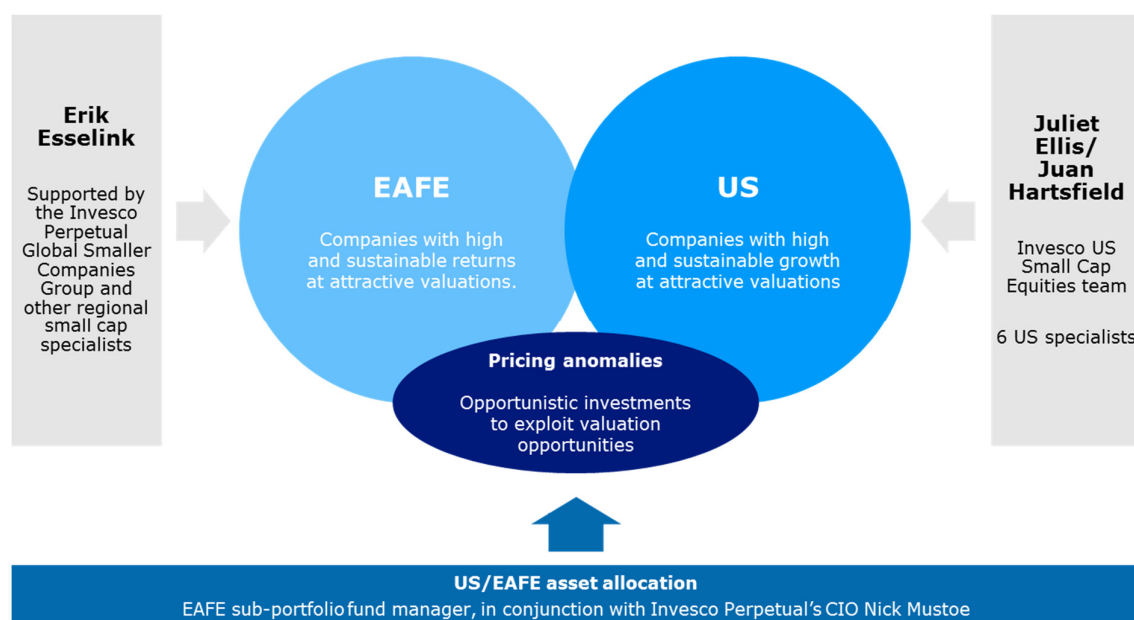
Invesco Perpetual's global smaller companies (developed-markets) strategy is managed as two regional sub-portfolios by Invesco Perpetual Global Smaller Companies Group members Erik Esselink, Juliet Ellis and Juan Hartsfield. Erik Esselink is responsible for the EAFE sub-portfolio and Juliet Ellis/Juan Hartsfield the US sub-portfolio. As the Group's leader, CIO Nick Mustoe provides oversight for the strategy.

Global smaller companies (developed-markets) strategy

Invesco Perpetual

In constructing the EAFE sub-portfolio, Erik uses the expertise and research work of the Group's UK, Asia Pacific and Japanese equities fund managers and their respective regional equity teams. In addition, Erik also makes use of small cap stock analysis undertaken by other colleagues throughout the Invesco group.

Asset allocation decisions for the strategy are taken by Erik Esselink, in conjunction with CIO Nick Mustoe. At the Group's monthly meeting, a range of economic and market factors are discussed and considered, including the regional fund managers' insights into their own markets and their future prospects. The primary influences on capital allocation for the strategy are stock valuation and capital flows.



For illustrative purposes only.

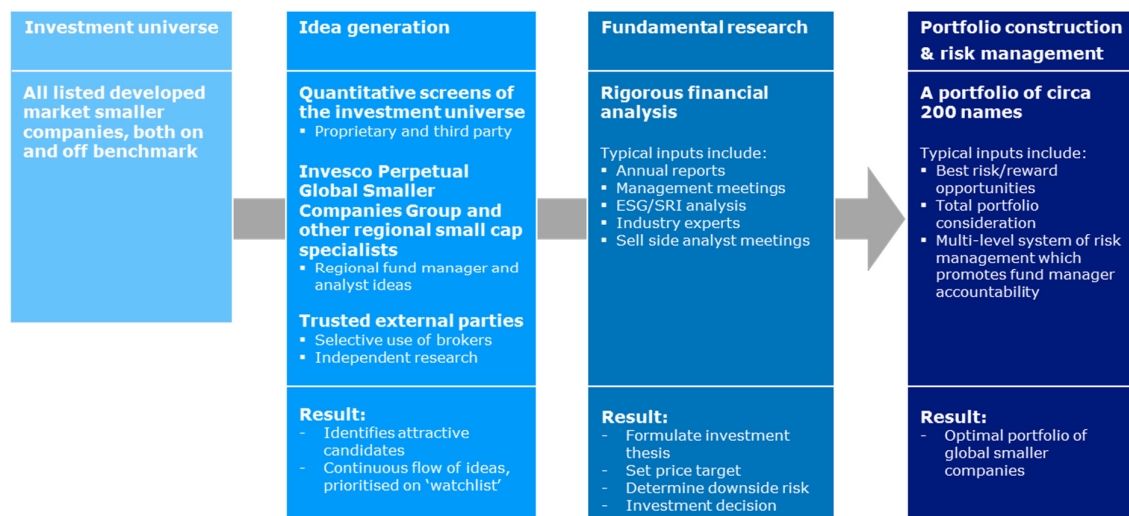
The strategy's investment approach is to take advantage of inefficiencies in the market, and buy stocks below their intrinsic value. For both the strategy's EAFE and US sub-portfolios, this is achieved through rigorous and intensive fundamental analysis, drawing on internal proprietary research, selective use of external research and extensive company contact. For the US sub-portfolio this process also includes timeliness analysis. The approach undertaken for both sub-portfolios places a strong emphasis on valuation, a key determinant of future returns. Fund managers are happy to take a contrarian view on stocks and sectors when required. By not favouring any one particular investment style, the EAFE and US regional fund managers seek to take advantage of the best mix of individual risk/reward opportunities in the market - at any point in time in whatever stock, sector or country they are to be found. As such, the benchmark is considered to be more of a point of reference as opposed to a determinant of investment decisions.

Global smaller companies (developed-markets) strategy

Invesco Perpetual

Investment process

The investment process is illustrated as follows:



For illustrative purposes only.

Investment universe

The investment universe for Invesco Perpetual's global smaller companies (developed-markets) strategy comprises all listed developed market smaller companies, both on and off benchmark, with a market capitalisation of less than USD8 billion.

The strategy has the freedom to roam across geography and sector (developed markets only) in order to identify the best investment opportunities globally.

Idea generation

The investment process begins by identifying stocks that meet the EAFE and US equities fund managers' investment criteria. A flexible approach is undertaken to source ideas, aiming to avoid dismissing ideas for pre-conceived reasons. Indeed, it is this type of investor behaviour that often provides a fund manager with the opportunity to invest in undervalued companies. Ideas are generated from a number of sources:

- Quantitative screening tools, both proprietary and third party, set to the regional fund managers' specifications
- Research capabilities and the individual and collective experience of both the Invesco Perpetual Global Smaller Companies Group and other regional small cap specialists from throughout the Invesco group. Fund managers undertake research trips and visits, in addition to attending company meetings
- Third party brokers/external research providing the regional fund managers with an experienced network of sell side analysts, economists and strategists

Global smaller companies (developed-markets) strategy

Invesco Perpetual

The objective of the idea generation stage is to have a constant flow of new ideas that populate a 'watch list'. Once an idea has been identified, it is subject to rigorous fundamental analysis. This is in order to reach a considered judgement on the stock's valuation and to ultimately arrive at an investment decision.

Fundamental research

The stock research effort for Invesco Perpetual's global smaller companies (developed-markets) strategy is primarily undertaken by the Invesco Perpetual Global Smaller Companies Group's sub-portfolio managers, Erik Esselink (EAFE) and Juliet Ellis/Juan Hartsfield (US). In his work on the EAFE sub-portfolio, Erik uses the expertise and research work of the Group's UK, Asia Pacific and Japanese equities fund managers and their respective regional equity teams. In addition, Erik also makes use of small cap stock analysis undertaken by other colleagues throughout the Invesco group. For the US sub-portfolio, Juliet and Juan draw from the other four US small cap sector specialists in the US Small Cap Equities team.

The strategy's three regional sub-portfolio managers adopt their own research approach based on their experience of investing in their respective markets. While external analysis is used to challenge assumptions, proprietary fundamental analysis is the principal driver of stock selection.

In summary, the fundamental analysis undertaken can be broken down into three components:

- **Business analysis and due diligence** is undertaken in order to assess the key drivers and future prospects of the business, including the industry and environment that it operates in. The fund managers seek to understand the risk and sensitivities of the various business units, and the future sustainability of return on capital. Key to this is an assessment of the current and potential environmental and social impacts of the company's operations. Fund managers regularly engage with companies, aiming to meet with them twice a year.
- **Financial analysis and capital allocation** seeks to understand the financial health of the company and how effectively management allocates capital over time. An analysis of historical return on capital (typically over the last ten years) is undertaken, and an assessment is made of management's future capital allocation discipline. A detailed financial model of earnings, balance sheet and cashflow is used.
- **Company valuation** involves constructing summary valuation models for candidate investments. The focus is on the relationship between the sustainable return on capital employed and the valuation. A judgement is reached on a company's true intrinsic value, and an upside/downside valuation target is set.

As mentioned above, key to the research process is meeting with 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 them to form an opinion on a company's competitive position, its strategic advantages/disadvantages and the quality of its management.

Global smaller companies (developed-markets) strategy

Invesco Perpetual

From such meetings, the fund manager can:

- Garner an improved understanding of the prospects of a company and the quality of its management
- Challenge their own assumptions and predictions in person and ensure that management understands the firm's priorities as a shareholder
- Obtain valuable information regarding the state of the broader economy and the businesses of a company's suppliers, customers and competitors
- Determine where there are notable differences between consensus expectations and what the company expects to realistically achieve

Timeliness analysis (US sub-portfolio only)

Undervalued companies with strong business fundamentals can still decline or underperform the market, so Invesco's US Small Cap Equities team uses technical analysis to help identify the "timeliness" of a stock purchase. In this step, the team analyses the relative price strength and reviews trading volume characteristics and trend analysis to look for signs of deterioration. If a stock shows signs of deterioration, the team won't consider it as a candidate for the portfolio. As a result, this step serves as a risk management measure that helps the team confirm its high-conviction candidates.

The conclusion of this focused fundamental analysis is the development of an investment thesis for each potential holding in the regional sub-portfolios. This thesis clearly articulates the outlook for the company and the stock, the critical drivers of growth, the macro-, industry and stock-specific risk, upside potential and an attractive purchase price. To be added to each regional sub-portfolio, stocks must be attractive based on fundamentals, valuation and timeliness (US sub-portfolio only).

External research

The majority of fundamental research undertaken is proprietary internal research. In addition to this, the Group's specialist regional fund managers also draw on additional information from sell-side analysts and independent industry specialists, such as rating agencies and consultants. Independent research providers and market research systems are also used by the fund managers. Invesco Perpetual would emphasise that the external research is used purely as an input, as opposed to being a driver of the decision-making process.

Portfolio construction

The aim of the construction process for Invesco Perpetual's global smaller companies (developed-markets) strategy is to maximise exposure to the most attractive countries, sectors and stocks within the portfolio's investment parameters.

▪ Asset allocation

Regional asset allocation is incremental and undertaken with a long-term perspective. Asset allocation decisions are taken by Erik Esselink, in conjunction with CIO Nick Mustoe. A range of economic and market factors are considered, including the Invesco Perpetual Global Smaller Companies Group's regional fund managers' insights into their own markets and their future prospects. However, the primary influences on capital allocation for the strategy are stock valuation and capital flows.

The combined portfolio (circa 200 stocks) is constantly monitored to ensure there are no unintended exposures.

Global smaller companies (developed-markets) strategy

Invesco Perpetual

▪ Sub-portfolio construction

The strategy's two sub-portfolios are constructed from the bottom-up, stock by stock and are typically comprised of around 100 stocks. These are what the EAFE and US sub-portfolio fund managers believe to be the best smaller company risk/reward opportunities available in their markets. Stock weightings are conviction led, based on potential risk-adjusted upside. To limit stock specific risk, the portfolio is diversified with the largest holdings typically circa 1.25%.

Keeping portfolio turnover low is a factor that the Group believes tends to improve portfolio performance. There is no typical holding period for a position, however, the regional fund managers believe in building portfolios where each holding has the potential to deliver absolute upside adopting a long-term approach to investing.

Additionally, in an attempt to limit volatility and downside risk, Invesco's US Small Cap team seeks to maintain industry group weights within +/- 350 bps of S&P Small Cap 600 and Russell 2000 indices to ensure the US sub-portfolio is diversified, not over-concentrated and represents the US small cap core asset class.

Buy discipline

The developed-markets strategy's EAFE and US sub-portfolios are constructed from the bottom-up on a stock by stock basis. These sub-portfolios are managed autonomously. The decision-making process behind the purchase of each stock involves rigorous fundamental analysis, with buy decisions being valuation driven. Only the most attractive risk-adjusted long-term investment opportunities, in the view of the regional fund managers are selected. The weight of each stock in each sub-portfolio is conviction-led, based on the fund manager's considered view of the risk-adjusted upside. Weightings represent the fund manager's conviction in the investment case for the company and assessment of the potential downside risk. They can also be influenced by the number of attractive opportunities available, the value of the stock as a diversifier and regulatory/liquidity constraints.

Return expectations may be defined as part of the initial valuation analysis of a stock, but these may change depending on economic, market and/or company developments.

Rigid time horizons for the achievement of price objectives are not established at the time of purchase.

Sell discipline

The decision to sell a stock is based on the same principles as the decision to buy: valuation and business fundamentals. A stock will be sold if it meets one or more of the following criteria:

- The regional fund managers' original investment thesis is no longer valid because the business fundamentals have deteriorated and are no longer intact
- The regional fund managers' valuation work no longer shows suitable upside
- For the US sub-portfolio, timeliness analysis, e.g. technical analysis such as relative price strength indicators, trading volume characteristics and trend analysis that show signs of stock price weakness and deterioration

Global smaller companies (developed-markets) strategy

Invesco Perpetual

Risk management

Invesco employs a multi-faceted approach to oversight and risk management that is deeply embedded in the firm's culture, organisational governance and business structure. 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. These investment teams' processes are bolstered and overseen by multi-dimensional independent controls.

Invesco's Global Performance Measurement and Risk (GPMR) team is an independent function consisting of over 90 professionals providing comprehensive, detailed sources of information and analysis that will help Invesco better understand investment performance, quality, and risk. This team provides regular reviews of the performance and risk attributes of the various investment team disciplines to senior leadership.

With regards to firm-level risk management, Invesco'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.

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 regulatory requirements. The Invesco Compliance group (Compliance) 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 leadership regularly or as necessary.

The table overleaf visually presents how investment teams' processes are bolstered and overseen by multi-dimensional independent controls.

These controls include:

- The GPMR team (consisting of over 90 professionals), an independent group responsible for analysing performance and activities, as well as position and risk, in the context of investment process and philosophy, market environment and client expectations.
- Invesco's senior leadership oversight, comprised of:
 - Reporting lines running from investment team CIOs who have day-to-day responsibility for investment team risk controls up to the Invesco Senior Managing Director having management responsibility for the investment team.
 - Quarterly and monthly reviews, performed based upon investment performance and risk analytics of each investment discipline produced by the GPMR team. These reviews are conducted by the CEO and those Senior Managing Directors who oversee the investment teams.
 - Review of operational controls and related corporate exposures by the Invesco Corporate Risk Management Committee.

Global smaller companies (developed-markets) strategy

Invesco Perpetual

- Regular review of investment matters by the Invesco Board of Directors and independent Fund Boards, 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'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.

Risk Oversight and Governance	Board of Directors and Fund Boards			
	Executive Management Team			
Risk Management Facilitation	Risk Areas of Focus	<ul style="list-style-type: none">▪ Investment▪ Credit/Asset/Liability	<ul style="list-style-type: none">▪ Financial▪ Operational	<ul style="list-style-type: none">▪ Business
	Global Performance Measurement and Risk <ul style="list-style-type: none">▪ Facilitates investment oversight function▪ Independently reviews investment execution and process application▪ Monitors consistency of investment results with mandates, market environments, client and CIO expectations▪ 90+ professionals	Corporate Risk Management Committee <ul style="list-style-type: none">▪ Timely and consistent identification, evaluation and mitigation of operational and business risk▪ Senior executives from all major business functions including:<ul style="list-style-type: none">– Investment management/trading– Product management– Administration (information technology, investment operations, human resources, procurement)– Portfolio operations– Legal and compliance– Finance and internal audit– Strategy		
Risk Management Embedded in the Business	Investment Risk Management Managing our core risks through the investment centers			
	Business/Operational Risk Management Managing all other risks in the business			
Internal Control	Compliance and Internal Audit Facilitate and monitor internal control at all levels			

For illustrative purposes only.

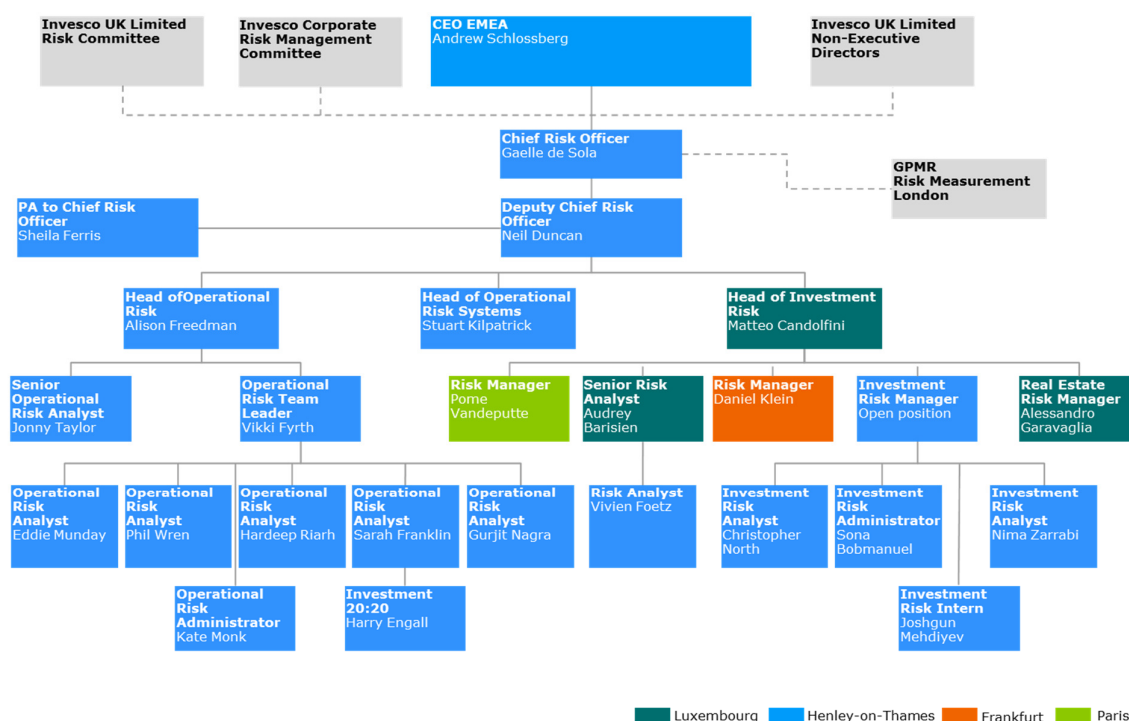
Independent Risk Function (IRF) in Europe, the Middle East and Africa (EMEA)

Gaelle de Sola, Chief Risk Officer for EMEA, leads the IRF 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 market, liquidity and counterparty risk) for the firm's UK and European (France, Ireland and Luxembourg) domiciled UCITS funds, Alternative Investment Funds (AIFs) and other relevant portfolios.

Gaelle reports directly to Andrew Schlossberg CEO of Invesco EMEA, Senior Managing Director of Invesco and Head of Invesco's EMEA region. The chart below illustrates the framework in which the IRF functions:

Global smaller companies (developed-markets) strategy

Invesco Perpetual



Source: Invesco as at 4 January 2017.

The IRF is an independent assurance function for Invesco UK Limited⁴, and respectively all Invesco entities within EMEA. Its aim is to support and facilitate directors, senior management and the business in assessing, managing, monitoring and reporting all of Invesco's risks in EMEA. Risks that are assessed by the business or the senior management team to be inadequately managed, outside of Invesco's policies and procedures, risk appetite, best practice and regulatory requirements, are reported together with recommended actions for their risk reduction within the Invesco tolerance level. The IRF has a duty to highlight where risks may be inadequately or incorrectly assessed to the Invesco UK Limited Board to ensure appropriate attention is paid to these risks.

The role of the IRF is to undertake independent risk controlling duties at both a company and fund level. The tasks and duties of the IRF encompass different areas that include the oversight of implemented actions, strategies and processes aimed to comply with regulatory requirements for internal audit, compliance, risk management and risk reporting. The IRF ensures relevant techniques for risk measurement and reviews regularly the adequacy of existing methods. Furthermore, the IRF is in charge of coordinating the execution of identification, evaluation and quantification of risks.

The activities of the two teams within the IRF are as follows:

Operational risk

- Facilitate and coordinate the quarterly risk self-assessment (RSA) process and independently challenge the RSAs completed by each business function
- Active management and administration of the risk management module of B Wise, the system used to record incidents and risks

⁴ Invesco UK Limited is the parent company of IAML.

Global smaller companies (developed-markets) strategy

Invesco Perpetual

- Provide operational risk information for capital requirements directive purposes e.g. for the ICAAP (Internal Capital Adequacy Assessment Process), including quantified aggregated inherent impact exposures and viable stress-test scenarios
- End-to-end management of the incident reporting module of BWISE including independently following up on and ensuring effective mitigation of incidents logged by the business and investigation of systemic and thematic issues

Investment risk

- Independently monitor, quantify and assess all investment-related risks within and across products during the new product development phase and within the life of a product
- Monitoring of portfolio risk limits (regulatory and internal) with application of the escalation process
- Communicate/heighten awareness and escalate investment-related risks, on an ad hoc basis as warranted, through regular 'risk challenge' sessions with fund managers
- Derivatives risk management oversight
- Oversight of risk systems, models and analytics

The IRF is also responsible for setting up adequate risk management policies to reflect processes and guidelines in place to ensure they are in line with regulatory standards across EMEA as well as best practices and oversee their implementation.

Additionally, the IRF is in charge of risk reports for senior management and boards and communication on risk-related matters to internal and external stakeholders.

The IRF collaborates closely with other risk experts within the firm, in particular the GPMR team, an independent function consisting of over 90 professionals. GPMR is responsible for analysing performance and activities, as well as position and risk, in the context of investment process and philosophy, market environment and client expectations. In particular, in EMEA, the GPMR team focuses on the production of risk metrics, such as the Value-at-Risk (VaR), stress-testing or liquidity risk analysis.

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 investments 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 below, this process is implemented via challenge meetings that are attended by the CIO, a member of the Investment Oversight team and the fund manager and seeks to check that the individuals managing money are doing so in a way that adds value to the firm's clients, and that the risks taken on behalf of its clients are understood and are considered appropriate. The objective is to review each fund manager annually, although where particular issues are identified with performance or the investment process, these take precedence.

Risk management is an integral component of Invesco Perpetual's 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.

Global smaller companies (developed-markets) strategy

Invesco Perpetual

Although the fund manager is always aware of the relative risk they are running – where relative risk is defined as the holding of investment positions that differ from the structure of the benchmark – they do not set out to manage the relative risk characteristics of their portfolios.

A portfolio's relative risk characteristics will simply be a function of the investment decisions and absolute risk judgments that were made while constructing the portfolio.

Continuous monitoring

At the total portfolio level, monthly performance, attribution and risk reports are considered by Invesco Perpetual's Investment Oversight team, ensuring 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, a member of the Investment Oversight team and the fund manager. Where the CIO is the lead manager, Invesco Perpetual's Head of Investment Oversight undertakes the CIO challenge process. 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 the firm's 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 potential 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 the firm's 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.

As mentioned, 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. The challenge process seeks to check that the individuals managing money are doing so in a way that strives to add value to the firm's clients.

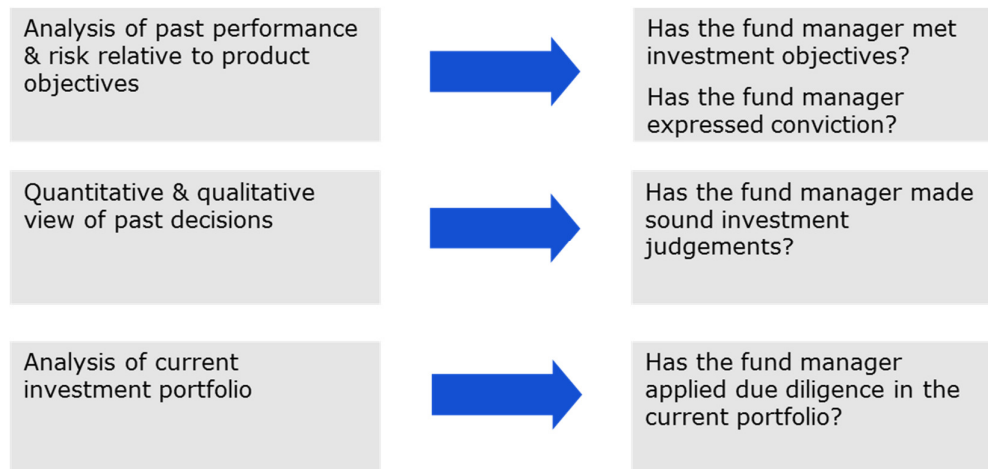
Fund managers are given the autonomy to back their investment judgment within the scope of fund mandates and regulations. Invesco Perpetual does not wish to put in place unnecessary restrictions that limit a fund manager's ability to back his/her own convictions in a stock or investment strategy. In an environment that allows such free thought, traditional controls and processes are particularly important, but applied in a pragmatic way.

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 Invesco Perpetual's Henley investment centre.

Global smaller companies (developed-markets) strategy

Invesco Perpetual

The chart below illustrates this process:



For illustrative purposes only.

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 has trading activity 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 the Investment Oversight team to check the understanding of a fund manager's active positions against their investable universe.
- **Risk reporting:** to challenge/support where the investment teams believe their excess returns will come from.
- **Active positions:** where are major stock, industry, country or asset class positions being taken?

The aim of the CIO challenge process is to ensure that there is sufficient investment oversight to monitor that risks taken on behalf of Invesco Perpetual's clients are understood and are considered appropriate. It is accepted that Invesco Perpetual's business is judgmental 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.

Global smaller companies (developed-markets) strategy

Invesco Perpetual

Investment monitoring

A summary of the main IT systems used by the IRF for risk management oversight is provided below:

Risks covered	IT system	Service provider	Use
Market	RiskMetrics	MSCI	Daily VaR and monthly stress-testing
	APT	FIS (Formerly SunGard)	Volatility analysis for the Invesco Perpetual Multi Asset team's funds
Liquidity	Liquidity Analyser	RC Banken	Liquidity reports
Counterparty	GPMR internal database	GPMR (Internal)	Concentration exposure
Operational	BWise	NASDAQ OMX	Incident reporting and operational risk management
	Stress Controller	Risk Control	Capital adequacy assessments

In assessing portfolio risk, Invesco Perpetual's Investment Oversight team measures performance analysis, portfolio contribution and attribution at both sector and individual stock level and portfolio characteristics, such as financial ratios.

A summary of the investment monitoring tools used by the team is provided below:

Investment monitoring tools	Service provider	Use
Contribution, Attribution and Performance Reporting (CAPeR)	GPMR (Internal)	Performance attribution and contribution system used to provide stock level bottom-up or top-down attribution/contribution analysis
Perspective II	Internal	Fund management system used by fund managers for the day-to-day management of portfolios and their analysis relative to benchmark on a country/sector/stock basis
Style Research	Style Research	Used to analyse the 'style profile' of portfolios using measures such as book to price, dividend yield, earnings growth, market cap, debt/equity ratio etc.
APT	APT	Used to understand the ex-ante risk exposures of a portfolio at the country, sector, stock and factor level. Is also used for what-if scenario analysis to understand the risk impact of any changes made to the portfolio and for stress testing
Statpro Analytics Composites	Statpro	AIMR-GIPS performance and risk metrics tool
Morningstar	Morningstar	Retail fund performance analysis relative to the benchmark and competitor universe
Lipper	Lipper	Retail fund performance analysis relative to the benchmark and competitor universe

Global smaller companies (developed-markets) strategy

Invesco Perpetual

Strategy overview

Global smaller companies (developed-markets)

Strategy name, management and objective	Reference benchmark	Concentration
Invesco Perpetual global smaller companies (developed-markets) strategy Nick Mustoe (lead) and the Invesco Perpetual Global Smaller Companies Group This strategy aims to achieve capital growth through a portfolio of investments in global equities. The strategy intends to invest mainly in equity and equity related securities of smaller companies, which are quoted on the world's stockmarkets	MSCI World Small Cap index	Circa 200 securities

Global smaller companies (developed-markets) strategy

Invesco Perpetual

Appendix 1: Biographies

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 30 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.

EAFE sub-portfolio fund manager based in Atlanta, USA:

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

Based in Atlanta, Erik specialises in the research and management of equities strategies for Invesco. Not only is he a member of the Global Core Equity team in Atlanta, but he also forms part of Invesco Perpetual's European Equities team and the Invesco Perpetual Global Smaller Companies Group based in Henley-on-Thames, spending approximately two months a year there. Erik's career started in 1997 and prior to joining Invesco in October 2007, he worked with Morgan Stanley, most recently as a pan European small and mid-cap equity specialist covering institutional equity sales into the Benelux region. Previously, he had worked for three years with ING Barings in Amsterdam, specialising in Dutch equities institutional sales. 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.

US sub-portfolio fund managers based in Houston, USA:

Juliet Ellis, CFA

Senior Portfolio Manager

Managing Director

CIO of Invesco's US Growth Investment Management Unit

Juliet Ellis, Managing Director, is a senior portfolio manager for Invesco's small cap equity and growth funds. She also serves as CIO of Invesco's US Growth Investment Management Unit. Prior to joining Invesco in 2004, Juliet was a Managing Director with JP Morgan Fleming Asset Management where she served as a senior portfolio manager of their small cap equity and growth strategies. Juliet began her investment career in 1981 as a financial consultant with Merrill Lynch. She joined JP Morgan in 1987 as an equity analyst, and 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 graduated Cum Laude and is a Phi Beta Kappa graduate of Indiana University with a BA degree in Economics and Political Science. She is also a CFA charterholder.

Juan Hartsfield, CFA

US Small Cap Equities Portfolio Manager at Invesco

Juan Hartsfield is a portfolio manager for Invesco's small-cap core and small-cap growth products. Prior to joining Invesco in 2004, Juan was a portfolio manager with JPMorgan Fleming Asset Management, where he was involved with the management of various small-cap portfolios. Prior to joining JPMorgan, he served as an associate with Booz Allen & Hamilton. Juan earned a BS degree in petroleum engineering from The University of Texas at Austin and an MBA from the University of Michigan. He is a CFA charterholder.

Important information

The information contained in this document relating to the composition of the 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).

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.

All data is as at 31 December 2016, sourced from Invesco unless otherwise stated.

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

As with all investments there are associated risks. Please obtain and review all relevant materials carefully before investing.

Invesco Perpetual is a business name of Invesco Asset Management Limited, Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire RG9 1HH, UK. Authorised and regulated by the Financial Conduct Authority.

GLRFP174



Strategy profile

Fixed Interest

Invesco Perpetual

January 2017



Fixed Interest Invesco Perpetual

Corporate overview	3
Investment team & assets under management	5
Investment philosophy	8
Investment process	9
Risk management	15
Strategy overview	23
Appendix 1: Biographies	24

Fixed Interest

Invesco Perpetual

Corporate overview

Invesco Ltd. (Invesco)

Invesco is one of the world's leading independent global investment firms, solely focused on investment management. With 6,788 employees worldwide, the firm directs all of its intellectual capital, global strength and operational stability toward helping investors achieve their long term financial objectives. By delivering the combined power of the firm's distinctive investment management capabilities, Invesco provides a wide range of investment strategies and vehicles to retail and institutional clients around the world. Operating in over 20 countries, the company is listed on the New York Stock Exchange under the symbol IVZ.

Invesco offers diversified investment strategies spanning all major equity, fixed income, asset allocation and alternative asset classes. These strategies are managed across various worldwide investment centres, each of which focus on distinct asset classes, investment styles or regional expertise and adhere to clearly defined investment philosophies aligned with client expectations. Each team is able to operate independently, allowing them to follow and further their specific investment style and expertise.

To further strengthen its investment culture, Invesco also maintains an active Investors Forum that consists of senior investment professionals from each investment centre. Co-chaired by Chief Executive Officer (CEO) Martin L. Flanagan and Senior Managing Director Karen Dunn Kelley, the role of the Investors Forum is primarily to foster, promote and grow investment excellence across the organisation.

Invesco's distinctive combination of independent thought within individual investment centres and collaboration across investment centres provides clients the reach and resources of a global organisation and the focus and attention of a boutique firm: Invesco's investment capabilities are both diverse and specialised; the firm is global in reach yet local in presence and its processes are disciplined yet can be delivered in customised ways. All of which distinctively positions Invesco to keep pace with clients' evolving investment needs worldwide.

Invesco Perpetual

Background

Invesco Perpetual is a business name of Invesco Asset Management Limited (IAML), which forms part of Invesco UK Limited, which itself forms part of Invesco.

With £94.24 billion in assets under management¹ as at 31 December 2016 and located in Henley-on-Thames (Henley), Invesco Perpetual's investment team structure exhibits many of the advantages of a boutique firm structure, albeit part of a larger organisation: small high-quality teams; the location of the team away from the main UK investment centres, 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 fund manager and analyst are combined.

¹ Total assets managed by Invesco Perpetual's investment centre as at 31 December 2016.

Fixed Interest

Invesco Perpetual

Invesco Perpetual's highly experienced investment team consists of 68 investment professionals with an average 17 years' investment experience² as at 31 December 2016. The firm believes that a focused and highly-experienced team provides the best means of maximising value that it can generate for its clients by continuing to adopt a long-term, active approach to investment.

Invesco Perpetual's 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, the firm remains passionately focused on that original aim. Today, from its office in Henley, Oxfordshire, its investment team invests across 40 stock markets, over 500 companies globally and travels extensively to meet companies and their management.

Stability:

Turnover within Invesco Perpetual's investment team is low, and the stability of the team is a factor in helping the firm in its aim to deliver long-term sustainable outperformance. Invesco Perpetual believes that the unique location of its 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. Invesco Perpetual believes that investment management must be undertaken in a work environment where fund managers, who are focused on longer-term performance, are free to operate independently but with clear accountability and within a challenge culture. Fund managers must be given the opportunity to stand by their convictions. Invesco Perpetual believes that culture and environment are more important to "get right" than mapping a dogmatic process. The firm must be pragmatic and flexible.

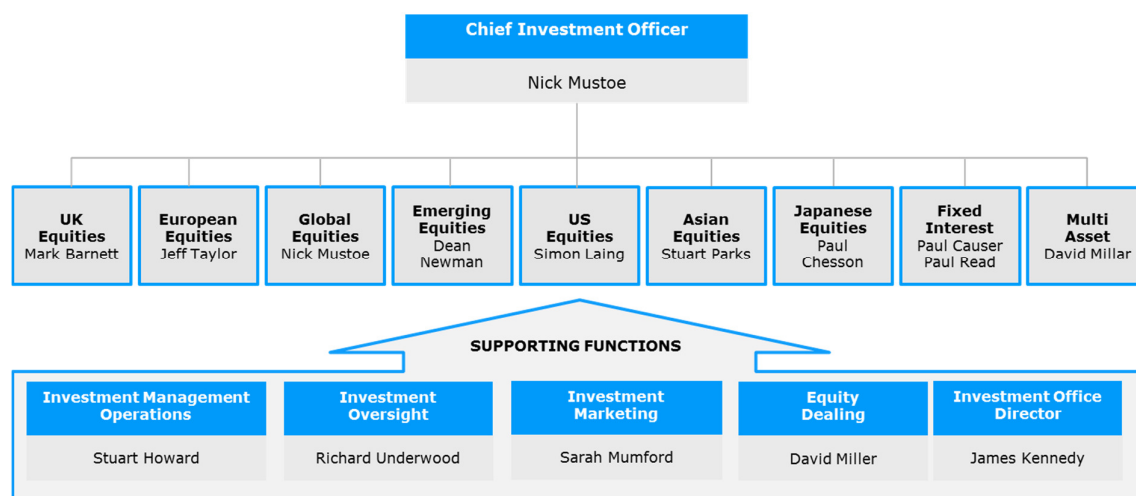
Invesco Perpetual has always fostered a culture of accountability, with performance being the single largest contributor to a fund manager's remuneration. With that accountability comes greater responsibility, and the firm's fund managers are aided in this by a robust oversight and risk management process.

² Investment professionals as at 31 December 2016 include Invesco Perpetual's Chief Investment Officer (CIO), fund managers, analysts, trainee analysts, strategists, Multi Asset research director, Multi Asset portfolio director, Multi Asset product director and fixed income dealers.

Fixed Interest Invesco Perpetual

Investment team & assets under management

Invesco Perpetual's investment team is structured as follows:



Source: Invesco Perpetual as at 30 September 2016.

Invesco Perpetual's fixed interest team

The Invesco Perpetual fixed interest investment team is organised as follows:

Name	Role	Years' tenure in team	Years' industry experience
Fund managers:			
Paul Causer	Co-Head of Fixed Interest	23	33
Paul Read	Co-Head of Fixed Interest	22	31
Michael Matthews	Fund Manager	23	23
Stuart Edwards	Fund Manager	13	20
Rhys Davies	Fund Manager & Senior Credit Analyst	14	14
Julien Eberhardt	Fund Manager & Senior Credit Analyst	14	11
Thomas Moore	Fund Manager & Senior Credit Analyst	1	17
Deputy fund managers			
Asad Bhatti	Deputy Fund Manager & Senior Credit Analyst	14	16
Jack Parker	Deputy Fund Manager & Senior Macro Analyst	9	9
Alexandra Ivanova	Deputy Fund Manager & Senior Credit Analyst	11	16
Analysts			
Tom Hemmant	Senior Credit Analyst	6	14

Fixed Interest Invesco Perpetual

Edward Craven	Senior Credit Analyst	6	6
Herin Shah	Senior Credit Analyst	1	16
Jessica Svantesson	Credit Analyst	2	10
Mark McDonnell	Macro Analyst	2	4
Markets & Risk			
Dominic de Ban	Head of Markets & Risk	6	28
Simon Cheng	Desk Analyst	9	13
Dan Dewar	Senior Dealer	4	23
Gareth Dunsmore	Senior Dealer	2	14
Olivia Finch	Junior Dealer	4	6
Other members*			
Lewis Aubrey-Johnson	Head of Fixed Income Products	13	20
Alister Brown	Product Director	6	27
Cathal Dowling	Product Strategist	2	18
Mei Ong	Fund Management Assistant	16	22

Source: Invesco Perpetual as at 31 December 2016. Years' tenure and industry experience are subject to rounding up.

*The team's Head of Fixed Income Products, Product Director and Product Strategist are responsible for communicating Invesco Perpetual's fixed interest capabilities internally and externally. They are integral members of the team working closely with its fund managers.

Biographies of the team members are included within **Appendix 1**.

Fixed Interest Invesco Perpetual

Assets under management

As at 31 December 2016, the Fixed Interest team had USD 35.8 billion in assets under management. This covers all fixed interest (sub-) portfolios within segregated and pooled investment vehicles¹.

Name of strategy	Assets under management (EUR €m)	Assets under management (GBP £m)	Assets under management (USD \$m)
Investment grade corporate	10,762.2	9,186.6	11,351.3
Mixed asset class	15,655.7	13,363.8	16,512.7
Global bond	707.0	603.5	745.7
Total return	1,999.8	1,707.0	2,109.2
Financials	330.0	281.7	348.1
High yield corporate	2,588.0	2,209.1	2,729.7
Internal- IG/HY - Blend	1,744.0	1,488.7	1,839.5
Cash	158.5	135.3	167.2
Total	33,945.2	28,975.8	35,803.4

Source: Invesco Perpetual, as at 31 December 2016. May not sum due to rounding.

¹ Data includes all assets managed including carve-outs of international and multi-asset mandates.

Fixed Interest

Invesco Perpetual

Investment philosophy

At the core of Invesco Perpetual's Fixed Interest team'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, the Fixed Interest team aims to deliver consistent, long-term outperformance under most market conditions. This philosophy drives the team's flexible and pragmatic approach to investment.

Fixed Interest

Invesco Perpetual

Investment process

The Fixed Interest team's approach to investment management can be summarised as follows:

Active	The Invesco Perpetual Fixed Interest team does not track indices and its 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	The team place strong emphasis on assessing value, based on fundamental analysis of potential risk versus potential return

This investment approach has 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 of four key elements which drive portfolio construction – macroeconomic analysis, credit analysis, value assessment & risk considerations.

The three elements of the investment team – fund managers, analysts and markets & risk – work together to enable the managers to make the best possible investment decisions. The fund managers rely on the expertise and experience of the analysts and traders to provide them with comprehensive and up-to-date information on investments and market conditions. This is a close-knit group and communication is constant and informal.

Four stage investment process

The starting point for much of the team's work is an appreciation of the key inputs that influence government and corporate bond markets. These can include general developments in economies, central bank policy and political cycles. The team does not have to conform to a house view and has autonomy to form their own views.

The team's macro outlook guides their duration and sector calls as well as individual bond selection, though the latter may also be pragmatic in identifying opportunities outside of the central 'top-down' scenario.

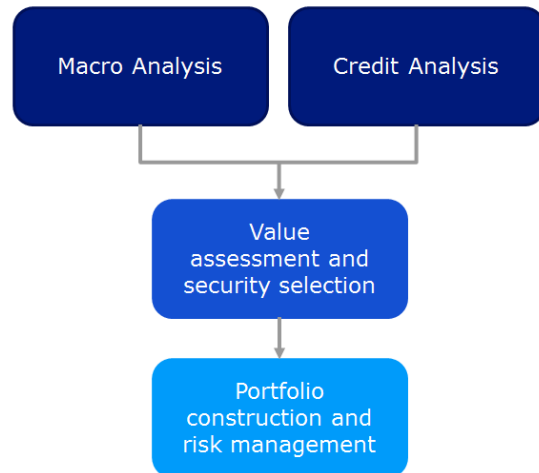
The team's credit analysts provide dedicated research across specific industry sectors. They also have the support and benefit of sharing research and investment ideas with the equity and multi-asset investment teams located in Henley-on-Thames. The Markets and Risks team, a sub-function of the team, provides insights into current market conditions on top of their responsibilities to execute the manager's strategies.

The fund managers aim to express their individual views on fixed interest markets, sectors, industries, regions and investment themes. By being active, flexible and unconstrained in nature, results in gaining exposure to the most attractive ideas within the investment parameters of each portfolio.

Outlined below is the four stage investment process which the fixed interest investment team implements to identify what they believe to be the most rewarding investment opportunities.

Fixed Interest

Invesco Perpetual



For illustrative purposes only

1. Top-down, macroeconomic analysis

The aim of the investment team's macro analysis is to develop a broader understanding of the macroeconomic outlook and to identify any trends in the market.

The focus of the team's macro work is to develop a view of the general direction and structure of interest rates, and any trends in the pricing of credit risk. To a large extent these broader views set some important individual bond parameters, such as preferred maturities, yields, sectors and overall credit risk tolerances.

The main elements of top down analysis that are important for the portfolios are the:

- General direction of central bank (monetary) policy and developments in interest rates
- The shape of the yield curve and its likely development
- General trends in the pricing of credit risk and credit spreads

Within the team there is a dedicated macro analyst and a senior macro analyst with deputy fund manager responsibilities, delivering a continuous flow of macroeconomic information to the fund managers.

2. Credit analysis

The assessment of individual corporate credits is central to the investment process. The team has seven credit analysts who are organised by industry.

The starting point for credit analysis varies according to circumstances. Considerations include the individual characteristics of the bond and issuer, how well an analyst already knows an issuer, how much time they have to complete the analysis and how likely it is that an investment will be made.

Often in the case of a new issuer, the analyst will begin with an understanding of the Offer of Memorandum before attending a presentation by the company, meeting management and undertaking fundamental credit research.

Where an issuer is already known and has a credit rating, other research can be digested such as rating agency reports and external research. If an issuer has equity, then analysts can also review equity research and consult with their Henley equity colleagues.

Fixed Interest

Invesco Perpetual

The team's credit analysis encompasses a range of inputs that are presented in the diagram below.

Ratings	Operational	Balance Sheet	Cashflow	Protection
Moody's	Management	Capital structure	EBITDA	Covenants
S&P	Competitive position	Leverage	Capital expenditure	Assets values
Fitch	Business outlook	Equity	Working capital	Franchise
		Cash	Interest coverage	Banks
		Debt mix / maturity		

For illustrative purposes only

It is the role of the analyst to understand for each credit which of these considerations are the most important and warrant focus.

There are no predetermined rules that determine which credits analysts review, although given the size of the team's assets under management, smaller issuers are less likely to be attractive.

The emphasis of the analysts' work is on understanding the evolution of these measures rather than on the numerical value of the ratios at a particular point in time. Moreover, the analyst needs to place both the risks of the company and the value of the bond in some context. How does this issuer compare to others in the sector? How much value does the bond offer relative to others from the same or similar issuers?

Following their research, the analyst presents their work to the fund managers. Credit analysts should be able to provide an informed opinion on which the fund managers can decide the attractiveness of the security.

Further information in respect of research function within the Fixed Interest team is provided in Section 04.02.04.

3. Value assessment

Individual positions are not selected based on tracking an index, but rather on merit of their 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.

The investment team constantly seek to understand why an opportunity may exist, including factors like:

- 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

Fixed Interest

Invesco Perpetual

In keeping with an absolute risk and return mentality, a judgement is made about whether the potential returns (both from income and capital) sufficiently justify the risks. The investment team also considers the risk / return profile of a bond in relation to cash and government bonds. An appreciation of relative value enables the investment team to select the best value corporate bonds given pre-determined variables such as maturity, sector and credit rating. This also helps the team to identify credit trends and pricing anomalies.

4. Risk considerations within portfolio construction

The investment team employs a multi-faceted approach to oversight and risk management with processes bolstered and overseen by multi-dimensional independent controls. It is an integral part of the 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. Continuous analysis of all holdings gives fund managers a comprehensive understanding of the financial risks associated with any particular stock.

The team manages portfolio risk from the perspective of:

- Market risk
 - Currency exchange risk
 - Investing in assets traded on non-eligible markets
 - Use of Financial Derivative Instruments
 - Counterparty Risk
 - Use of Warrants
 - Market Liquidity Risk
 - Interest Rate Risk
 - Issuer Risk
- **Continuous monitoring:** At the total portfolio level, monthly performance and risk reports are produced by the Investment Oversight team, ensuring that fund managers adhere to investment objectives, guidelines and parameters. The culture of challenge and debate between fund managers within the team creates a stable basis for this beforehand.
 - **CIO challenge:** Invesco Perpetual's essential belief is that fund management is a skill and the inherent risks taken in managing investments are those made by the fund managers themselves. Thus, no unnecessary restrictions exist that limit a fund manager's ability to back his/her own convictions. The Investment Oversight team was put in place to provide some degree of control, facilitating the CIO challenge, which seeks to ensure that the fund managers are managing money in a way that adds value and that the risks taken on behalf of its clients are understood and are considered appropriate

On top of the risk management procedures within the teams and investment centres, risk management is being also conducted on an Invesco-wide level by the **Independent Risk Function (IRF)**. The IRF is a team of risk specialists who facilitate the risk monitoring process, covering both operational as well as portfolio risk, including credit, market and liquidity risk. It ensures compliance with the agreed risk profile, regulatory limits, and adequate management reporting. Further detail in respect of Invesco's multi-faceted approach to risk is provided in **Section 07** of this document.

Fixed Interest Invesco Perpetual

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. This allows fund managers to express their views on fixed interest markets, sectors, industries, regions and themes.

Asset allocation³

Stuart Edwards and Jack Parker will decide upon the fund's asset allocation. Within the Invesco Global Bond Fund the team follows an unconstrained investment approach. This enables them to adapt to changing market conditions and alter the fund composition completely.

The following illustration provides the internal investment guidelines to which the investment team adheres:



For illustration purposes only.

Individual bond weightings are decided very much on a case-by-case basis using qualitative judgement and analysis.

The 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, the portfolio 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 fund managers take. This does not mean that they will avoid owning illiquid bonds at all times. They may

³ Maximum cash includes cash or cash equivalents.

Fixed Interest Invesco Perpetual

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 portfolio allocation option and will therefore utilise this option from time to time.

Buy and sell disciplines

The buy and sell decision-making process is driven by qualitative analysis. Quantitative buy and sell disciplines are not used, therefore there is no trigger or chain of events used to automatically induce a buy or sell.

Stocks will be purchased if they demonstrate sufficient potential for security price appreciation, and their inclusion in the portfolios is permitted under the investment parameters of the portfolios. Once bought, portfolio holdings are very actively monitored and a security will be considered for sale if it reaches or approaches the team's price expectation, or if there is a fundamental change that negatively impacts its outlook or valuation. 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.

When purchasing or selling a position the investment team would typically scale into and out of a stock over time rather than buy or sell a full position at once.

Fixed Interest

Invesco Perpetual

Risk management

Invesco employs a multi-faceted approach to oversight and risk management that is deeply embedded in the firm's culture, organisational governance and business structure. 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. These investment teams' processes are bolstered and overseen by multi-dimensional independent controls.

Invesco's Global Performance Measurement and Risk (GPMR) team is an independent function consisting of over 90 professionals providing comprehensive, detailed sources of information and analysis that will help Invesco better understand investment performance, quality, and risk. This team provides regular reviews of the performance and risk attributes of the various investment team disciplines to senior leadership.

With regards to firm-level risk management, Invesco'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.

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 regulatory requirements. The Invesco Compliance group (Compliance) 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 leadership regularly or as necessary.

The table overleaf visually presents how investment teams' processes are bolstered and overseen by multi-dimensional independent controls.

These controls include:

- The GPMR team (consisting of over 90 professionals), an independent group responsible for analysing performance and activities, as well as position and risk, in the context of investment process and philosophy, market environment and client expectations.
- Invesco's senior leadership oversight, comprised of:
 - Reporting lines running from investment team CIOs who have day-to-day responsibility for investment team risk controls up to the Invesco Senior Managing Director having management responsibility for the investment team.
 - Quarterly and monthly reviews, performed based upon investment performance and risk analytics of each investment discipline produced by the GPMR team. These reviews are conducted by the CEO and those Senior Managing Directors who oversee the investment teams.
 - Review of operational controls and related corporate exposures by the Invesco Corporate Risk Management Committee.

Fixed Interest

Invesco Perpetual

- Regular review of investment matters by the Invesco Board of Directors and independent Fund Boards, 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'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.

Risk Oversight and Governance	Board of Directors and Fund Boards			
	Executive Management Team			
Risk Management Facilitation	Risk Areas of Focus	<ul style="list-style-type: none">▪ Investment▪ Credit/Asset/Liability	<ul style="list-style-type: none">▪ Financial▪ Operational	<ul style="list-style-type: none">▪ Business
		Global Performance Measurement and Risk <ul style="list-style-type: none">▪ Facilitates investment oversight function▪ Independently reviews investment execution and process application▪ Monitors consistency of investment results with mandates, market environments, client and CIO expectations▪ 90+ professionals	Corporate Risk Management Committee <ul style="list-style-type: none">▪ Timely and consistent identification, evaluation and mitigation of operational and business risk▪ Senior executives from all major business functions including:<ul style="list-style-type: none">– Investment management/trading– Product management– Administration (information technology, investment operations, human resources, procurement)– Portfolio operations– Legal and compliance– Finance and internal audit– Strategy	
Risk Management Embedded in the Business	Investment Risk Management Managing our core risks through the investment centers			
	Business/Operational Risk Management Managing all other risks in the business			
Internal Control	Compliance and Internal Audit Facilitate and monitor internal control at all levels			

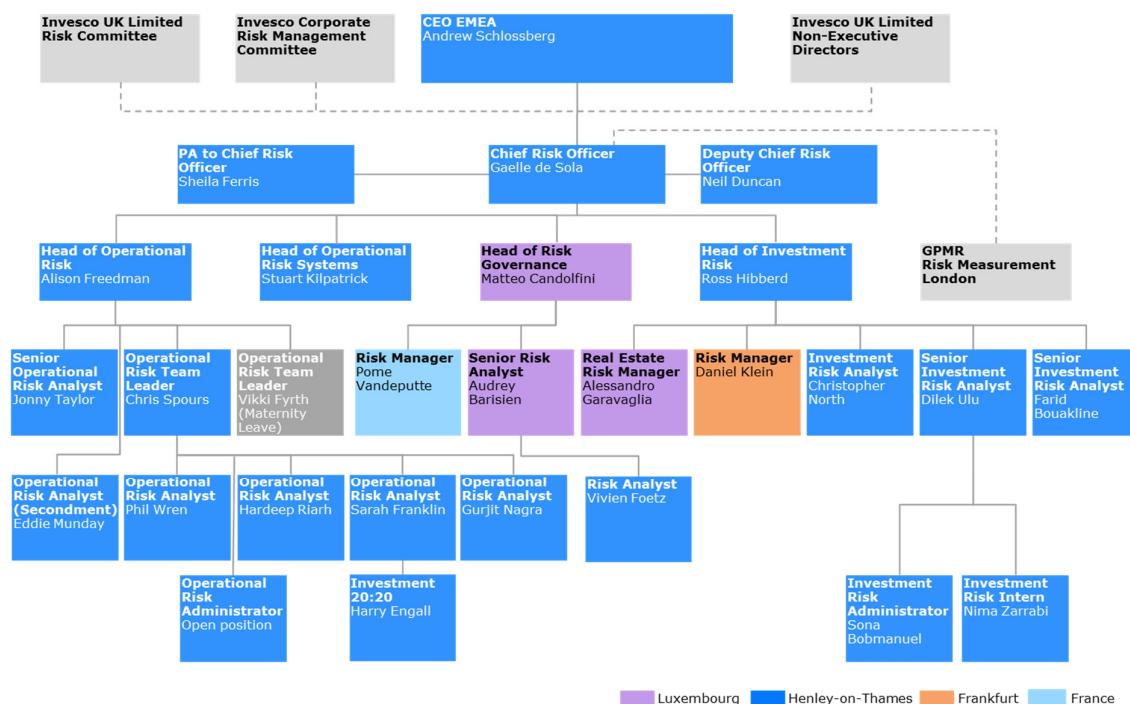
For illustrative purposes only.

Independent Risk Function (IRF) in Europe, the Middle East and Africa (EMEA)

Gaelle de Sola leads Invesco's IRF in EMEA, 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 market, liquidity and counterparty risk) for the firm's UK and European (France, Ireland and Luxembourg) domiciled UCITS funds, Alternative Investment Funds (AIFs) and other relevant portfolios.

Gaelle de Sola, Chief Risk Officer for EMEA, reports directly to Andrew Schlossberg CEO of Invesco EMEA, Senior Managing Director of Invesco and Head of Invesco's EMEA region. Please refer to the chart below that illustrates the framework in which the IRF in EMEA functions:

Fixed Interest
Invesco Perpetual



Source: Invesco as at 28 October 2016.

The IRF is an independent assurance function for Invesco UK Limited⁴. The IRF does not own Invesco UK Limited's risks, its aim is to support and facilitate directors, senior management and the business in assessing, managing, monitoring and reporting all Invesco's risks. Risks that are assessed by the business or the management team to be inadequately managed, outside of Invesco's policies and procedures, risk appetite, best practice and regulatory requirements, are reported together with recommended actions for their reduction to within Invesco's tolerance level. The IRF has a duty to highlight where risks may be inadequately or incorrectly assessed to the Board to ensure appropriate attention is paid to these risks.

The IRF has no reporting lines into other business units, but a direct reporting line into various fund boards of directors, the CEO and the Audit and Risk Committees of Invesco UK Limited. In the event of a conflict or other issue arising, then such issues can be raised to either the relevant Board or the Audit and Risk Management Committees (the Committees are chaired by a Non-Executive Director) for discussion and onward resolution.

The role of the IRF is to undertake independent risk controlling duties at company and fund level. The tasks and duties of the IRF encompass different areas that include the oversight of implemented actions, strategies and processes aimed to comply with regulatory requirements for internal audit, compliance, risk management and risk reporting. The IRF ensures relevant techniques for risk measurement and reviews regularly the adequacy of existing methods. Furthermore, the IRF is in charge of coordinating the execution of identification, evaluation and quantification of risks.

⁴ Invesco UK Limited is the parent company of Invesco Asset Management Limited.

Fixed Interest

Invesco Perpetual

The activities of the three teams within the IRF are as follows:

Investment risk

- Independently monitor, quantify and assess all investment-related risks within and across products, including real estate and other alternatives. Also applicable to new product development.
- Communicate/heighten awareness and escalate these risks/risk factors in the business - on an ad hoc basis as warranted, through the quarterly 'risk challenge' sessions with fund managers.
- Prepare related monthly/quarterly Management Information (MI) and reports (including input for the board packs).
- Derivatives risk management oversight.
- Oversight of outsourced risk systems, models and analytics, and all related outsourcing arrangements.

Risk governance

- Risk management policies: production of all risk management policies in coordination with the input of relevant stakeholders.
- Request for proposal: centralisation and/or production of the responses related to the portfolio risks' aspects.
- Portfolio risk monitoring: monitoring of portfolio risk limits (regulatory and internal). If the breach is genuine, then the case will be passed over to the Investment Risk team for investigation and appropriate remediation with the fund managers.
- Risk Profile and Limit System (RPLS) packs: production of RPLS packs as a support for the Investment Risk team to conduct their 'risk challenge' sessions.
- Risk disclosures and reporting to boards etc.

Operational risk (across all European business functions)

- Facilitate and coordinate the quarterly risk self-assessment (RSA) process and independently challenge the RSAs completed by each business function on B Wise.
- Active management and administration of the Risk Management module of B Wise.
- Provide operational risk information for Capital Requirements Directive purposes i.e. ICAAP (Internal Capital Adequacy Assessment Process), ICA (Individual Capital Assessment) and MaRisk (The Maritime Security Risk Monitor); including quantified aggregated inherent impact exposures and viable stress test scenarios.
- Prepare quarterly MI and reports (including input for the board packs) for EMEA-based Risk Management Committees.
- End to end management of the incident reporting module of B Wise including independently following up on and ensuring effective mitigation of incidents logged by the business and investigation of systemic and thematic issues.

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

- **GPMR** focuses on the production of Value-at-Risk (VaR) together with back-testing and stress testing as well as liquidity risk analysis. Output from this measure is shared with the IRF, as well as the business for analysis, and where relevant, investigation.
- **Compliance** is responsible for monitoring all investment restrictions including leverage. Daily reports are produced and analysed; breaches of regulatory limits are immediately logged and allocated for resolution. 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.

Fixed Interest Invesco Perpetual

The IRF is a key participant in all material committees including the EMEA Counterparty Risk Committee, the Derivatives Committee, Broker Review Committee, Dealing Commission Committee, Unquoted Approval and Pricing Committees 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).

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.

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 investments 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 below, this process is implemented via challenge meetings that are attended by the CIO, a member of the Investment Oversight team and the fund manager and seeks to check that the individuals managing money are doing so in a way that adds value to the firm's clients, and that the risks taken on behalf of its clients are understood and are considered appropriate. The objective is to review each fund manager annually, although where particular issues are identified with performance or the investment process, these take precedence.

Risk management is an integral component of Invesco Perpetual's 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 the fund manager is always aware of the relative risk they are running – where relative risk is defined as the holding of investment positions that differ from the structure of the benchmark – they do not set out to manage the relative risk characteristics of their portfolios.

A portfolio's relative risk characteristics will simply be a function of the investment decisions and absolute risk judgments that were made while constructing the portfolio.

Continuous monitoring

At the total portfolio level, monthly performance, attribution and risk reports are considered by Invesco Perpetual's Investment Oversight team, ensuring 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, a member of the Investment Oversight team and the fund manager. Where the CIO is the lead manager, Invesco Perpetual's Head of Investment Oversight undertakes the CIO challenge process. 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.

Fixed Interest Invesco Perpetual

- **Process:** to ensure that a fund manager is managing money in the way that has been clearly articulated to the firm's 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 potential 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 the firm's ability to deliver quality investment decisions.

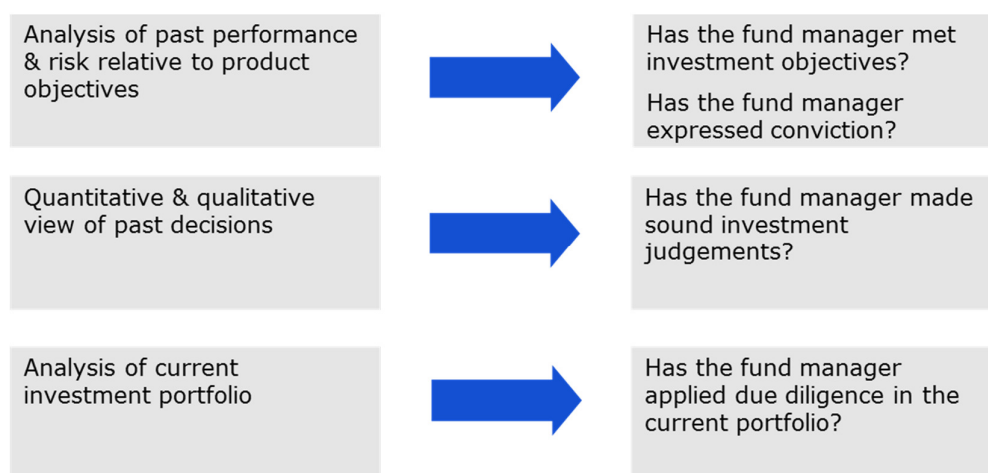
The challenge process is not prescriptive in its approach; it is both a qualitative and quantitative assessment of an individual or team's ability to successfully manage investments.

As mentioned, 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. The challenge process seeks to check that the individuals managing money are doing so in a way that strives to add value to the firm's clients.

Fund managers are given the autonomy to back their investment judgment within the scope of fund mandates and regulations. Invesco Perpetual does not wish to put in place unnecessary restrictions that limit a fund manager's ability to back his/her own convictions in a stock or investment strategy. In an environment that allows such free thought, traditional controls and processes are particularly important, but applied in a pragmatic way.

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 Invesco Perpetual's Henley investment centre.

The chart below illustrates this process:



For illustrative purposes only.

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:

Fixed Interest Invesco Perpetual

- **Performance attribution:** where have portfolio returns been derived from?
- **Trading activity:** portfolio changes. How successful has trading activity 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 the Investment Oversight team to check the understanding of a fund manager's active positions against their investable universe.
- **Risk reporting:** to challenge/support where the investment teams believe their excess returns will come from.
- **Active positions:** where are major stock, industry, country or asset class positions being taken?

The aim of the CIO challenge process is to ensure that there is sufficient investment oversight to monitor that risks taken on behalf of Invesco Perpetual's clients are understood and are considered appropriate. It is accepted that Invesco Perpetual's business is judgmental 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.

Investment monitoring

A summary of the main IT systems used by the IRF for risk management oversight is provided below:

Risks covered	IT system	Service provider	Use
Market	RiskMetrics	MSCI	Daily VaR and monthly stress testing
	APT	FIS (Formerly SunGard)	Volatility analysis for the Invesco Perpetual Multi Asset team's funds
Liquidity	Liquidity Analyser	RC Banken	Liquidity reports
Counterparty	GPMR internal database	GPMR (Internal)	Concentration exposure
Operational	BWise	NASDAQ OMX	Incident reporting and operational risk management
	Stress Controller	Risk Control	Capital adequacy assessments

Fixed Interest Invesco Perpetual

In assessing portfolio risk, Invesco Perpetual's Investment Oversight team measures performance analysis, portfolio contribution and attribution at both sector and individual stock level and portfolio characteristics, such as financial ratios.

A summary of the investment monitoring tools used by the team is provided below:

Investment monitoring tools	Service provider	Use
Contribution, Attribution and Performance Reporting (CAPeR)	GPMR (Internal)	Performance attribution and contribution system used to provide stock level bottom-up or top-down attribution/contribution analysis
Perspective II	Internal	Fund management system used by fund managers for the day-to-day management of portfolios and their analysis relative to benchmark on a country/sector/stock basis
Style Research	Style Research	Used to analyse the 'style profile' of portfolios using measures such as book to price, dividend yield, earnings growth, market cap, debt/equity ratio etc.
APT	APT	Used to understand the ex-ante risk exposures of a portfolio at the country, sector, stock and factor level. Is also used for what-if scenario analysis to understand the risk impact of any changes made to the portfolio and for stress testing
Statpro Analytics Composites	Statpro	AIMR-GIPS performance and risk metrics tool
Morningstar	Morningstar	Retail fund performance analysis relative to the benchmark and competitor universe
Lipper	Lipper	Retail fund performance analysis relative to the benchmark and competitor universe

Fixed Interest

Invesco Perpetual

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 **Stuart Edwards and Jack Parker**

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 Distribution strategy **Paul Causer, Paul Read and Global Equity Income Group¹**

The strategy aims to achieve a combination of income and capital growth over the medium to long term. The strategy seeks to achieve its objective by investing primarily in corporate and government debt securities globally (which may be unrated or sub-investment grade) and global equities, together with cash and cash equivalents.

Invesco Perpetual Global Financial Capital strategy **Paul Causer, Paul Read and Julien Eberhardt**

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 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 Pan European High Income strategy **Paul Causer, Paul Read and Stephanie Butcher**

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.

¹ The Invesco Perpetual Global Equity Income Group comprises Chief Investment Officer, Nick Mustoe, Mark Barnett, Head of UK Equities, together with fund managers Simon Clinch (US Equities), Stephanie Butcher (European Equities), Tim Dickson (Asian Equities), Tony Roberts (Japan Equities) and Andrew Hall (Global Equities).

Fixed Interest

Invesco Perpetual

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 1986, and then moved to Merrill Lynch International in 1988. 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.

Asad Bhatti, CFA, Fixed Interest Deputy Fund Manager & Senior Credit Analyst at Invesco Perpetual

Based in Henley-on-Thames, Asad is a Deputy Fund Manager and Senior 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 Fund Manager and Senior Credit Analyst at Invesco Perpetual

Fixed Interest Invesco Perpetual

Based in Henley-on-Thames, Rhys is a portfolio manager and senior credit analyst within Invesco Perpetual's Fixed Interest team. Rhys began his investment career within Invesco Perpetual's Product Support team in January 2002 before moving to the Henley-based Fixed Interest team in November 2003. In 2014 he was appointed deputy fund manager for the City Merchants High Yield Trust Limited and the Invesco Perpetual Enhanced Income Limited, before being promoted to fund manager in 2016. 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 Fund Manager and Senior Credit Analyst at Invesco Perpetual

Based in Henley-on-Thames, Julien is responsible for managing the global bank and financial capital portfolios. Julien began his investment career in 2005 at Moody's as an analyst specialising in high yield and investment grade corporate issuers in the EMEA region. He joined our company in 2008 as a fixed interest credit analyst specialising in financials. He was promoted to Deputy Fund Manager for financial capital portfolios in March 2014, before being appointed to Fund Manager in December 2016. He is a graduate of École Supérieure de Commerce de Montpellier (France) and holds Masters degree in Finance from the University of Montpellier (France). He is also a CFA charter holder.

Thomas Moore, CFA, Fund Manager and Senior Credit Analyst at Invesco Perpetual

Based in Henley-on-Thames, Thomas is a Fund Manager within Invesco Perpetual's Fixed Interest team. Thomas began his career in New York in 1999 at Orion Consultants, Inc. where he held a number of roles focused on US and international fixed income markets. In 2004 he moved to Morgan Stanley where he held senior roles within the fixed income division. In 2011 he became Head of European Credit Analytics, subsequently becoming Managing Director in 2012. Thomas joined Invesco Perpetual in June 2016 as a Senior Credit Analyst before being appointed Fund Manager in December 2016. Thomas is a graduate of Harvard and Oxford Universities and holds an MBA from Columbia Business School. He is also a CFA charter holder.

Jack Parker, Fixed Interest Deputy Fund Manager and Senior Macro Analyst at Invesco Perpetual

Based in Henley-on-Thames, Jack is a Deputy Fund Manager and Senior Macro Analyst within Invesco Perpetual's Fixed Interest team. Jack began his investment career with the firm within our investment operations functions in January 2008. He transferred to the Fixed Interest team in August 2010, initially as a Trainee, before being promoted to the role of Macro Analyst/Trader. He graduated in 2007 and holds a BA (Honours) in Business Economics from the University of Exeter. He is also a CFA charterholder.

Alexandra Ivanova, Fixed Interest Deputy Fund Manager and Senior Analyst at Invesco Perpetual

Based in Henley-on-Thames, Alexandra is a deputy fund manager and senior analyst within Invesco Perpetual's Fixed Interest team. Alexandra began her career with Municrest Investment Management Company in 2001 as a fixed-income quantitative research analyst. In 2006, she joined Invesco as an investment associate within the Invesco Fixed Income team in the US. In 2008 she became a fixed-income quantitative research analyst in London. She subsequently joined Invesco Perpetual's Fixed Interest team in July 2015. Alexandra holds an MSc in International Economics from the Yakutsk State University and a BSc in Finance and MBA degrees from the University of Louisville. She is also a CFA charterholder.

Edward Craven, Fixed Interest Senior Credit Analyst at Invesco Perpetual

Fixed Interest 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 Senior Credit 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 LLP 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.

Herin Shah, Senior Credit Analyst at Invesco Perpetual

Based in Henley-On Thames, Herin is a senior credit analyst within Invesco Perpetual's Fixed Interest team. Herin began his career at KPMG in 2001 covering the financial sector. In 2004 he joined Goldman Sachs in the Credit Risk and Advisory department managing a range of derivative products across the Financials sector and Structured Finance. In October 2011 he moved to Invesco Fixed Income in London as a credit analyst specialising primarily on the European financial sector. He subsequently joined Invesco Perpetual Fixed Interest team in July 2015. Herin holds a Bachelor's Degree in Accounting & Economics from Mumbai University. Herin qualified as a Chartered Accountant with KPMG and is also a Financial Risk Management charter holder since 2006.

Jessica Svantesson, Fixed Interest Credit Analyst at Invesco Perpetual

Based in Henley-on-Thames, Jessica is a credit analyst in Invesco Perpetual's Fixed Interest team. Jessica began her career with Bloomberg in 2006 working as a research analyst within various teams across both equity and fixed income. In 2011 she moved to Moody's Investors Service, where she worked in the Banking team before joining the company in 2015. Jessica holds a Master's Degree in International Business from London Metropolitan University and a Bachelor's Degree in International Business Communication from Copenhagen Business School.

Mark McDonnell, Macro Analyst at Invesco Perpetual

Based in Henley-on-Thames, Mark joined the company in April 2015 as a macro analyst within Invesco Perpetual's Fixed Interest team. He began his career with HM Treasury in 2012 as an economist, focusing on monetary and fiscal policy, international economics and taxation. Mark holds a MSc in Applied Economics (distinction) from the University of Nottingham and a first class degree (BA) in Business Economics from Oxford Brookes University.

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

Fixed Interest Invesco Perpetual

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.

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.

Dan Dewar, Senior Dealer, Fixed Interest at Invesco Perpetual

Based in Henley-on-Thames, Dan is a senior dealer in the Fixed Interest team and joined our company in June 2013. He began his investment career in 1994 at Prolific Asset Management (which became part of Aberdeen Asset Managers in 1997), progressing to work in the treasury team, dealing in the money and foreign exchange markets and becoming head of foreign exchange in 2001. In 2006, Dan moved to Axa Investment Management as a foreign exchange and fixed interest dealer, working closely with fixed interest fund managers and trading a broad range of fixed interest products.

Gareth Dunsmore, Senior Dealer at Invesco Perpetual

Based in Henley-on-Thames, Gareth joined the company in May 2015 as a senior dealer within Invesco Perpetual's Fixed Interest team. He began his career in October 2002 at RBS on the Global Banking & Markets graduate scheme, where he held a number of roles in the debt capital markets business. In September 2008, he moved to Paternoster where he was a member of the credit team. In May 2011, he moved to Santander as a trader, specialising in Sterling and Euro Corporate bonds. Gareth holds BA(Hons) in Modern History from the University of Oxford.

Olivia Finch, Junior Dealer, Fixed Interest at Invesco Perpetual

Based in Henley-on-Thames, Olivia is a Junior Dealer within Invesco Perpetual's Fixed Interest team. She began her investment career in June 2011, working within the company's UK Transfer Agency department. After a brief period within its Client Services department she assumed her current responsibilities in May 2013. Olivia holds a BA (Hons) in Philosophy from the University of Birmingham.

Lewis Aubrey-Johnson, Head of Fixed Income Products at Invesco Perpetual

Based in Henley-on-Thames, Lewis is responsible for communicating 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. He joined the Fixed Interest team in 2003 as Product Director and took up his current role of Head of Fixed Income Products in 2014. He holds a BA (Honours) in International Relations from Sussex University.

Alister Brown, Fixed Interest Product Director at Invesco Perpetual

Based in Henley-on-Thames, Alister is responsible for communicating Invesco Perpetual's fixed interest investment capabilities to external and internal clients. Alister began his investment career in 1990, working at HSBC Bank and HSBC Asset Management in various roles covering investment communications, fund selection, performance monitoring, unit pricing and fund accounting. He joined Invesco Perpetual in April 2007 and transferred to the Fixed Interest team in 2011.

Cathal Dowling, Fixed Interest Product Strategist at Invesco Perpetual

Based in Henley-on-Thames, Cathal supports the Invesco Perpetual Fixed Interest team's communications and the development of its investment views. Cathal began his investment career in 1998, in the Global Asset Allocation team at Alliance Capital, and later held positions at Morgan Stanley Investment Management and F&C Asset

Fixed Interest Invesco Perpetual

Management. He joined Invesco Perpetual in April 2011 and transferred to the Fixed Interest team in 2014. He holds a BA (honours) in History from University College, Dublin and an M.Phil in International Relations from the University of Cambridge.

Important information

The information contained in this document relating to the composition 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).

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.

All data is as at 31 December 2016, sourced from Invesco unless otherwise stated.

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

As with all investments there are associated risks. Please obtain and review all relevant materials carefully before investing.

Invesco Perpetual is a business name of Invesco Asset Management Limited, Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire RG9 1HH, UK. Authorised and regulated by the Financial Conduct Authority.

GLRFP149

Contact information

Christopher Edge

Director of UK Compliance

Telephone +44 (0) 1491 417000

Christopher.edge@invescopetual.co.uk

Invesco Asset Management Limited

Perpetual Park
Perpetual Park Drive
Henley-on-Thames
Oxfordshire
RG9 1HH
UK

www.invescopetual.co.uk



Strategy profile
Emerging market equities strategy
Invesco Perpetual
February 2017



Emerging market equities strategy

Invesco Perpetual

Corporate overview	3
Investment team & assets under management	5
Investment philosophy	8
Investment process	9
Risk management	15
Strategy overview	22
Appendix 1: Biographies	23

Emerging market equities strategy

Invesco Perpetual

Corporate overview

Invesco Ltd. (Invesco)

Invesco is one of the world's leading independent global investment firms, solely focused on investment management. With 6,788 employees worldwide as at 31 December 2016, the firm directs all of its intellectual capital, global strength and operational stability toward helping investors achieve their long term financial objectives. By delivering the combined power of the firm's distinctive investment management capabilities, Invesco provides a wide range of investment strategies and vehicles to retail and institutional clients around the world. Operating in over 20 countries, the company is listed on the New York Stock Exchange under the symbol IVZ.

Invesco offers diversified investment strategies spanning all major equity, fixed income, asset allocation and alternative asset classes. These strategies are managed across various worldwide investment centres, each of which focus on distinct asset classes, investment styles or regional expertise and adhere to clearly defined investment philosophies aligned with client expectations. Each team is able to operate independently, allowing them to follow and further their specific investment style and expertise.

To further strengthen its investment culture, Invesco also maintains an active Investors Forum that consists of senior investment professionals from each investment centre. Co-chaired by Chief Executive Officer (CEO) Martin L. Flanagan and Senior Managing Director Karen Dunn Kelley, the role of the Investors Forum is primarily to foster, promote and grow investment excellence across the organisation.

Invesco's distinctive combination of independent thought within individual investment centres and collaboration across investment centres provides clients the reach and resources of a global organisation and the focus and attention of a boutique firm: Invesco's investment capabilities are both diverse and specialised; the firm is global in reach yet local in presence and its processes are disciplined yet can be delivered in customised ways. All of which distinctively positions Invesco to keep pace with clients' evolving investment needs worldwide.

Invesco Perpetual

Background

Invesco Perpetual is a business name of Invesco Asset Management Limited (IAML). IAML forms part of Invesco UK Limited, which itself forms part of Invesco.

With USD116.45 billion in assets under management¹ as at 31 December 2016 and located in Henley-on-Thames (Henley), Invesco Perpetual's investment team structure exhibits many of the advantages of a boutique firm structure, albeit part of a larger organisation: small high-quality teams; the location of the team away from the main UK investment centres, 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 fund manager and analyst are combined.

¹ Total assets managed by Invesco Perpetual's investment centre as at 31 December 2016.

Emerging market equities strategy

Invesco Perpetual

Invesco Perpetual's highly experienced investment team consists of 68 investment professionals with an average 17 years' investment experience². The firm believes that a focused and highly-experienced team provides the best means of maximising value that it can generate for its clients by continuing to adopt a long-term, active approach to investment.

Invesco Perpetual's 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, the firm remains passionately focused on that original aim. Today, from its office in Henley, Oxfordshire, its investment team invests across 40 stock markets, over 500 companies globally and travels extensively to meet companies and their management.

Stability:

Turnover within Invesco Perpetual's investment team is low, and the stability of the team is a factor in helping the firm in its aim to deliver long-term sustainable outperformance. Invesco Perpetual believes that the unique location of its 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. Invesco Perpetual believes that investment management must be undertaken in a work environment where fund managers, who are focused on longer-term performance, are free to operate independently but with clear accountability and within a challenge culture. Fund managers must be given the opportunity to stand by their convictions. Invesco Perpetual believes that culture and environment are more important to "get right" than mapping a dogmatic process. The firm must be pragmatic and flexible.

Invesco Perpetual has 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 the firm's fund managers are aided in this by a robust oversight and risk management process.

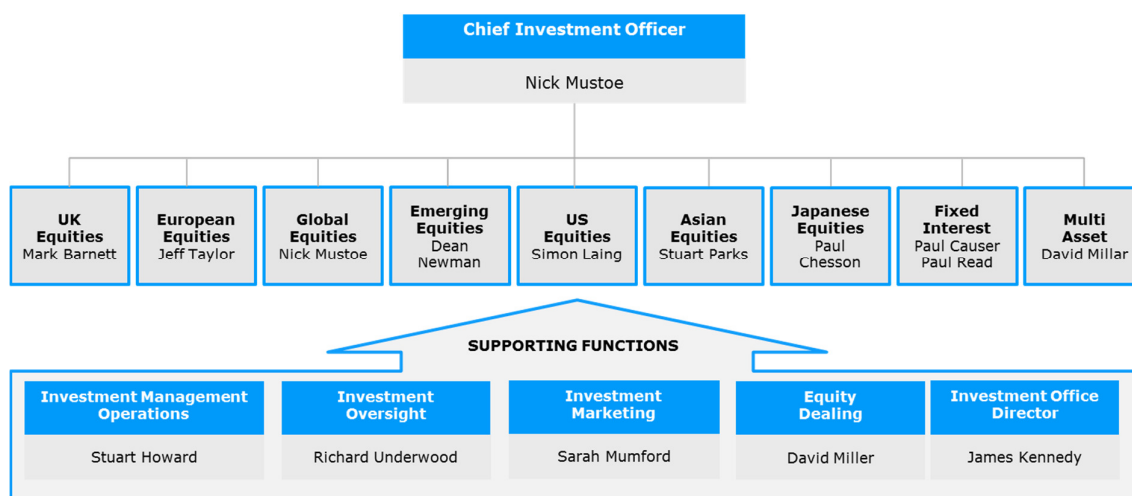
² Investment professionals as at 31 December 2016 include Invesco Perpetual's Chief Investment Officer (CIO), fund managers, analysts, trainee analysts, strategists, Multi Asset research director, Multi Asset portfolio director, Multi Asset product director and fixed income dealers.

Emerging market equities strategy

Invesco Perpetual

Investment team & assets under management

Invesco Perpetual's investment team is structured as follows:



Source: Invesco Perpetual as at 31 December 2016.

Emerging Market Equities team

Based in Invesco Perpetual's Henley investment centre, the Emerging Market Equities team is led by Dean Newman, an experienced and reputable emerging markets fund manager, who has over thirty years' experience in the industry.

The Emerging Market Equities team members have worked together for many years, creating a stable and cohesive team which has built significant investment expertise. Collectively the team averages eight years of experience at Invesco Perpetual and averages over fourteen years' industry experience.

Provided below is a breakdown of team members, their experience and primary responsibilities.

Name	Position	Years' tenure	Years' industry experience	Main responsibility
Dean Newman	Head of Emerging Market Equities	23	31	Lead fund manager for market and Latin American equity portfolios. Member of the Invesco Perpetual Global Equity and Global Smaller Companies Groups ¹
Nicholas Mason	Emerging Market Equities Fund Manager	10	17	Supporting fund manager. Fund manager for Emerging European equity portfolios
William Lam ²	Asian Equities Fund Manager	11	16	Supporting fund manager
Jonathan De Vos	Emerging Market Equities Senior Analyst	2	15	Provides research input into the team's stock selection process across all emerging

Emerging market equities strategy

Invesco Perpetual

Name	Position	Years' tenure	Years' industry experience	Main responsibility
				market regions
James McDermottroe ³	Emerging Market Equities Analyst	3	3	Provides research input into the team's stock selection process across all emerging market regions

Source: Invesco Perpetual as at 31 December 2016. Years' industry experience and tenure are subject to rounding up.

It is important to note that Invesco Perpetual's Emerging Market Equities team's research effort is structured to maximise its ability to identify and analyse the stocks that have the potential to add the most value to its portfolios. To achieve this, Invesco Perpetual combines the role of fund manager and analyst. This means that each team member undertakes original fundamental research into companies and possesses total portfolio construction awareness.

All members of the investment team have a generalist rather than specialist research role. By adopting a generalist approach to research responsibilities, the team avoid the drawbacks of over specialisation and the subsequent loss of perspective on the overall market that this might encourage. It also allows them to leverage from their top-down macro work and allocate the research resource to where they 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 the fund managers look to leverage from, complimented by any further research undertaken by other individual team members.

¹ These Groups represent the wider Henley-based investment team in the construction of the firm's global diversified equity and global smaller companies (all-markets) strategies.

² Member of Invesco Perpetual's Asian Equities team.

³ James McDermottroe worked for the Emerging Market Equities team in the summer of 2013 as an intern, and subsequently joined the team on a permanent basis in December 2013.

Team biographies have been provided in **Appendix 1**.

Emerging market equities strategy

Invesco Perpetual

Assets under management

As at 31 December 2016, Invesco Perpetual's Emerging Market Equities team had USD887.54 million in assets under management. These assets cover all emerging markets (sub-) portfolios within segregated and pooled investment vehicles⁴.

A breakdown of the team's assets under management has been provided below:

Strategy	USD million
Global emerging market equities	479.16
Latin American equities	228.30
Emerging European equities	83.19
Global smaller companies funds - Emerging markets ex Asia carve-out	96.89
Total	887.54

Source: Invesco Perpetual as at 31 December 2016. May not sum to total due to rounding.

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

Emerging market equities strategy

Invesco Perpetual

Investment philosophy

The Emerging Market 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, its universe of opportunities is large and the team strives to invest in stocks where it has high conviction.

The team's key focus is stock selection although 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 the team's decision-making process.

Emerging market equities strategy

Invesco Perpetual

Investment process

Investment approach

The Emerging Market Equities team's investment approach is to seek to take advantage of inefficiencies in the market and buy stocks below their intrinsic value. This is achieved through fundamental research, drawing on internal proprietary research, selective use of external research and extensive company contact. This approach places a strong emphasis on valuation, a key determinant of future returns. The team takes a long-term approach to investing, typically a one to three year investment time horizon, which enables it to take full advantage of any valuation anomalies. By not favouring any one particular investment style, the team can actively take advantage of the best mix of individual risk/reward opportunities in the market - at any point in time in whatever stock, sector or country they are to be found.

There are a number of characteristics central to the team's investment approach:

Active: The team invests where it feels the best returns are to be found, across markets, sectors and capitalisations, whether on index or off-index.

Top-down meets bottom-up analysis in an iterative process: Within its top-down analysis the team seeks to understand the macroeconomic, political and social environment, thereby providing a basis for its regional and country allocation decisions. Bottom-up analysis of a company's financial position, growth prospects and risk factors is a key driver of stock selection. Top-down analysis often informs the micro-level analysis of a specific company. Likewise, the bottom-up analysis of company fundamentals frequently provides valuable insight into broader macroeconomic drivers.

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 its stock picking on those companies whose potential is not reflected in its valuations.

Team structure enables the swift execution of ideas: This highly experienced and empowered team work closely together in Invesco Perpetual's investment centre in Henley; the team believes this enables it to effectively communicate and to allow it to take advantage of its intimate knowledge of emerging markets as a collective. Furthermore, the team believes the small agile team structure allows for the optimisation of opportunities that market volatility presents, as decisions (based upon fundamental long-term analysis) can be made quickly and implemented rapidly into the portfolios.

Pragmatic and flexible: The team's investment process has no inherent style bias favouring particular sectors, stocks or market caps. This gives the team the freedom to respond to changing market conditions and opportunities without restrictions, and to position its portfolios in response to underlying market conditions. Such flexibility is particularly important in emerging markets, where foreign investor sentiment is volatile and liquidity conditions can shift quickly, dramatically affecting equity valuations in the region.

Conviction investing: The team often takes contrarian views but this is on a considered, not an automatic, basis. The composition of the team's portfolios reflects the level of its conviction. The trust the team has in a management team will often allow it the confidence to make an investment into a company that is in a period of underperformance and strongly out of favour with the market.

Emerging market equities strategy

Invesco Perpetual

Benchmark aware: While the team is aware of the composition of the benchmark, and this will influence its judgment on country and sector exposure, it is not driven by it.

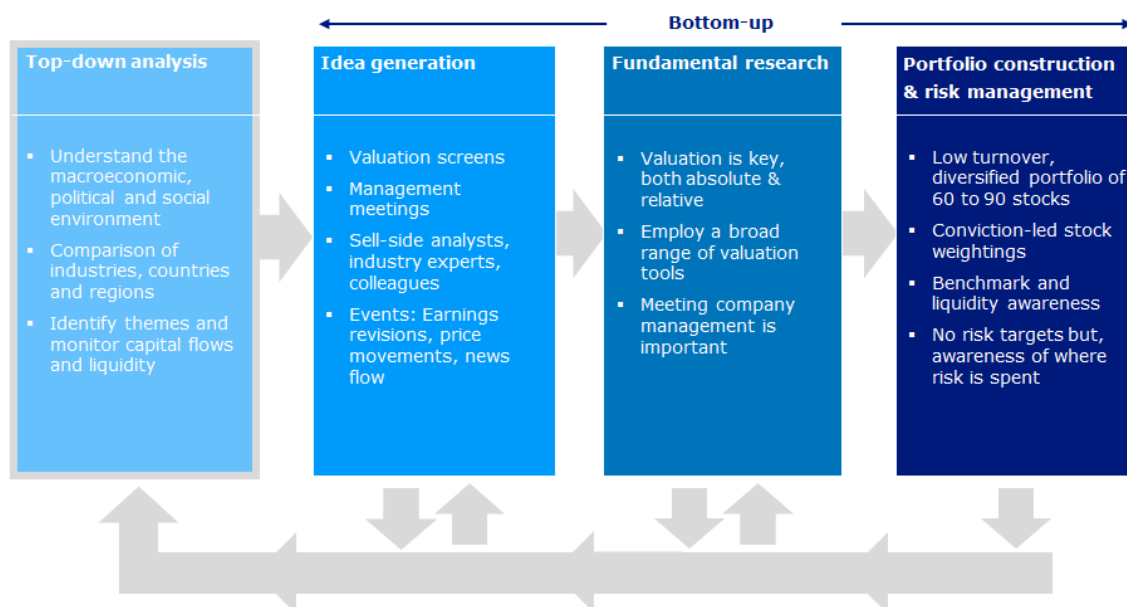
Asset allocation

Asset allocation for the Emerging Market 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 cover:

- **Top-down analysis:** comparison of industries, countries and regions
 - Performance and valuations
 - Macro, themes and trends
 - Capital flows and liquidity
- **Portfolio analysis:** current portfolio positioning
 - Performance and valuations of stocks held
 - Exposures, including over/underweights
 - Challenge conviction and opportunity cost
 - Diversification, liquidity and risk
- **Industry/country/region review:** analysis/discussion of a given industry or country
 - Stock screening
 - Feeds idea generation
 - Promotes cross-fertilisation of ideas

Research

The investment team's research process is illustrated as follows:



For illustrative purposes only.

Emerging market equities strategy

Invesco Perpetual

Regional equity team members in the Henley investment centre are generalist fund managers and undertake original research into all companies into which they invest. 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 Invesco Perpetual believes is central to the success of its investment team.

Top-down research

Macro analysis is both an input and output in all stages of the investment process. Whilst the time devoted to it is fluid and varies over time, significant time is dedicated to the understanding and forecasting of current and future macroeconomic conditions. Within its analysis the team considers how the environment might impact the relative attractiveness of individual sectors and the impact it may have on stocks at a micro level. It believes 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 team's portfolios and in the emphasis of its bottom-up research described below.

In developing its outlook, the Emerging Market Equities team draws on the economic opinions from within Invesco Perpetual. There is a global investment strategy meeting held each month with contributions from Invesco's Chief Economist, John Greenwood, and which is attended by all members of the investment team in Henley.

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 the team to potential investments. The team's 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. The Emerging Market Equities team's investment process does not rely on the use of any proprietary analytical tools; rather the team believes that value is added as a consequence of its insights, its understanding of market conditions and the quality of its data interpretation.

Once an idea has been generated by the team, 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.

Valuation

Valuation is a key part of the Emerging Market Equities team's investment process - it is considered in the context of expected earnings growth. The team is normally attracted to companies with lower than average levels of valuation, where this appears unjustified. The team focus on stocks that it believes are attractively valued in absolute and relative terms, and aims to understand the correct price for the anticipated growth or investment returns a stock can deliver. Meeting company management, as described above, is an integral part of the team's process.

In addition to proprietary research, the team selectively uses valuation models generated by external analysts in order to fully understand the underlying assumptions used to draw valuation conclusions, and as a structure into which the fund managers can input their

Emerging market equities strategy

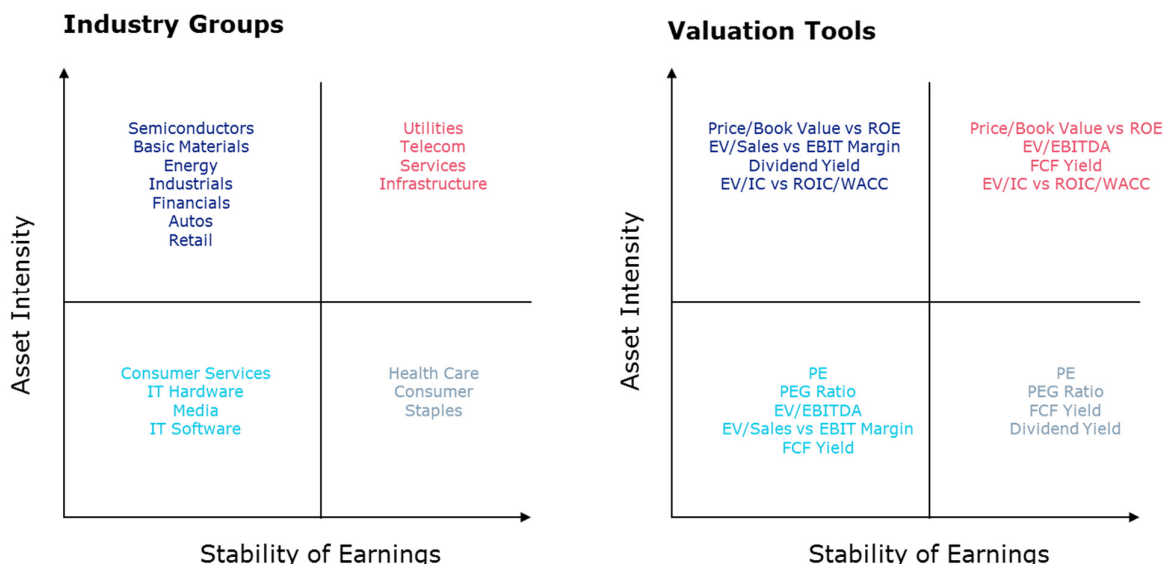
Invesco Perpetual

own scenarios. This analysis, amongst other things, can highlight where there are sizeable differences between consensus expectations and the valuation scenarios generated by the investment team.

From this analysis the team aims to understand the likely valuation expectations for a range of scenarios. The team aims to have a clear sense of relative and absolute fair value for stocks that it owns or may buy. Note, however, this perception of fair value is dynamic and subject to potential changes in macro conditions, sector-wide valuation levels, regulatory changes, corporate governance and other factors.

The team's approach to valuation will vary by company and by industry, and it looks at a broad range of valuation techniques/measures, which can include:

- Multiples analysis e.g. P/E, EV/EBITDA, dividend yield and FCF yield set against the team's perception of profits, earnings and cashflow
- P/BV versus ROE
- EV/Sales versus EBIT margin
- Enterprise value/invested capital versus ROIC/WACC
- Sum of parts



For illustrative purposes only.

The team's core measure is price/earnings, which it sees as capturing a blend of other measures. In certain cases, asset-based measures are useful, particularly where corporate assets may become biddable.

External research

External analysis is not used for its ultimate buy/sell recommendation; rather, we compare the assumptions behind the research to our own, in order to form a judgement on valuation.

Stock ideas are generated from a number of sources including that of brokerage houses, independent research firms and analysts who will regularly introduce the team to potential investments. The team's macroeconomic views may also highlight a particular area of the market for closer inspection.

Emerging market equities strategy

Invesco Perpetual

Company meetings are also an important aspect of idea generation, in that they often expose competitors, customers or suppliers that could be of interest.

Portfolio construction

The investment team aims to build a low turnover, diversified portfolio of 60 to 90 stocks. The aim of the construction process is to maximise exposure to the most attractive countries, sectors and stocks within the investment parameters of its portfolios. Portfolio construction is based on a combination of the outputs from the team's 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.

While the investment team is aware of the composition of the benchmark, and this will influence its judgement on country/sector exposure, it is not driven by it. The team is not afraid to deviate from the benchmark where its conviction is high. The investment team does not hold underweight positions in companies as expressions of negative views. If it does not consider a stock to be a good investment then it will not invest in it, irrespective of its weight in the benchmark.

The buy decision-making process is driven by qualitative analysis. As quantitative buy disciplines are not used, there therefore is no trigger or chain of events used to automatically induce a buy.

Stocks will be purchased if they demonstrate sufficient potential for share price appreciation subject to the team's assessment of risk. At the stock level, the key risks are highlighted and assessed during the research stage. The resulting risk/reward will then be considered in context of a portfolio's existing holdings, and its inclusion in the portfolio is permitted under its investment parameters.

Once bought, portfolio holdings are very actively monitored. When purchasing a position, the fund manager will typically scale into and out of a stock over time rather than buy or sell a full position at once.

Stock weights are influenced by its 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 investment team utilises an external quantitative consultant, MACRO Algottech, to assist in its research and portfolio construction process. MACRO Algottech's models use inputs such as historical price, volatility and correlation data to help the investment team to achieve optimal, well-diversified portfolios.

Buy/sell discipline

The buy decision-making process is driven by qualitative analysis. As quantitative buy disciplines are not used, there therefore is no trigger or chain of events used to automatically induce a buy.

Stocks will be purchased if they demonstrate sufficient potential for share price appreciation subject to the team's assessment of risk. At the stock level, the key risks are highlighted and assessed during the research stage. The resulting risk/reward will then be considered in context of a portfolio's existing holdings, and its inclusion in the portfolio is permitted under its investment parameters.

Emerging market equities strategy

Invesco Perpetual

Once bought, portfolio holdings are very actively monitored. When purchasing a position, the fund manager will typically scale into and out of a stock over time rather than buy or sell a full position at once.

Stock weights are influenced by its 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 investment team uses an external quantitative consultant, Alethea Capital Management, to assist in its research and portfolio construction process. Alethea's models use inputs such as historical price, volatility and correlation data to help the investment team to achieve optimal, well-diversified portfolios.

The decision to sell a stock is based on the same principles as the decision to buy: valuation and business fundamentals. A stock will be sold if it meets one or more of the following criteria:

- It is no longer undervalued
- A more attractive opportunity has been identified elsewhere
- The investment case for the stock no longer applies

Emerging market equities strategy

Invesco Perpetual

Risk management

Invesco employs a multi-faceted approach to oversight and risk management that is deeply embedded in the firm's culture, organisational governance and business structure. 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. These investment teams' processes are bolstered and overseen by multi-dimensional independent controls.

Invesco's Global Performance Measurement and Risk (GPMR) team is an independent function consisting of over 90 professionals providing comprehensive, detailed sources of information and analysis that will help Invesco better understand investment performance, quality, and risk. This team provides regular reviews of the performance and risk attributes of the various investment team disciplines to senior leadership.

With regards to firm-level risk management, Invesco'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.

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 regulatory requirements. The Invesco Compliance group (Compliance) 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 leadership regularly or as necessary.

The table overleaf visually presents how investment teams' processes are bolstered and overseen by multi-dimensional independent controls.

These controls include:

- The GPMR team (consisting of over 90 professionals), an independent group responsible for analysing performance and activities, as well as position and risk, in the context of investment process and philosophy, market environment and client expectations.
- Invesco's senior leadership oversight, comprised of:
 - Reporting lines running from investment team CIOs who have day-to-day responsibility for investment team risk controls up to the Invesco Senior Managing Director having management responsibility for the investment team.
 - Quarterly and monthly reviews, performed based upon investment performance and risk analytics of each investment discipline produced by the GPMR team. These reviews are conducted by the CEO and those Senior Managing Directors who oversee the investment teams.
 - Review of operational controls and related corporate exposures by the Invesco Corporate Risk Management Committee.

Emerging market equities strategy

Invesco Perpetual

- Regular review of investment matters by the Invesco Board of Directors and independent Fund Boards, 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'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.

Risk Oversight and Governance	Board of Directors and Fund Boards			
	Executive Management Team			
Risk Management Facilitation	Risk Areas of Focus	<ul style="list-style-type: none">▪ Investment▪ Credit/Asset/Liability	<ul style="list-style-type: none">▪ Financial▪ Operational	<ul style="list-style-type: none">▪ Business
	Global Performance Measurement and Risk <ul style="list-style-type: none">▪ Facilitates investment oversight function▪ Independently reviews investment execution and process application▪ Monitors consistency of investment results with mandates, market environments, client and CIO expectations▪ 90+ professionals	Corporate Risk Management Committee <ul style="list-style-type: none">▪ Timely and consistent identification, evaluation and mitigation of operational and business risk▪ Senior executives from all major business functions including:<ul style="list-style-type: none">– Investment management/trading– Product management– Administration (information technology, investment operations, human resources, procurement)– Portfolio operations– Legal and compliance– Finance and internal audit– Strategy		
Risk Management Embedded in the Business	Investment Risk Management Managing our core risks through the investment centers			
	Business/Operational Risk Management Managing all other risks in the business			
Internal Control	Compliance and Internal Audit Facilitate and monitor internal control at all levels			

For illustrative purposes only.

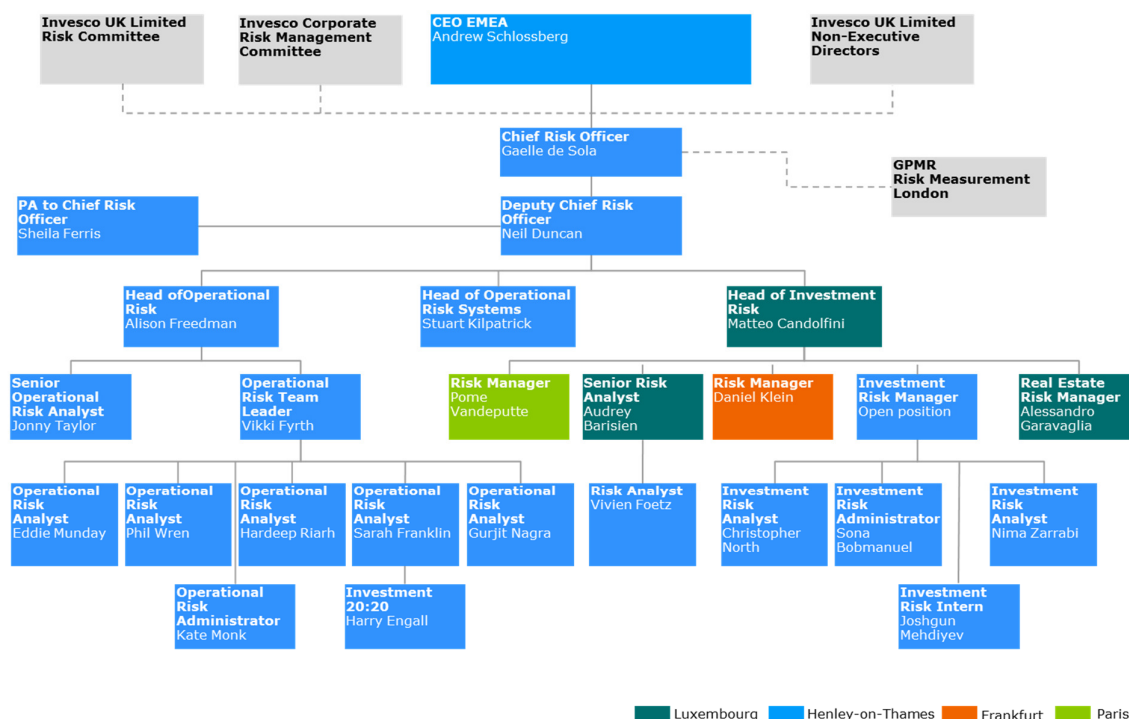
Independent Risk Function (IRF) in Europe, the Middle East and Africa (EMEA)

Gaelle de Sola, Chief Risk Officer for EMEA, leads the IRF 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 market, liquidity and counterparty risk) for the firm's UK and European (France, Ireland and Luxembourg) domiciled UCITS funds, Alternative Investment Funds (AIFs) and other relevant portfolios.

Gaelle reports directly to Andrew Schlossberg CEO of Invesco EMEA, Senior Managing Director of Invesco and Head of Invesco's EMEA region. The chart below illustrates the framework in which the IRF functions:

Emerging market equities strategy

Invesco Perpetual



Source: Invesco as at 4 January 2017.

The IRF is an independent assurance function for Invesco UK Limited³, and respectively all Invesco entities within EMEA. Its aim is to support and facilitate directors, senior management and the business in assessing, managing, monitoring and reporting all of Invesco's risks in EMEA. Risks that are assessed by the business or the senior management team to be inadequately managed, outside of Invesco's policies and procedures, risk appetite, best practice and regulatory requirements, are reported together with recommended actions for their risk reduction within the Invesco tolerance level. The IRF has a duty to highlight where risks may be inadequately or incorrectly assessed to the Invesco UK Limited Board to ensure appropriate attention is paid to these risks.

The role of the IRF is to undertake independent risk controlling duties at both a company and fund level. The tasks and duties of the IRF encompass different areas that include the oversight of implemented actions, strategies and processes aimed to comply with regulatory requirements for internal audit, compliance, risk management and risk reporting. The IRF ensures relevant techniques for risk measurement and reviews regularly the adequacy of existing methods. Furthermore, the IRF is in charge of coordinating the execution of identification, evaluation and quantification of risks.

The activities of the two teams within the IRF are as follows:

Operational risk

- Facilitate and coordinate the quarterly risk self-assessment (RSA) process and independently challenge the RSAs completed by each business function
- Active management and administration of the risk management module of B Wise, the system used to record incidents and risks

³ Invesco UK Limited is the parent company of IAML.

Emerging market equities strategy

Invesco Perpetual

- Provide operational risk information for capital requirements directive purposes e.g. for the ICAAP (Internal Capital Adequacy Assessment Process), including quantified aggregated inherent impact exposures and viable stress-test scenarios
- End-to-end management of the incident reporting module of BWISE including independently following up on and ensuring effective mitigation of incidents logged by the business and investigation of systemic and thematic issues

Investment risk

- Independently monitor, quantify and assess all investment-related risks within and across products during the new product development phase and within the life of a product
- Monitoring of portfolio risk limits (regulatory and internal) with application of the escalation process
- Communicate/heighten awareness and escalate investment-related risks, on an ad hoc basis as warranted, through regular 'risk challenge' sessions with fund managers
- Derivatives risk management oversight
- Oversight of risk systems, models and analytics

The IRF is also responsible for setting up adequate risk management policies to reflect processes and guidelines in place to ensure they are in line with regulatory standards across EMEA as well as best practices and oversee their implementation.

Additionally, the IRF is in charge of risk reports for senior management and boards and communication on risk-related matters to internal and external stakeholders.

The IRF collaborates closely with other risk experts within the firm, in particular the GPMR team, an independent function consisting of over 90 professionals. GPMR is responsible for analysing performance and activities, as well as position and risk, in the context of investment process and philosophy, market environment and client expectations. In particular, in EMEA, the GPMR team focuses on the production of risk metrics, such as the Value-at-Risk (VaR), stress-testing or liquidity risk analysis.

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 investments 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 below, this process is implemented via challenge meetings that are attended by the CIO, a member of the Investment Oversight team and the fund manager and seeks to check that the individuals managing money are doing so in a way that adds value to the firm's clients, and that the risks taken on behalf of its clients are understood and are considered appropriate. The objective is to review each fund manager annually, although where particular issues are identified with performance or the investment process, these take precedence.

Risk management is an integral component of Invesco Perpetual's 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.

Emerging market equities strategy

Invesco Perpetual

Although the fund manager is always aware of the relative risk they are running – where relative risk is defined as the holding of investment positions that differ from the structure of the benchmark – they do not set out to manage the relative risk characteristics of their portfolios.

A portfolio's relative risk characteristics will simply be a function of the investment decisions and absolute risk judgments that were made while constructing the portfolio.

Continuous monitoring

At the total portfolio level, monthly performance, attribution and risk reports are considered by Invesco Perpetual's Investment Oversight team, ensuring 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, a member of the Investment Oversight team and the fund manager. Where the CIO is the lead manager, Invesco Perpetual's Head of Investment Oversight undertakes the CIO challenge process. 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 the firm's 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 potential 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 the firm's 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.

As mentioned, 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. The challenge process seeks to check that the individuals managing money are doing so in a way that strives to add value to the firm's clients.

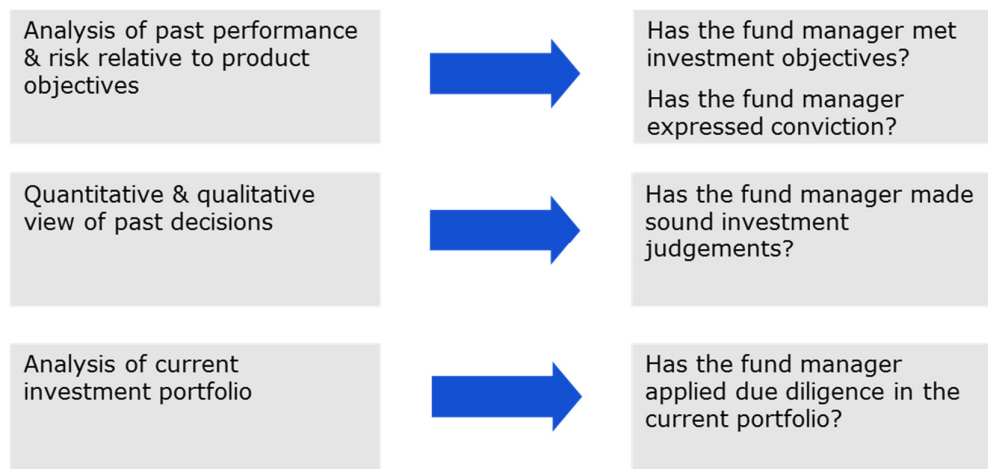
Fund managers are given the autonomy to back their investment judgment within the scope of fund mandates and regulations. Invesco Perpetual does not wish to put in place unnecessary restrictions that limit a fund manager's ability to back his/her own convictions in a stock or investment strategy. In an environment that allows such free thought, traditional controls and processes are particularly important, but applied in a pragmatic way.

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 Invesco Perpetual's Henley investment centre.

Emerging market equities strategy

Invesco Perpetual

The chart below illustrates this process:



For illustrative purposes only.

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 has trading activity 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 the Investment Oversight team to check the understanding of a fund manager's active positions against their investable universe.
- **Risk reporting:** to challenge/support where the investment teams believe their excess returns will come from.
- **Active positions:** where are major stock, industry, country or asset class positions being taken?

The aim of the CIO challenge process is to ensure that there is sufficient investment oversight to monitor that risks taken on behalf of Invesco Perpetual's clients are understood and are considered appropriate. It is accepted that Invesco Perpetual's business is judgmental 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.

Emerging market equities strategy

Invesco Perpetual

Investment monitoring

A summary of the main IT systems used by the IRF for risk management oversight is provided below:

Risks covered	IT system	Service provider	Use
Market	RiskMetrics	MSCI	Daily VaR and monthly stress-testing
	APT	FIS (Formerly SunGard)	Volatility analysis for the Invesco Perpetual Multi Asset team's funds
Liquidity	Liquidity Analyser	RC Banken	Liquidity reports
Counterparty	GPMR internal database	GPMR (Internal)	Concentration exposure
Operational	BWise	NASDAQ OMX	Incident reporting and operational risk management
	Stress Controller	Risk Control	Capital adequacy assessments

In assessing portfolio risk, Invesco Perpetual's Investment Oversight team measures performance analysis, portfolio contribution and attribution at both sector and individual stock level and portfolio characteristics, such as financial ratios.

A summary of the investment monitoring tools used by the team is provided below:

Investment monitoring tools	Service provider	Use
Contribution, Attribution and Performance Reporting (CAPeR)	GPMR (Internal)	Performance attribution and contribution system used to provide stock level bottom-up or top-down attribution/contribution analysis
Perspective II	Internal	Fund management system used by fund managers for the day-to-day management of portfolios and their analysis relative to benchmark on a country/sector/stock basis
Style Research	Style Research	Used to analyse the 'style profile' of portfolios using measures such as book to price, dividend yield, earnings growth, market cap, debt/equity ratio etc.
APT	APT	Used to understand the ex-ante risk exposures of a portfolio at the country, sector, stock and factor level. Is also used for what-if scenario analysis to understand the risk impact of any changes made to the portfolio and for stress testing
Statpro Analytics Composites	Statpro	AIMR-GIPS performance and risk metrics tool
Morningstar	Morningstar	Retail fund performance analysis relative to the benchmark and competitor universe
Lipper	Lipper	Retail fund performance analysis relative to the benchmark and competitor universe

Emerging market equities strategy

Invesco Perpetual

Strategy overview

Emerging market equities

Strategy name, management and objective	Reference benchmark	Concentration
Invesco Perpetual global emerging markets equity 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 index	Typically 60 to 90 securities
Invesco Perpetual Latin American equity 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 index	Typically 40 to 60 securities
Invesco Perpetual emerging European equity strategy Nicholas Mason 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 index	Typically 35 to 40 securities

Emerging market equities strategy

Invesco Perpetual

Appendix 1: Biographies

Dean Newman, Head of Emerging Market Equities at Invesco Perpetual

Based in Henley-on-Thames, Dean is Head of Emerging Market 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 Market Equities at Invesco Perpetual in April 2007, having joined the company in 1993 and the Emerging Market 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 market regions. Dean graduated from Durham University with a BA honours degree in Economics and Politics.

Nicholas Mason, Emerging Market 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 Market Equities team, specialising in Latin America, becoming a fund manager in August 2008. Nicholas took on responsibility for the management of emerging and Eastern European equity portfolios in October 2013. 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 IMC qualification from the CFA Society of the UK.

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

Based in Henley-on-Thames, William is responsible for the management of a number of Asian equity mandates, and has co-managed the IP Asian Fund since April 2015 and the Pacific funds since the start of 2010. 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 Limited 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 and is a CFA charterholder.

Jonathan De Vos, Emerging Market Equities Senior Analyst at Invesco Perpetual

Based in Henley-on-Thames, Jonathan joined the company in May 2015 as a senior analyst on the Emerging Market Equities team. Jon began his career in 2001 as an associate equity analyst at Raymond James Ltd. covering Canadian industrial and airline companies. In 2003, he progressed to lead analyst with a focus on industrial equipment and service companies. In 2006 Jon left Canada to run Raymond James Ltd.'s wholesale equities business in the UK and Europe where he oversaw growth in institutional sales and trading. He holds an Honours BA degree in Business Administration and an Honours BSc degree in Pharmacology and Toxicology, both from the University of Western Ontario.

James McDermottroe, Emerging Market Equities Analyst at Invesco Perpetual

Based in Henley-on-Thames, James is an analyst responsible for providing the Emerging Market Equities team with investment research. Joining Invesco Perpetual in August 2013 as an intern, James undertook internships with the Emerging Market Equities and US Equities teams before becoming a permanent member of the Emerging Market Equities team in December 2013. He holds an MSc in Finance and Banking and a BSc honours degree in Mathematics from the University of Bath, and the Investment Management Certificate from the CFA Society of the UK.

Important information

The information contained in this document relating to the composition of the 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).

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.

All data is as at 31 December 2016, sourced from Invesco unless otherwise stated.

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

As with all investments there are associated risks. Please obtain and review all relevant materials carefully before investing.

Invesco Perpetual is a business name of Invesco Asset Management Limited, Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire RG9 1HH, UK. Authorised and regulated by the Financial Conduct Authority.

GLRFP231



Strategy profile
Global ex US smaller companies strategy
Invesco Perpetual

February 2017



Global ex US smaller companies strategy

Invesco Perpetual

Corporate overview	3
Investment team & assets under management	5
Investment philosophy and process	7
Research	10
Portfolio construction	13
Risk management	15
Strategy overview	16
Appendix 1: Biographies	17
Appendix 2: Risk management	20

Global ex US smaller companies strategy

Invesco Perpetual

Corporate overview

Invesco Ltd. (Invesco)

Invesco is one of the world's leading independent global investment firms, solely focused on investment management. With 6,788 employees worldwide as at 31 December 2016, the firm directs all of its intellectual capital, global strength and operational stability toward helping investors achieve their long term financial objectives. By delivering the combined power of the firm's distinctive investment management capabilities, Invesco provides a wide range of investment strategies and vehicles to retail and institutional clients around the world. Operating in over 20 countries, the company is listed on the New York Stock Exchange under the symbol IVZ.

Invesco offers diversified investment strategies spanning all major equity, fixed income, asset allocation and alternative asset classes. These strategies are managed across various worldwide investment centres, each of which focus on distinct asset classes, investment styles or regional expertise and adhere to clearly defined investment philosophies aligned with client expectations. Each team is able to operate independently, allowing them to follow and further their specific investment style and expertise.

To further strengthen its investment culture, Invesco also maintains an active Investors Forum that consists of senior investment professionals from each investment centre. Co-chaired by Chief Executive Officer (CEO) Martin L. Flanagan and Senior Managing Director Karen Dunn Kelley, the role of the Investors Forum is primarily to foster, promote and grow investment excellence across the organisation.

Invesco's distinctive combination of independent thought within individual investment centres and collaboration across investment centres provides clients the reach and resources of a global organisation and the focus and attention of a boutique firm: Invesco's investment capabilities are both diverse and specialised; the firm is global in reach yet local in presence and its processes are disciplined yet can be delivered in customised ways. All of which distinctively positions Invesco to keep pace with clients' evolving investment needs worldwide.

Invesco Perpetual

Background

Invesco Perpetual is a business name of Invesco Asset Management Limited (IAML). IAML forms part of Invesco UK Limited, which itself forms part of Invesco.

With USD116.45 billion in assets under management¹ as at 31 December 2016 and located in Henley-on-Thames (Henley), Invesco Perpetual's investment team structure exhibits many of the advantages of a boutique firm structure, albeit part of a larger organisation: small high-quality teams; the location of the team away from the main UK investment centres, 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 fund manager and analyst are combined.

¹ Total assets managed by Invesco Perpetual's investment centre as at 31 December 2016.

Global ex US smaller companies strategy

Invesco Perpetual

Invesco Perpetual's highly experienced investment team consists of 68 investment professionals with an average 17 years' investment experience². The firm believes that a focused and highly-experienced team provides the best means of maximising value that it can generate for its clients by continuing to adopt a long-term, active approach to investment.

Invesco Perpetual's 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, the firm remains passionately focused on that original aim. Today, from its office in Henley, Oxfordshire, its investment team invests across 40 stock markets, over 500 companies globally and travels extensively to meet companies and their management.

Stability:

Turnover within Invesco Perpetual's investment team is low, and the stability of the team is a factor in helping the firm in its aim to deliver long-term sustainable outperformance. Invesco Perpetual believes that the unique location of its 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. Invesco Perpetual believes that investment management must be undertaken in a work environment where fund managers, who are focused on longer-term performance, are free to operate independently but with clear accountability and within a challenge culture. Fund managers must be given the opportunity to stand by their convictions. Invesco Perpetual believes that culture and environment are more important to "get right" than mapping a dogmatic process. The firm must be pragmatic and flexible.

Invesco Perpetual has 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 the firm's fund managers are aided in this by a robust oversight and risk management process.

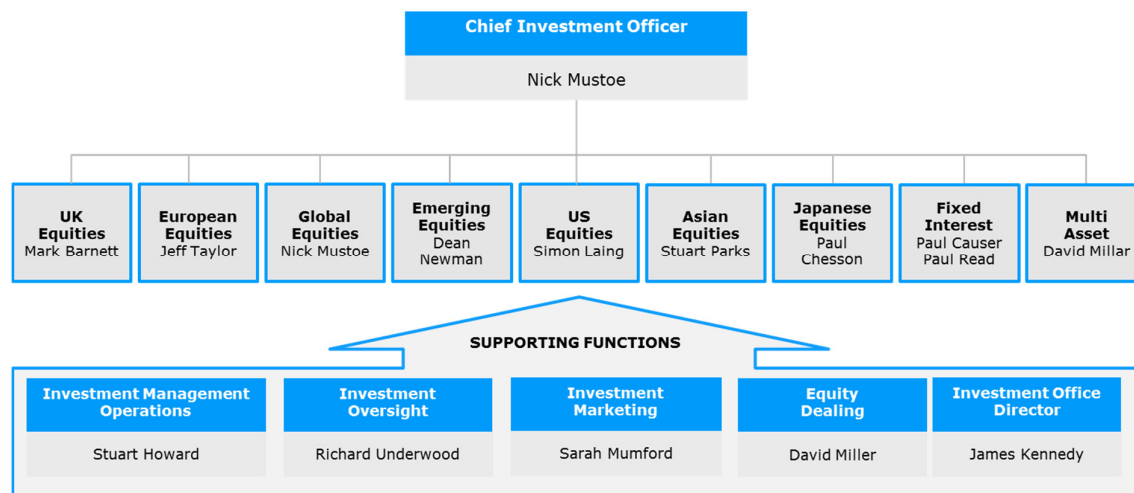
² Investment professionals as at 31 December 2016 include Invesco Perpetual's Chief Investment Officer (CIO), fund managers, analysts, trainee analysts, strategists, Multi Asset research director, Multi Asset portfolio director, Multi Asset product director and fixed income dealers.

Global ex US smaller companies strategy

Invesco Perpetual

Investment team & assets under management

Invesco Perpetual's investment team is structured as follows:



Source: Invesco Perpetual as at 31 December 2016.

Invesco Perpetual Global Smaller Companies Group

Invesco Perpetual's global ex US smaller companies strategy is managed as a series of five regional sub-portfolios, with asset allocation driven by the Invesco Perpetual Global Smaller Companies Group (Group) led by CIO Nick Mustoe. Day-to-day discretion for stock selection lies with six specialist regional fund managers. Details of the Group's structure and its members are provided in the table below:

Name	Role	Office location	Year joined industry	Year joined firm
Specialist regional fund managers:				
Company research and sub-portfolio construction				
Jonathan Brown	UK regional specialist	Henley, UK	1997	2000
Erik Esselink	Europe ex UK regional specialist	Atlanta, USA	2000	2007
Ian Hargreaves	Asia Pacific regional specialist	Henley, UK	1994	1994
Paul Chesson	Japan regional specialist	Henley, UK	1990	1993
Andy Tidby	Japan regional specialist	Henley, UK	1997	2008
Dean Newman	Emerging markets ex Asia regional specialist	Henley, UK	1985	1993
Management:				
Asset allocation				
Nick Mustoe	CIO, Invesco Perpetual	Henley, UK	1985	2010
Strategy oversight and implementation				
Martin Weiss	Investment strategist	Henley, UK	1990	2005
Arwel Green	Strategist	Henley, UK	2001	2001

Global ex US smaller companies strategy

Invesco Perpetual

Name	Role	Office location	Year joined industry	Year joined firm
Product director				
John Botham	Product director	Henley, UK	1993	2013
Rob Stabler	Product director	Henley, UK	2000	2002

Source: Invesco Perpetual as at 31 December 2016. The product directors are an integral member of the investment team, responsible for communicating Invesco Perpetual's global equities capabilities internally and externally.

Biographies of Group members are included within **Appendix 1**.

Assets under management

Assets under management for Invesco Perpetual's global smaller companies strategy totalled USD1,517.71 million (all-markets USD1,399.66 million and developed-markets USD118.05 million) as at 31 December 2016. These assets are held across four pooled vehicles.

Please note that there are currently no assets under management within Invesco Perpetual's global ex US smaller companies strategy.

Source: Invesco Perpetual as at 31 December 2016.

Global ex US smaller companies strategy

Invesco Perpetual

Investment philosophy and process

Investment philosophy

Financial markets tend to focus on short-term factors, but the Invesco Perpetual Global Smaller Companies Group believes that concentrating on longer-term investing, rather than current consensus and trends, is essential to finding sound investments because companies within the under-researched small-cap global universe operate over long-term business cycles.

The Group believes that investing in global smaller companies favours a fundamental stock picking approach and that the under-researched nature of the market presents opportunities for thorough bottom-up research. The Group believes 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 fund managers don't like a stock they don't hold it, regardless of how large its weighting in the index is.

The key focus is stock selection and the fund manager's assessment of a company and its valuation is the key driver in the investment team's decision-making process. As part of the investment process, the Group's 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. Stock selection is combined with a top-down capital allocation to deliver a globally diversified (ex US) portfolio.

Market inefficiencies

The Invesco Perpetual Global Smaller Companies Group's regional sub-portfolio fund managers believe that investors' behavioural biases repeatedly give rise to market inefficiencies. To a large extent, these inefficiencies derive from the following 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
- Smaller companies are the least well researched part of the market and here it is possible to discover sizeable pricing anomalies

The fund managers seek to exploit these market inefficiencies through careful fundamental analysis and a strong emphasis on valuation.

Investment process

Invesco Perpetual's global ex US smaller companies strategy is managed as a series of five sub-portfolios with asset allocation driven by the Invesco Perpetual Global Smaller Companies Group. As leader of the Group, CIO 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. The asset allocation process is described below.

Global ex US smaller companies strategy

Invesco Perpetual

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 dedicates significant time and effort to top-down analysis, seeking to understand the current macroeconomic and market valuation environment through:

- Consideration of a broad range of economic indicators
- Assessing the political landscape
- Reviewing analysis of external economists and strategists
- Company meetings
- Appraisal of market valuations across the globe using bespoke valuation data
- An appraisal of relevant money flow data in respect of key emerging markets

Global investment strategy

A monthly global investment strategy meeting is held, which is chaired by Invesco Perpetual's CIO. Attendees at this meeting include all members of Invesco Perpetual's investment team and Invesco's Chief Economist, John Greenwood. Using the meeting as a forum, key economic and market themes are considered and discussed. The geographic breadth of Invesco Perpetual's investment team 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. The agenda for the Group's smaller companies asset allocation meeting is influenced by the outcome of the topics discussed at this meeting.

Smaller companies asset allocation

The insights of the Group's specialist regional fund managers are important inputs into the decision around capital allocation across an investment portfolio. At this monthly meeting, a range of economic and market factors are considered, which the Group believes directly impact the smaller companies markets where it is invested. This information is combined with analysis of the Group's portfolios and each specialist regional fund managers' outlook. Asset allocation decisions are taken by the CIO who leads the meeting. Decisions are generally incremental and taken with a long-term perspective. Keeping portfolio turnover low is a factor that the Group believes tends to improve portfolio performance. Allocation decisions are led by valuation.

Once asset allocation has been agreed, each fund manager is then responsible for the stock, country and sector weights for their region.

In his role leading the Group, Nick Mustoe is ultimately accountable for the performance of these portfolios. His main responsibilities include:

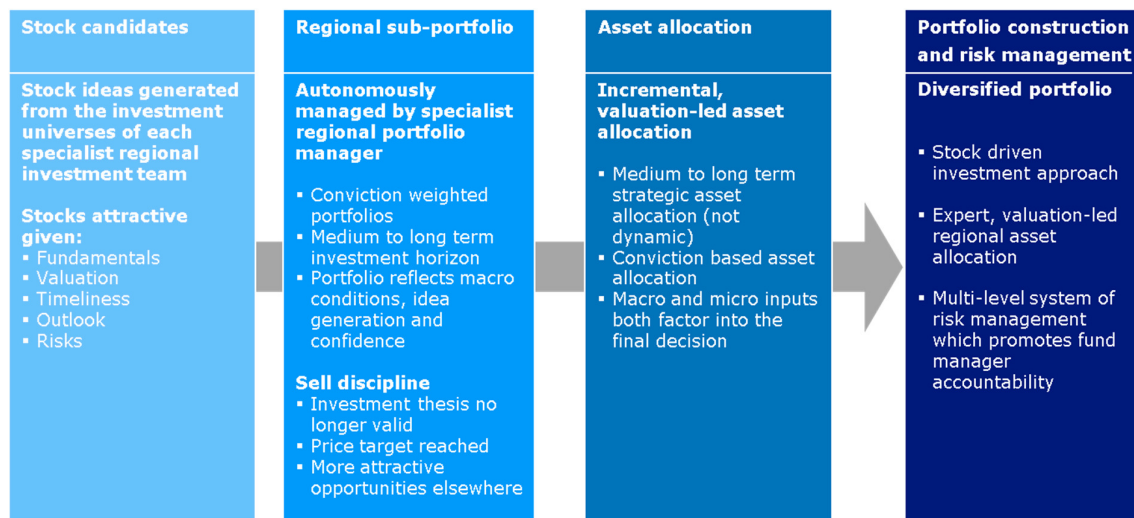
- Leading asset allocation decisions, reflecting top-down and bottom-up views
- Ensure effective implementation of asset allocation
- Challenge views and performance of the specialist regional fund managers

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 ex US smaller companies strategy

Invesco Perpetual

The investment process can be summarised as follows:



For illustrative purposes only.

Global ex US smaller companies strategy

Invesco Perpetual

Research

Invesco Perpetual does not employ a separate research team. The Invesco Perpetual Global Smaller Companies Group's regional fund managers are generalist fund managers, responsible for the construction of their own sub-portfolios. These fund managers are part of, or lead, teams that cover all global ex US developed and emerging smaller company markets, and undertake original research into all companies in which they invest into. This dual role delivers ownership and responsibility for each investment decision. Invesco Perpetual believes that the Group's regional fund manager's expertise delivers a breadth of knowledge across stocks and sectors. This is an important distinction and one it believes is central to the Group's success. The number of stocks covered by each fund manager at a given point in time is fluid and dependent upon a number of factors, including the current opportunity set.

Each regional fund manager within the Group is responsible for managing a portion of the total portfolio, with allocation determined during the monthly asset allocation investment meeting, as described previously.

Security selection and research is a process that takes the investment team right across the world. Whilst exhaustive research is undertaken on company data and third-party data, company visits and time with the management of each company that Invesco Perpetual invests in is an important part of the research approach. As long-term investors the firm views its relationship with companies' management as a critical investment factor.

The research approach, undertaken by Invesco Perpetual's investment team is described below:

Top-down research

Significant time is dedicated to the understanding macroeconomic conditions, market valuations, capital flows and geopolitical events.

Within the investment team's analysis it considers how the environment might impact the relative attractiveness of individual sectors and the impact it may have on stocks at a micro level. The team believes 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 team's portfolios and in the emphasis of its bottom-up research described below.

Monthly, the asset allocation process combines the fundamental views of the team's regional experts, with top-down inputs on markets, valuation and capital flows.

Bottom-up research

Bottom-up research is driven by the investment work of Invesco Perpetual's regional equity investment teams. Fundamental analysis is a key input to the investment process and the principal driver of stock selection.

Stock ideas are generated from a number of sources including proprietary market screens, brokerage houses, independent research firms and analysts. In some regions, particularly in Asia and in the emerging markets, macroeconomic views 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.

Global ex US smaller companies strategy

Invesco Perpetual

The investment decisions that shape the portfolio are the consequence of a fund manager's assessment of the information inputs. Invesco Perpetual believes that value is added as a consequence of the insights of its fund managers, their 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 fund 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 fund manager compares the assumptions behind this research to their own, in order to form a judgment on valuation. Contact is maintained with industry analysts that a fund manager considers having 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, Invesco Perpetual's 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.

Global ex US smaller companies strategy

Invesco Perpetual

External research

The majority of fundamental research undertaken is proprietary internal research. In addition to this, the Group's specialist regional fund managers also draw on additional information from sell-side analysts and independent industry specialists, such as rating agencies and consultants. Independent research providers and market research systems are also used by the fund managers. Invesco Perpetual would emphasise that the external research is used purely as an input, as opposed to being a driver of the decision-making process.

Global ex US smaller companies strategy

Invesco Perpetual

Portfolio construction

The aim of the global ex US smaller companies strategy's construction process is to maximise exposure to the most attractive countries, sectors and stocks within the portfolio's investment parameters. This globally diversified (ex US) strategy combines expert top-down regional asset allocation with regional led, research driven, fundamental stock selection.

Regional asset allocation

Monthly team meeting

Top-down inputs

- Detailed regional valuation analysis
- Macro issues
- CIO input
- Capital flows
- Currency risks and exposures
- Risks

Regional allocation decision is:

- Valuation-driven
- Conviction-led
- Benchmark agnostic

**Final regional
asset allocation
confirmed by
CIO, Nick Mustoe**

Bottom-up inputs

- Market perspective
- Relevant stock news and ideas
- Research trip updates
- Valuation insight
- Perspective on current allocation
- Risks

For illustrative purposes only.

Whilst no formal constraints apply, other than any regulatory requirements, the Invesco Perpetual Global Smaller Companies Group aims to have at least 80% of the portfolio in small capitalisation companies. Small capitalisation companies are defined as any company whose market capitalisation is less than the USD market capitalisation of the largest company included in the MSCI ACWI ex US Small Cap index.

As the Group's leader, Nick Mustoe is ultimately responsible for all asset allocation decisions. Each regional allocation is managed by the appropriate specialist regional fund manager who has complete autonomy over that portion of the total portfolio.

The investment team allows the specialist regional fund managers discretion in developing systems and processes appropriate to their own market and investment approach.

Each regional sub-portfolio is constructed from the bottom-up on a stock by stock basis. The decision-making process for each stock involves rigorous fundamental analysis. The weights of each stock in the sub-portfolio are conviction-led, based on the fund manager's considered view of the risk-adjusted upside. Weightings represent the fund manager's conviction in the investment case for the company and assessment of the potential downside risk. They can also be influenced by the number of attractive opportunities available, the value of the stock as a diversifier and regulatory/liquidity constraints.

Global ex US smaller companies strategy

Invesco Perpetual

Average holding period

There is no typical holding period for a position. The Invesco Perpetual Global Smaller Companies Group's specialist regional fund managers believe in building portfolios where each holding has the potential to deliver absolute upside. Typically, their long-term approach to investing covers an investment horizon of between three and five years.

Sell discipline

The decision to sell a stock is based on the same principles as the decision to buy: valuation and business fundamentals. A stock will be sold if it meets one or more of the following criteria:

- It is no longer undervalued
- A more attractive opportunity has been identified elsewhere
- The investment case for the stock no longer applies

Under no circumstances would the Invesco Perpetual Global Smaller Companies Group's regional fund managers typically deviate from these disciplines.

Global ex US smaller companies strategy

Invesco Perpetual

Risk management

The Invesco Perpetual Global Smaller Companies Group primarily considers risk as the potential for permanent loss of capital. The Group does not operate on the basis of a fixed 'risk budget' based on volatility, tracking error, or any other such measure; however exposures are monitored to ensure that there are no unintended exposures.

The process for managing portfolio risk is multi-faceted, encompassing portfolio monitoring at the aggregate portfolio level, and at the underlying regional sub-portfolio level.

The Group's strategists Martin Weiss and Arwel Green assist lead manager CIO Nick Mustoe with the monitoring of the strategy's portfolios. The strategists ensure that the aggregate portfolio is in line with allocation decisions and any regulatory requirements, whilst also ensuring that there are no unintended exposures.

Risk management for the five regional sub-portfolios is firstly undertaken at the fund manager level, where continual analysis of the fundamentals of all holdings gives fund managers a comprehensive understanding of the financial risks associated. Additionally, the Henley-based specialist regional fund managers are also subject to the firm's CIO challenge process, which is undertaken at least annually. This process ensures that portfolios are being managed in order to generate value for clients, and that the risks taken on behalf of clients are understood and considered appropriate. Assessments are both qualitative and quantitative, and cover a number of factors including performance attribution/contribution, absolute and relative risk, capacity, flows & liquidity, financial attributes, active positioning, and transaction/stock analysis.

The aggregate portfolio is independently monitored by Invesco's Independent Risk Function (IRF) in EMEA. The IRF monitors portfolio risk, including market, liquidity, leverage and counterparty risk. The IRF cooperates closely with other risk experts within the firm, in particular the Global Performance Measurement and Risk (GPMR) team. The GPMR team focuses on the production of Value-at-Risk (VaR) together with back-testing and stress-testing as well as liquidity risk analysis. Output from this measure is shared with the IRF, as well as the business for analysis, and where relevant, investigation.

Please refer to **Appendix 2** for further details.

Global ex US smaller companies strategy

Invesco Perpetual

Strategy overview

Global ex US smaller companies

Strategy name, management and objective	Reference benchmark	Concentration
Invesco Perpetual global ex US smaller companies strategy Nick Mustoe (lead) and the Invesco Perpetual Global Smaller Companies Group 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 ACWI ex US Small Cap index	Diversified

Global ex US smaller companies strategy

Invesco Perpetual

Appendix 1: Biographies

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 30 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.

Specialist regional fund managers based in Henley:

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 UMIST and has also secured both the Investment Management Certificate from the CFA Society of the UK and the Securities Institute Diploma.

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.

Andy Tidby, Japanese Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Andy is a fund manager 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. He joined the Japanese Equities team as an analyst at the beginning of 2011 and assumed fund management responsibilities, focusing on small cap companies, at the beginning of 2015. 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 and passed Level 1 of the CFA exam in December 2012.

Global ex US smaller companies strategy

Invesco Perpetual

Dean Newman, Head of Emerging Market Equities at Invesco Perpetual

Based in Henley-on-Thames, Dean is Head of Emerging Market 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 Market Equities at Invesco Perpetual in April 2007, having joined the company in 1993 and the Emerging Market 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 market regions. Dean graduated from Durham University with a BA honours degree in Economics and Politics.

Specialist regional fund manager based in Atlanta, USA:

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

Based in Atlanta, Erik specialises in the research and management of equities strategies for Invesco. Not only is he a member of the Global Core Equity team in Atlanta, but he also forms part of Invesco Perpetual's European Equities team and the Invesco Perpetual Global Smaller Companies Group based in Henley-on-Thames, spending approximately two months a year there. Erik's career started in 1997 and prior to joining Invesco in October 2007, he worked with Morgan Stanley, most recently as a pan European small and mid-cap equity specialist covering institutional equity sales into the Benelux region. Previously, he had worked for three years with ING Barings in Amsterdam, specialising in Dutch equities institutional sales. 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.

Strategy oversight and implementation:

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 Fund-of-Fund Strategist 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 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 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.

Global ex US smaller companies strategy

Invesco Perpetual

Product director:

John Botham, Global Equities Product Director at Invesco Perpetual

Based in Henley-on-Thames, John joined the company as Product Director in November 2013 responsible for communicating Invesco Perpetual's global equities capabilities internally and externally. He started his industry career in 1993 upon joining Guardian Royal Exchange as a European equities fund manager before joining Henderson Investors in 1994, where he became Director of Pan European Equities. In 2007 he subsequently joined Aviva Investors as Head of European Equities. John gained a degree in Economics from Loughborough University in 1985, and qualified as a Chartered Accountant in 1989. He also holds the IMC qualification from the CFA Society of the UK.

Rob Stabler, Global Equities Product Director at Invesco Perpetual

Based in Henley-on-Thames, Rob is a product director for Invesco Perpetual's Global Equities team, and is responsible for developing and delivering the team's investment message. Rob began his career in financial services in 2000, working as an independent financial adviser. He joined Invesco Perpetual in 2002, spending 11 years working as a regional sales manager within the Retail Sales team, where he developed and maintained relationships across a range of wealth managers, IFA and fund-of-fund clients. He joined the Global Equities team in July 2013. He holds a BA in Politics & Economics from Newcastle University and the Investment Management Certificate from the CFA Society of the UK.

Global ex US smaller companies strategy

Invesco Perpetual

Appendix 2: Risk management

Invesco employs a multi-faceted approach to oversight and risk management that is deeply embedded in the firm's culture, organisational governance and business structure. 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. These investment teams' processes are bolstered and overseen by multi-dimensional independent controls.

Invesco's GPMR team is an independent function consisting of over 90 professionals providing comprehensive, detailed sources of information and analysis that will help Invesco better understand investment performance, quality, and risk. This team provides regular reviews of the performance and risk attributes of the various investment team disciplines to senior leadership.

With regards to firm-level risk management, Invesco'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.

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 regulatory requirements. The Invesco Compliance group (Compliance) 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 leadership regularly or as necessary.

The table overleaf visually presents how investment teams' processes are bolstered and overseen by multi-dimensional independent controls.

These controls include:

- The GPMR team (consisting of over 90 professionals), an independent group responsible for analysing performance and activities, as well as position and risk, in the context of investment process and philosophy, market environment and client expectations.
- Invesco's senior leadership oversight, comprised of:
 - Reporting lines running from investment team CIOs who have day-to-day responsibility for investment team risk controls up to the Invesco Senior Managing Director having management responsibility for the investment team.
 - Quarterly and monthly reviews, performed based upon investment performance and risk analytics of each investment discipline produced by the GPMR team. These reviews are conducted by the CEO and those Senior Managing Directors who oversee the investment teams.
 - Review of operational controls and related corporate exposures by the Invesco Corporate Risk Management Committee.

Global ex US smaller companies strategy

Invesco Perpetual

- Regular review of investment matters by the Invesco Board of Directors and independent Fund Boards, 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'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.

Risk Oversight and Governance	Board of Directors and Fund Boards			
	Executive Management Team			
Risk Management Facilitation	Risk Areas of Focus	<ul style="list-style-type: none">▪ Investment▪ Credit/Asset/Liability	<ul style="list-style-type: none">▪ Financial▪ Operational	<ul style="list-style-type: none">▪ Business
	Global Performance Measurement and Risk <ul style="list-style-type: none">▪ Facilitates investment oversight function▪ Independently reviews investment execution and process application▪ Monitors consistency of investment results with mandates, market environments, client and CIO expectations▪ 90+ professionals	Corporate Risk Management Committee <ul style="list-style-type: none">▪ Timely and consistent identification, evaluation and mitigation of operational and business risk▪ Senior executives from all major business functions including:<ul style="list-style-type: none">– Investment management/trading– Product management– Administration (information technology, investment operations, human resources, procurement)– Portfolio operations– Legal and compliance– Finance and internal audit– Strategy		
Risk Management Embedded in the Business	Investment Risk Management Managing our core risks through the investment centers			
	Business/Operational Risk Management Managing all other risks in the business			
Internal Control	Compliance and Internal Audit Facilitate and monitor internal control at all levels			

For illustrative purposes only.

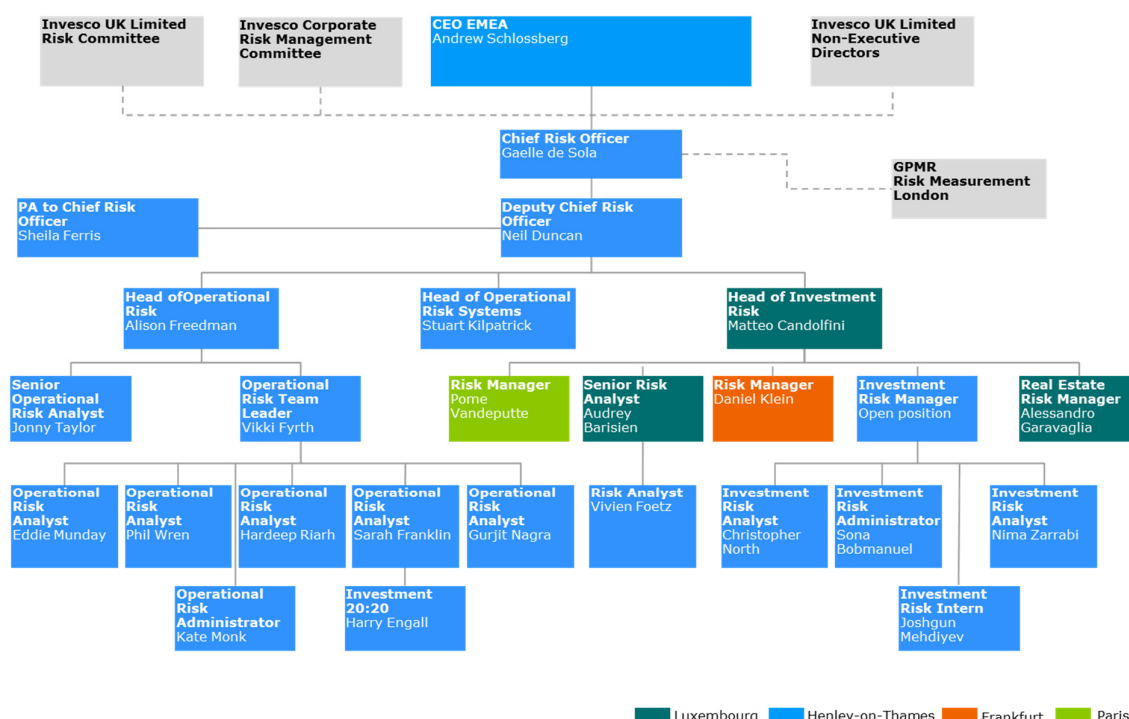
IRF in EMEA

Gaelle de Sola, Chief Risk Officer for EMEA, leads the IRF 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 market, liquidity and counterparty risk) for the firm's UK and European (France, Ireland and Luxembourg) domiciled UCITS funds, Alternative Investment Funds (AIFs) and other relevant portfolios.

Gaelle reports directly to Andrew Schlossberg CEO of Invesco EMEA, Senior Managing Director of Invesco and Head of Invesco's EMEA region. The chart below illustrates the framework in which the IRF functions:

Global ex US smaller companies strategy

Invesco Perpetual



Source: Invesco as at 4 January 2017.

The IRF is an independent assurance function for Invesco UK Limited³, and respectively all Invesco entities within EMEA. Its aim is to support and facilitate directors, senior management and the business in assessing, managing, monitoring and reporting all of Invesco's risks in EMEA. Risks that are assessed by the business or the senior management team to be inadequately managed, outside of Invesco's policies and procedures, risk appetite, best practice and regulatory requirements, are reported together with recommended actions for their risk reduction within the Invesco tolerance level. The IRF has a duty to highlight where risks may be inadequately or incorrectly assessed to the Invesco UK Limited Board to ensure appropriate attention is paid to these risks.

The role of the IRF is to undertake independent risk controlling duties at both a company and fund level. The tasks and duties of the IRF encompass different areas that include the oversight of implemented actions, strategies and processes aimed to comply with regulatory requirements for internal audit, compliance, risk management and risk reporting. The IRF ensures relevant techniques for risk measurement and reviews regularly the adequacy of existing methods. Furthermore, the IRF is in charge of coordinating the execution of identification, evaluation and quantification of risks.

The activities of the two teams within the IRF are as follows:

Operational risk

- Facilitate and coordinate the quarterly risk self-assessment (RSA) process and independently challenge the RSAs completed by each business function
- Active management and administration of the risk management module of B Wise, the system used to record incidents and risks

³ Invesco UK Limited is the parent company of IAML.

Global ex US smaller companies strategy

Invesco Perpetual

- Provide operational risk information for capital requirements directive purposes e.g. for the ICAAP (Internal Capital Adequacy Assessment Process), including quantified aggregated inherent impact exposures and viable stress-test scenarios
- End-to-end management of the incident reporting module of BWISE including independently following up on and ensuring effective mitigation of incidents logged by the business and investigation of systemic and thematic issues

Investment risk

- Independently monitor, quantify and assess all investment-related risks within and across products during the new product development phase and within the life of a product
- Monitoring of portfolio risk limits (regulatory and internal) with application of the escalation process
- Communicate/heighten awareness and escalate investment-related risks, on an ad hoc basis as warranted, through regular 'risk challenge' sessions with fund managers
- Derivatives risk management oversight
- Oversight of risk systems, models and analytics

The IRF is also responsible for setting up adequate risk management policies to reflect processes and guidelines in place to ensure they are in line with regulatory standards across EMEA as well as best practices and oversee their implementation.

Additionally, the IRF is in charge of risk reports for senior management and boards and communication on risk-related matters to internal and external stakeholders.

The IRF collaborates closely with other risk experts within the firm, in particular the GPMR team, an independent function consisting of over 90 professionals. GPMR is responsible for analysing performance and activities, as well as position and risk, in the context of investment process and philosophy, market environment and client expectations. In particular, in EMEA, the GPMR team focuses on the production of risk metrics, such as VaR, stress-testing or liquidity risk analysis.

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 investments 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 below, this process is implemented via challenge meetings that are attended by the CIO, a member of the Investment Oversight team and the fund manager and seeks to check that the individuals managing money are doing so in a way that adds value to the firm's clients, and that the risks taken on behalf of its clients are understood and are considered appropriate. The objective is to review each fund manager annually, although where particular issues are identified with performance or the investment process, these take precedence.

Risk management is an integral component of Invesco Perpetual's 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.

Global ex US smaller companies strategy

Invesco Perpetual

Although the fund manager is always aware of the relative risk they are running – where relative risk is defined as the holding of investment positions that differ from the structure of the benchmark – they do not set out to manage the relative risk characteristics of their portfolios.

A portfolio's relative risk characteristics will simply be a function of the investment decisions and absolute risk judgments that were made while constructing the portfolio.

Continuous monitoring

At the total portfolio level, monthly performance, attribution and risk reports are considered by Invesco Perpetual's Investment Oversight team, ensuring 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, a member of the Investment Oversight team and the fund manager. Where the CIO is the lead manager, Invesco Perpetual's Head of Investment Oversight undertakes the CIO challenge process. 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 the firm's 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 potential 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 the firm's 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.

As mentioned, 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. The challenge process seeks to check that the individuals managing money are doing so in a way that strives to add value to the firm's clients.

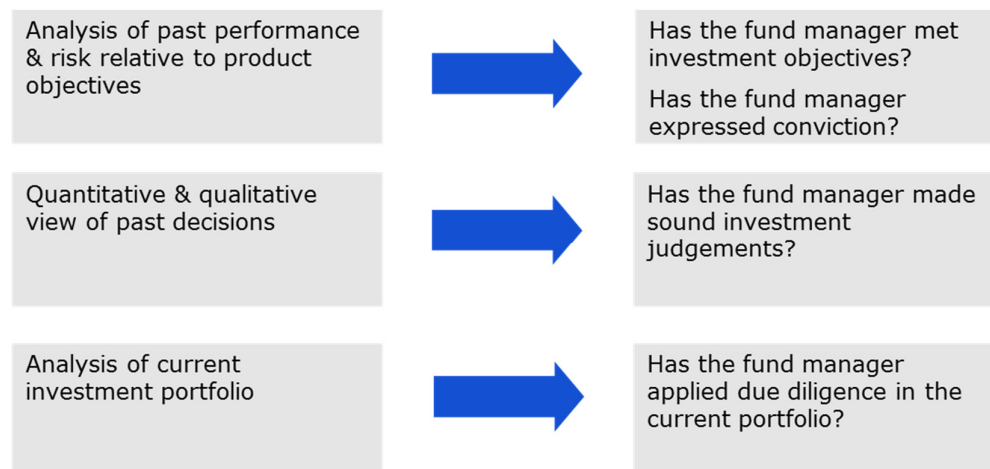
Fund managers are given the autonomy to back their investment judgment within the scope of fund mandates and regulations. Invesco Perpetual does not wish to put in place unnecessary restrictions that limit a fund manager's ability to back his/her own convictions in a stock or investment strategy. In an environment that allows such free thought, traditional controls and processes are particularly important, but applied in a pragmatic way.

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 Invesco Perpetual's Henley investment centre.

Global ex US smaller companies strategy

Invesco Perpetual

The chart below illustrates this process:



For illustrative purposes only.

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 has trading activity 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 the Investment Oversight team to check the understanding of a fund manager's active positions against their investable universe.
- **Risk reporting:** to challenge/support where the investment teams believe their excess returns will come from.
- **Active positions:** where are major stock, industry, country or asset class positions being taken?

The aim of the CIO challenge process is to ensure that there is sufficient investment oversight to monitor that risks taken on behalf of Invesco Perpetual's clients are understood and are considered appropriate. It is accepted that Invesco Perpetual's business is judgmental 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.

Global ex US smaller companies strategy

Invesco Perpetual

Investment monitoring

A summary of the main IT systems used by the IRF for risk management oversight is provided below:

Risks covered	IT system	Service provider	Use
Market	RiskMetrics	MSCI	Daily VaR and monthly stress-testing
	APT	FIS (Formerly SunGard)	Volatility analysis for the Invesco Perpetual Multi Asset team's funds
Liquidity	Liquidity Analyser	RC Banken	Liquidity reports
Counterparty	GPMR internal database	GPMR (Internal)	Concentration exposure
Operational	BWise	NASDAQ OMX	Incident reporting and operational risk management
	Stress Controller	Risk Control	Capital adequacy assessments

In assessing portfolio risk, Invesco Perpetual's Investment Oversight team measures performance analysis, portfolio contribution and attribution at both sector and individual stock level and portfolio characteristics, such as financial ratios.

A summary of the investment monitoring tools used by the team is provided below:

Investment monitoring tools	Service provider	Use
Contribution, Attribution and Performance Reporting (CAPeR)	GPMR (Internal)	Performance attribution and contribution system used to provide stock level bottom-up or top-down attribution/contribution analysis
Perspective II	Internal	Fund management system used by fund managers for the day-to-day management of portfolios and their analysis relative to benchmark on a country/sector/stock basis
Style Research	Style Research	Used to analyse the 'style profile' of portfolios using measures such as book to price, dividend yield, earnings growth, market cap, debt/equity ratio etc.
APT	APT	Used to understand the ex-ante risk exposures of a portfolio at the country, sector, stock and factor level. Is also used for what-if scenario analysis to understand the risk impact of any changes made to the portfolio and for stress testing
Statpro Analytics Composites	Statpro	AIMR-GIPS performance and risk metrics tool
Morningstar	Morningstar	Retail fund performance analysis relative to the benchmark and competitor universe
Lipper	Lipper	Retail fund performance analysis relative to the benchmark and competitor universe

Important information

The information contained in this document relating to the composition of the 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).

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.

All data is as at 31 December 2016, sourced from Invesco unless otherwise stated.

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

As with all investments there are associated risks. Please obtain and review all relevant materials carefully before investing.

Invesco Perpetual is a business name of Invesco Asset Management Limited, Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire RG9 1HH, UK. Authorised and regulated by the Financial Conduct Authority.

GLRFP171



Strategy profile
Global equity income strategy
Invesco Perpetual
February 2017



Global equity income strategy

Invesco Perpetual

Corporate overview	3
Investment team & assets under management	5
Investment philosophy	7
Investment process	8
Risk management	11
Strategy overview	12
Appendix 1: Biographies	13
Appendix 2: Risk management	16

Global equity income strategy

Invesco Perpetual

Corporate overview

Invesco Ltd. (Invesco)

Invesco is one of the world's leading independent global investment firms, solely focused on investment management. With 6,788 employees worldwide as at 31 December 2016, the firm directs all of its intellectual capital, global strength and operational stability toward helping investors achieve their long term financial objectives. By delivering the combined power of the firm's distinctive investment management capabilities, Invesco provides a wide range of investment strategies and vehicles to retail and institutional clients around the world. Operating in over 20 countries, the company is listed on the New York Stock Exchange under the symbol IVZ.

Invesco offers diversified investment strategies spanning all major equity, fixed income, asset allocation and alternative asset classes. These strategies are managed across various worldwide investment centres, each of which focus on distinct asset classes, investment styles or regional expertise and adhere to clearly defined investment philosophies aligned with client expectations. Each team is able to operate independently, allowing them to follow and further their specific investment style and expertise.

To further strengthen its investment culture, Invesco also maintains an active Investors Forum that consists of senior investment professionals from each investment centre. Co-chaired by Chief Executive Officer (CEO) Martin L. Flanagan and Senior Managing Director Karen Dunn Kelley, the role of the Investors Forum is primarily to foster, promote and grow investment excellence across the organisation.

Invesco's distinctive combination of independent thought within individual investment centres and collaboration across investment centres provides clients the reach and resources of a global organisation and the focus and attention of a boutique firm: Invesco's investment capabilities are both diverse and specialised; the firm is global in reach yet local in presence and its processes are disciplined yet can be delivered in customised ways. All of which distinctively positions Invesco to keep pace with clients' evolving investment needs worldwide.

Invesco Perpetual

Background

Invesco Perpetual is a business name of Invesco Asset Management Limited (IAML). IAML forms part of Invesco UK Limited, which itself forms part of Invesco.

With USD116.45 billion in assets under management¹ as at 31 December 2016 and located in Henley-on-Thames (Henley), Invesco Perpetual's investment team structure exhibits many of the advantages of a boutique firm structure, albeit part of a larger organisation: small high-quality teams; the location of the team away from the main UK investment centres, 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 fund manager and analyst are combined.

¹ Total assets managed by Invesco Perpetual's investment centre as at 31 December 2016.

Global equity income strategy

Invesco Perpetual

Invesco Perpetual's highly experienced investment team consists of 68 investment professionals with an average 17 years' investment experience². The firm believes that a focused and highly-experienced team provides the best means of maximising value that it can generate for its clients by continuing to adopt a long-term, active approach to investment.

Invesco Perpetual's 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, the firm remains passionately focused on that original aim. Today, from its office in Henley, Oxfordshire, its investment team invests across 40 stock markets, over 500 companies globally and travels extensively to meet companies and their management.

Stability:

Turnover within Invesco Perpetual's investment team is low, and the stability of the team is a factor in helping the firm in its aim to deliver long-term sustainable outperformance. Invesco Perpetual believes that the unique location of its 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. Invesco Perpetual believes that investment management must be undertaken in a work environment where fund managers, who are focused on longer-term performance, are free to operate independently but with clear accountability and within a challenge culture. Fund managers must be given the opportunity to stand by their convictions. Invesco Perpetual believes that culture and environment are more important to "get right" than mapping a dogmatic process. The firm must be pragmatic and flexible.

Invesco Perpetual has 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 the firm's fund managers are aided in this by a robust oversight and risk management process.

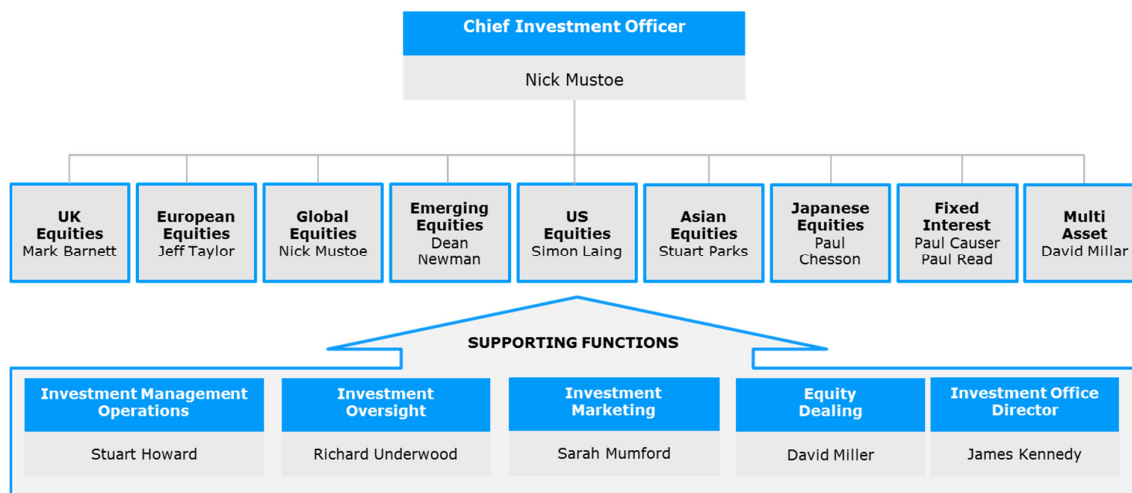
² Investment professionals as at 31 December 2016 include Invesco Perpetual's Chief Investment Officer (CIO), fund managers, analysts, trainee analysts, strategists, Multi Asset research director, Multi Asset portfolio director, Multi Asset product director and fixed income dealers.

Global equity income strategy

Invesco Perpetual

Investment team & assets under management

Invesco Perpetual's investment team is structured as follows:



Source: Invesco Perpetual as at 31 December 2016.

Invesco Perpetual Global Equity Income Group

Invesco Perpetual's global equity income strategy is managed by CIO Nick Mustoe (lead) and the Invesco Perpetual Global Equity Income Group (Group). The Group consists of a cross-section of the wider Invesco Perpetual investment team. It harnesses Invesco Perpetual's heritage and expertise of income investing. Alongside Nick Mustoe, who leads the Group, are six specialist fund managers from Invesco Perpetual's regional equity investment teams. These specialists bring forward the very best 'quality income' ideas from their respective regional teams in order to build a portfolio of the best 'quality income' ideas globally.

Details of the Group's structure and its members are provided in the table below:

Name	Role	Year joined industry	Year joined firm
Global product strategy: Total portfolio ownership/monitoring			
Nick Mustoe	CIO Invesco Perpetual	1985	2010
Martin Weiss	Investment strategist	1990	2005
Arwel Green	Strategist	2001	2001
Fund managers: Original fundamental research and portfolio construction insight			
Andrew Hall	Global specialist	2000	2013
Simon Clinch	US regional specialist	1997	2012
Stephanie Butcher	Europe ex UK regional specialist	1993	2003
Mark Barnett	UK regional specialist	1992	1996
Tim Dickson	Asia ex Japan regional specialist	1993	2008
Tony Roberts	Japan regional specialist	1995	2000

Global equity income strategy

Invesco Perpetual

Name	Role	Year joined industry	Year joined firm
Global product: Client communication			
John Botham	Product director	1993	2013
Rob Stabler	Product director	2000	2002

Source: Invesco Perpetual as at 31 December 2016. The product directors are integral members of the investment team, responsible for communicating Invesco Perpetual's global equities capabilities internally and externally.

Biographies of Group members are included within **Appendix 1**.

Assets under management

Assets under management for Invesco Perpetual's global equity income strategy totalled USD2,159.62 million as at 31 December 2016. These assets are held across five pooled vehicles, two institutional segregated mandates and one investment trust.

Source: Invesco Perpetual as at 31 December 2016.

Global equity income strategy

Invesco Perpetual

Investment philosophy

Invesco Perpetual firmly believes 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 firm's equity fund managers' research. The market's disproportionate focus on short-term factors allows an investor with a long-term horizon to buy stocks at attractive valuations. Invesco Perpetual believes that its philosophy, applied in a consistent and rigorous way should lead to outperformance over the longer term.

The firm's global equity income strategy is an active, bottom-up investment strategy focusing on constructing a portfolio which offers a compelling mix of income, dividend growth and capital appreciation. This is what the Invesco Perpetual Global Equity Income Group terms 'quality income'.

An unconstrained, bottom-up stock selection approach is employed based on fundamental research. The Group's aim is to create a diversified portfolio of global stocks with attractive dividend yields that demonstrate quality. The Group aims to identify undervalued companies that exhibit the following features:

- Solid business franchises
- Strong management teams
- Strong balance sheets
- Disciplined capital allocation
- Attractive valuations

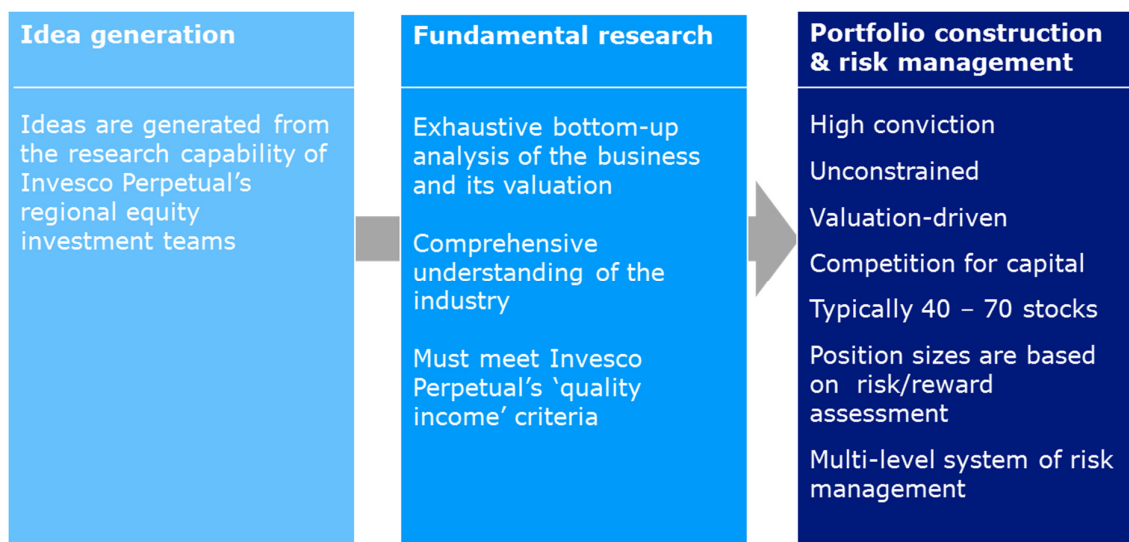
Valuation is key to the Group's approach. Fund managers believe that stock prices often fail to reflect their intrinsic fair value because financial markets tend to focus on short-term factors. Fund managers aim to exploit these market inefficiencies by investing in quality companies that are trading at what they consider to be good value. They also seek companies which offer attractive dividend yields. The key, in the Group's view, is to evaluate the fundamentals of the business as well as its balance sheet strength and its management discipline to assess the attractiveness of a company's dividend and potential for dividend growth. Invesco Perpetual believes the key to identifying these companies is thorough proprietary fundamental research.

Global equity income strategy

Invesco Perpetual

Investment process

An overview of Invesco Perpetual's global equity income strategy's investment process is illustrated below:



For illustrative purposes only.

Investment universe

The Invesco Perpetual Global Equity Income Group seeks the best 'quality income' ideas from around the world. As such, the global universe is made up of the investible universes of Invesco Perpetual's regional equity investment teams based in Henley. These regional universes cover stocks across all capitalisations, sectors and regions, and are not restricted to stocks from the main regional indices. The best 'quality income' ideas from each regional investment team are proposed by members of the Group where they are peer reviewed and debated by fellow team members. When agreement is reached within the Group, the stock is added to the portfolio.

Idea generation

Ideas are generated from the research capabilities of the wider Henley-based regional equity investment teams, which provide the primary research for candidate investments. Invesco Perpetual believes that each regional investment team's expertise and knowledge delivers breadth of knowledge across stocks, sectors and countries.

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. The best 'quality income' ideas from the regional equity investment teams are presented to the Invesco Perpetual Global Equity Income Group.

Lead manager Nick Mustoe ensures that investments fully meet the global equity income strategy's 'quality income' and valuation philosophy.

Global equity income strategy

Invesco Perpetual

Fundamental research

Fundamental analysis is the key input to the investment process and a principal driver of stock selection. The strategy's bottom-up research is driven by the investment work of Invesco Perpetual's regional equity investment teams. Each regional candidate investment idea undergoes rigorous fundamental research, in order to assess the quality of the business and arrive at an assessment of its valuation, before being proposed to the Invesco Perpetual Global Equity Income Group. 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 Invesco Perpetual believes brings out the best in individuals and thereby strengthens the firm's investment capability.

However, in broad terms, each investment team focuses on the following:

- **Bottom-up, fundamental, proprietary research:** This is to assess the quality of a business and 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.
- **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.
- **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, fund managers maintain contact with industry analysts that they consider have superior analytical insights.

The majority of research undertaken is proprietary research. Areas considered when assessing a business are included below:

- **Franchise and business quality analysis:** Fund managers look for companies with competitive products or services that exhibit a durable demand and possess significant and sustainable market shares. Fund managers assess the intensity of the competitive environment in which firms operate, examining a broad array of factors such as barriers to entry and exit, product substitution and differentiation, and cost leadership for each company. Fund managers also consider relationships and bargaining power with suppliers, customers, regulators and shareholders. This allows fund managers to draw conclusions about the quality of a business, the intensity of competition and the company's ability to manage it.
- **Analysis of a company's financial position:** Fund managers look for companies that can grow margins and deliver sustainable returns through an economic cycle. When analysing financial strength they focus on balance sheet strength and the ability to generate strong and sustainable cashflow, particularly free cashflow. Free cashflow can be used to pay dividends, fund expansion - organic or via acquisitions - and to reduce leverage. Careful attention is paid to the consistency, clarity and fullness of a company's financial statements and their disclosures as an indication of the quality and strength of the company's management.

Global equity income strategy

Invesco Perpetual

- **Analysis of management quality:** Fund managers seek executives whose actions are likely to result in added value for shareholders. They look for managements' clear understanding of the principal dynamics of their business, especially in the context of global markets, and empathy with their shareholders' interests. In particular, fund managers consider whether they are efficient allocators of cash between capital expenditure, debt reduction and returns to shareholders.
- **Analysis of dividends:** Fund managers assess the attractiveness of a company's dividend and potential for dividend growth over time. Dividend yields reflect historical cash payments. Therefore future dividends are dependent on a company's operating performance. It is important to focus on the sustainability of a company's operating cashflow, from which the dividends are ultimately paid. In addition, the capital discipline that underpins the payment of dividends aligns to management discipline, an important trait of high performing companies.

Portfolio construction

Portfolios are constructed on a bottom-up basis with the weight of each stock in the portfolio being conviction-led. Weightings represent a blend of the Invesco Perpetual Global Equity Income Group's specialist fund managers' conviction in the merits of the investment case and the assessment of the relevant risks. Country and sector exposures are an important consequence of the search for what the Group's fund managers view as the most attractive 'quality income' ideas globally. At times, this approach can lead to the portfolio being substantially different to the composition of the reference benchmark, the MSCI World index.

Investment decisions at an individual stock level are overseen and challenged in the context of their fit into the overall portfolio and to ensure that they meet the Group's 'quality income' and valuation criteria. Ultimate responsibility for this function lies with CIO Nick Mustoe.

There is competition for capital and an environment 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 fund managers. The Group aims to efficiently allocate the available capital to the most attractive 'quality income' investment ideas. Ownership is a critical part of the portfolio and each investment made is owned by a fund manager who manages the position from purchase to sale, including the adding to and trimming of positions as valuation dictates.

Investment horizon

Decisions relating to stock selection are long-term in nature as the Invesco Perpetual Global Equity Income Group does not typically move into or out of positions in the short-term. The anticipated holding period for a stock is typically in excess of three years.

Sell discipline

The decision to sell a stock is based on the same principles as the decision to buy: valuation and business fundamentals. Whilst price objectives are discussed at the time of purchase, these may be amended during the course of ownership of a position. A stock will be sold by the Invesco Perpetual Global Equity Income Group if it meets one or more of the following criteria:

- It is no longer undervalued
- A more attractive opportunity has been identified elsewhere
- The investment case for the stock no longer applies

Under no circumstances would the Group deviate from these disciplines.

Global equity income strategy

Invesco Perpetual

Risk management

The Invesco Perpetual Global Equity Income Group primarily considers risk as the potential for permanent loss of capital. It does not operate on the basis of a fixed 'risk budget' based on volatility, tracking error, or any other such measure; however it does monitor its exposures to ensure that there are no unintended exposures.

The Group's risk management process is conducted at both a stock and portfolio level.

- **Stock level:** At the stock level, the Group is primarily concerned with the investment thesis for each stock, particularly valuation. In addition to investment thesis challenge, valuation/conviction challenge and management assessment, the Group monitors factors such as stock liquidity (Bloomberg and Style Research) and stock contribution to relative risk (APT) on a continuous basis.
- **Portfolio level:** At the portfolio level, the Group undertakes the following risk monitoring on a continuous basis:
 - Performance attribution analysis (CAPeR*)
 - Portfolio liquidity (Style Research)
 - Style analysis (Style Research)
 - Relative 'risk budget' analysis (APT)
 - Sector, geographic and market capitalisation exposures (Perspective 2*)
 - Factor/scenario analysis (APT)

* Proprietary system.

Investment oversight

The Invesco Perpetual Investment Oversight team provides the Group with a quarterly formal risk report which incorporates many of the factors listed above.

In addition, the team independently monitors the global equity income strategy's portfolios and undertakes, at least annually, the CIO challenge process to ensure that these portfolios are being managed in line with the stated investment philosophy/approach, that the investment process is robust and that the portfolios are being managed in order to generate value for clients and that the risks taken on behalf of clients are understood and considered appropriate. Assessments are both qualitative and quantitative and cover a number of factors including performance (Lipper, Morningstar and Statpro Composites), attribution/contribution, absolute and relative risk, capacity, flows & liquidity, financial attributes, active positioning and transaction/stock analysis.

Independent risk management oversight

The Independent Risk Function (IRF) in EMEA monitors both operational and portfolio risk, including market, liquidity and counterparty risk. It also ensures that the investment team meets with regulatory requirements for internal audit, compliance, risk management and risk reporting. That includes the relevance of the techniques used for risk measurement, regularly reviewing the adequacy of existing methods.

The Global Performance Measurement and Risk (GPMR) team provides comprehensive, detailed sources of information and analysis that help the firm better understand investment performance, quality, and risk. The team provides regular reviews of the performance and risk attributes of Invesco's investment teams to stakeholders in the business, including senior leadership. The team's risk reporting focuses on Value-at-Risk (VaR) together with back-testing and stress testing, as well as liquidity risk analysis.

Please refer to **Appendix 2** for further details.

Global equity income strategy

Invesco Perpetual

Strategy overview

Global equity income

Strategy name, management and objective	Reference benchmark	Concentration
Invesco Perpetual global equity income strategy Nick Mustoe (lead) and the Invesco Perpetual Global Equity Income Group This strategy aims to generate a rising level of income, together with long-term capital growth, investing primarily in global equities	MSCI World index	Typically 40 to 70 securities

Global equity income strategy

Invesco Perpetual

Appendix 1: Biographies

Global product strategy: Total portfolio ownership/monitoring

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 30 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.

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 Fund-of-Fund Strategist 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 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 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.

Fund managers: Original fundamental research and portfolio construction insight

Andrew Hall, Global Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Andrew joined the company in May 2013 to work with Stephen Anness on Invesco Perpetual's global opportunities strategy. Andrew began his career in October 2000 in equity sales at UBS Warburg. He developed relationships with key UK-based institutional and hedge fund investors, including Invesco Perpetual's UK Equities team. In 2007 he moved to Merrill Lynch to help grow its UK equities franchise. In May 2009, he took on his first 'buy-side' role as a European equities analyst at Moore Europe Capital Management. Most recently, Andrew was a Partner at Bramshott Capital LLP, a spin-off of Moore Europe Capital Management. Andrew holds a BSc in Economics from Nottingham University and the Investment Management Certificate from the CFA Society of the UK.

Global equity income strategy

Invesco Perpetual

Simon Clinch, CFA, US Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Simon joined the company in March 2012 as a fund manager within the US Equities team. Upon graduating in 1997, Simon joined VenCap International, a manager of private equity funds-of-funds, where he worked as an analyst for a technology equities fund. In 2001, he joined Aberdeen Asset Management's US Equities team and was appointed Head of US Equities before moving to F&C Asset Management as Director of US Equities in 2005. In 2008, Simon joined J Rothschild Capital Management as a member of the global equities team, where he helped to manage the direct equity investments of RIT Capital Partners PLC (the Rothschild Investment Trust), as well as contributing to overall investment strategy and asset allocation for the trust. Simon graduated from Balliol College, Oxford, with a BA Hons (Oxon) in Mathematical Sciences and is a CFA charterholder.

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 Invesco Perpetual in 2003. Stephanie holds an MA (Cantab.) in History from Cambridge University.

Mark Barnett, Head of UK Equities at Invesco Perpetual

Based in Henley-on-Thames, Mark joined the company in 1996 as a fund manager within the UK Equities team and was appointed Head of UK Equities in 2014. He is the team's most experienced fund manager, specialising in UK equity income investing. Mark is responsible for the management of a number of UK equity portfolios, including both open and closed ended vehicles. Mark began his investment career with Mercury Asset Management in 1992. He graduated in French and Politics from Reading University in 1992 and has passed the associate examinations of the Association for Investment Management and Research (AIMR).

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. Building on his central bank experience, in particular within the Asian region, Tim joined F&C Emerging Markets in 1998, where he became an assistant director on their Pacific equities desk. He later joined Scottish Widows Investment Partnership as an investment director covering global emerging markets and Asia before joining Invesco Perpetual in August 2008. Tim holds a BSc in Economics from the City University, an MSc in Economics from Birkbeck College, University of London, and is a CFA charterholder.

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 the 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.

Global equity income strategy

Invesco Perpetual

Global product:

Client communication

John Botham, Global Equities Product Director at Invesco Perpetual

Based in Henley-on-Thames, John joined the company as Product Director in November 2013 responsible for communicating Invesco Perpetual's global equities capabilities internally and externally. He started his industry career in 1993 upon joining Guardian Royal Exchange as a European equities fund manager before joining Henderson Investors in 1994, where he became Director of Pan European Equities. In 2007 he subsequently joined Aviva Investors as Head of European Equities. John gained a degree in Economics from Loughborough University in 1985, and qualified as a Chartered Accountant in 1989. He also holds the IMC qualification from the CFA Society of the UK.

Rob Stabler, Global Equities Product Director at Invesco Perpetual

Based in Henley-on-Thames, Rob is a product director for Invesco Perpetual's Global Equities team, and is responsible for developing and delivering the team's investment message. Rob began his career in financial services in 2000, working as an independent financial adviser. He joined Invesco Perpetual in 2002, spending 11 years working as a regional sales manager within the Retail Sales team, where he developed and maintained relationships across a range of wealth managers, IFA and fund-of-fund clients. He joined the Global Equities team in July 2013. He holds a BA in Politics & Economics from Newcastle University and the Investment Management Certificate from the CFA Society of the UK.

Global equity income strategy

Invesco Perpetual

Appendix 2: Risk management

Invesco employs a multi-faceted approach to oversight and risk management that is deeply embedded in the firm's culture, organisational governance and business structure. 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. These investment teams' processes are bolstered and overseen by multi-dimensional independent controls.

Invesco's GPMR team is an independent function consisting of over 90 professionals providing comprehensive, detailed sources of information and analysis that will help Invesco better understand investment performance, quality, and risk. This team provides regular reviews of the performance and risk attributes of the various investment team disciplines to senior leadership.

With regards to firm-level risk management, Invesco'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.

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 regulatory requirements. The Invesco Compliance group (Compliance) 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 leadership regularly or as necessary.

The table overleaf visually presents how investment teams' processes are bolstered and overseen by multi-dimensional independent controls.

These controls include:

- The GPMR team (consisting of over 90 professionals), an independent group responsible for analysing performance and activities, as well as position and risk, in the context of investment process and philosophy, market environment and client expectations.
- Invesco's senior leadership oversight, comprised of:
 - Reporting lines running from investment team CIOs who have day-to-day responsibility for investment team risk controls up to the Invesco Senior Managing Director having management responsibility for the investment team.
 - Quarterly and monthly reviews, performed based upon investment performance and risk analytics of each investment discipline produced by the GPMR team. These reviews are conducted by the CEO and those Senior Managing Directors who oversee the investment teams.
 - Review of operational controls and related corporate exposures by the Invesco Corporate Risk Management Committee.

Global equity income strategy

Invesco Perpetual

- Regular review of investment matters by the Invesco Board of Directors and independent Fund Boards, 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'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.

Risk Oversight and Governance	Board of Directors and Fund Boards			
	Executive Management Team			
Risk Management Facilitation	Risk Areas of Focus	<ul style="list-style-type: none">▪ Investment▪ Credit/Asset/Liability	<ul style="list-style-type: none">▪ Financial▪ Operational	<ul style="list-style-type: none">▪ Business
	Global Performance Measurement and Risk <ul style="list-style-type: none">▪ Facilitates investment oversight function▪ Independently reviews investment execution and process application▪ Monitors consistency of investment results with mandates, market environments, client and CIO expectations▪ 90+ professionals	Corporate Risk Management Committee <ul style="list-style-type: none">▪ Timely and consistent identification, evaluation and mitigation of operational and business risk▪ Senior executives from all major business functions including:<ul style="list-style-type: none">– Investment management/trading– Product management– Administration (information technology, investment operations, human resources, procurement)– Portfolio operations– Legal and compliance– Finance and internal audit– Strategy		
Risk Management Embedded in the Business	Investment Risk Management Managing our core risks through the investment centers			
	Business/Operational Risk Management Managing all other risks in the business			
Internal Control	Compliance and Internal Audit Facilitate and monitor internal control at all levels			

For illustrative purposes only.

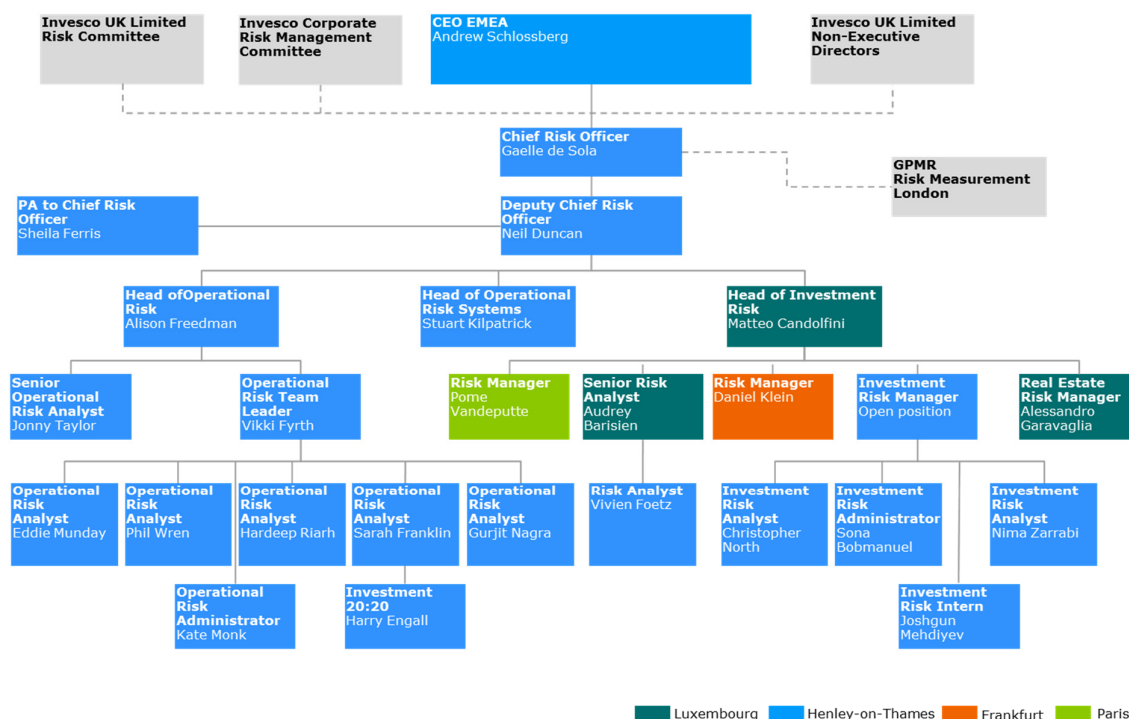
IRF in EMEA

Gaelle de Sola, Chief Risk Officer for EMEA, leads the IRF 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 market, liquidity and counterparty risk) for the firm's UK and European (France, Ireland and Luxembourg) domiciled UCITS funds, Alternative Investment Funds (AIFs) and other relevant portfolios.

Gaelle reports directly to Andrew Schlossberg CEO of Invesco EMEA, Senior Managing Director of Invesco and Head of Invesco's EMEA region. The chart below illustrates the framework in which the IRF functions:

Global equity income strategy

Invesco Perpetual



Source: Invesco as at 4 January 2017.

The IRF is an independent assurance function for Invesco UK Limited³, and respectively all Invesco entities within EMEA. Its aim is to support and facilitate directors, senior management and the business in assessing, managing, monitoring and reporting all of Invesco's risks in EMEA. Risks that are assessed by the business or the senior management team to be inadequately managed, outside of Invesco's policies and procedures, risk appetite, best practice and regulatory requirements, are reported together with recommended actions for their risk reduction within the Invesco tolerance level. The IRF has a duty to highlight where risks may be inadequately or incorrectly assessed to the Invesco UK Limited Board to ensure appropriate attention is paid to these risks.

The role of the IRF is to undertake independent risk controlling duties at both a company and fund level. The tasks and duties of the IRF encompass different areas that include the oversight of implemented actions, strategies and processes aimed to comply with regulatory requirements for internal audit, compliance, risk management and risk reporting. The IRF ensures relevant techniques for risk measurement and reviews regularly the adequacy of existing methods. Furthermore, the IRF is in charge of coordinating the execution of identification, evaluation and quantification of risks.

The activities of the two teams within the IRF are as follows:

Operational risk

- Facilitate and coordinate the quarterly risk self-assessment (RSA) process and independently challenge the RSAs completed by each business function
- Active management and administration of the risk management module of B Wise, the system used to record incidents and risks

³ Invesco UK Limited is the parent company of IAML.

Global equity income strategy

Invesco Perpetual

- Provide operational risk information for capital requirements directive purposes e.g. for the ICAAP (Internal Capital Adequacy Assessment Process), including quantified aggregated inherent impact exposures and viable stress-test scenarios
- End-to-end management of the incident reporting module of BWISE including independently following up on and ensuring effective mitigation of incidents logged by the business and investigation of systemic and thematic issues

Investment risk

- Independently monitor, quantify and assess all investment-related risks within and across products during the new product development phase and within the life of a product
- Monitoring of portfolio risk limits (regulatory and internal) with application of the escalation process
- Communicate/heighten awareness and escalate investment-related risks, on an ad hoc basis as warranted, through regular 'risk challenge' sessions with fund managers
- Derivatives risk management oversight
- Oversight of risk systems, models and analytics

The IRF is also responsible for setting up adequate risk management policies to reflect processes and guidelines in place to ensure they are in line with regulatory standards across EMEA as well as best practices and oversee their implementation.

Additionally, the IRF is in charge of risk reports for senior management and boards and communication on risk-related matters to internal and external stakeholders.

The IRF collaborates closely with other risk experts within the firm, in particular the GPMR team, an independent function consisting of over 90 professionals. GPMR is responsible for analysing performance and activities, as well as position and risk, in the context of investment process and philosophy, market environment and client expectations. In particular, in EMEA, the GPMR team focuses on the production of risk metrics, such as VaR, stress-testing or liquidity risk analysis.

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 investments 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 below, this process is implemented via challenge meetings that are attended by the CIO, a member of the Investment Oversight team and the fund manager and seeks to check that the individuals managing money are doing so in a way that adds value to the firm's clients, and that the risks taken on behalf of its clients are understood and are considered appropriate. The objective is to review each fund manager annually, although where particular issues are identified with performance or the investment process, these take precedence.

Risk management is an integral component of Invesco Perpetual's 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.

Global equity income strategy

Invesco Perpetual

Although the fund manager is always aware of the relative risk they are running – where relative risk is defined as the holding of investment positions that differ from the structure of the benchmark – they do not set out to manage the relative risk characteristics of their portfolios.

A portfolio's relative risk characteristics will simply be a function of the investment decisions and absolute risk judgments that were made while constructing the portfolio.

Continuous monitoring

At the total portfolio level, monthly performance, attribution and risk reports are considered by Invesco Perpetual's Investment Oversight team, ensuring 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, a member of the Investment Oversight team and the fund manager. Where the CIO is the lead manager, Invesco Perpetual's Head of Investment Oversight undertakes the CIO challenge process. 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 the firm's 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 potential 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 the firm's 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.

As mentioned, 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. The challenge process seeks to check that the individuals managing money are doing so in a way that strives to add value to the firm's clients.

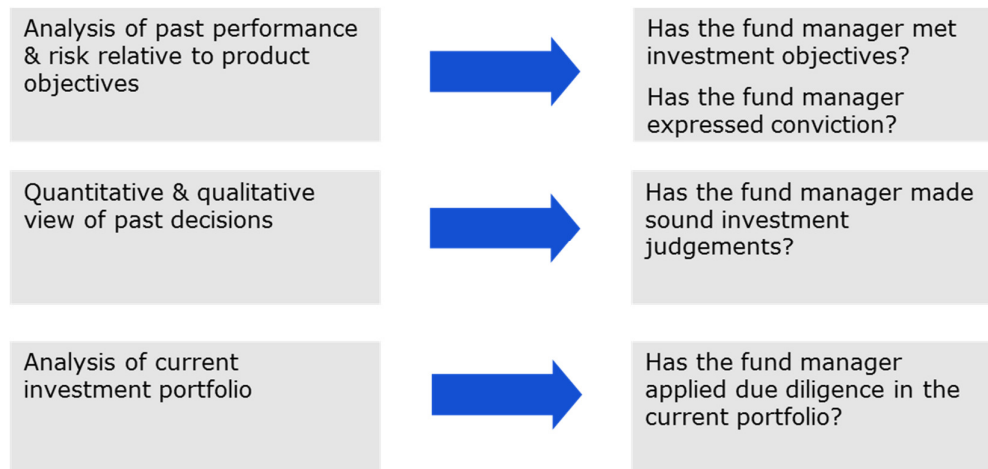
Fund managers are given the autonomy to back their investment judgment within the scope of fund mandates and regulations. Invesco Perpetual does not wish to put in place unnecessary restrictions that limit a fund manager's ability to back his/her own convictions in a stock or investment strategy. In an environment that allows such free thought, traditional controls and processes are particularly important, but applied in a pragmatic way.

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 Invesco Perpetual's Henley investment centre.

Global equity income strategy

Invesco Perpetual

The chart below illustrates this process:



For illustrative purposes only.

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 has trading activity 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 the Investment Oversight team to check the understanding of a fund manager's active positions against their investable universe.
- **Risk reporting:** to challenge/support where the investment teams believe their excess returns will come from.
- **Active positions:** where are major stock, industry, country or asset class positions being taken?

The aim of the CIO challenge process is to ensure that there is sufficient investment oversight to monitor that risks taken on behalf of Invesco Perpetual's clients are understood and are considered appropriate. It is accepted that Invesco Perpetual's business is judgmental 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.

Global equity income strategy

Invesco Perpetual

Investment monitoring

A summary of the main IT systems used by the IRF for risk management oversight is provided below:

Risks covered	IT system	Service provider	Use
Market	RiskMetrics	MSCI	Daily VaR and monthly stress-testing
	APT	FIS (Formerly SunGard)	Volatility analysis for the Invesco Perpetual Multi Asset team's funds
Liquidity	Liquidity Analyser	RC Banken	Liquidity reports
Counterparty	GPMR internal database	GPMR (Internal)	Concentration exposure
Operational	BWise	NASDAQ OMX	Incident reporting and operational risk management
	Stress Controller	Risk Control	Capital adequacy assessments

In assessing portfolio risk, Invesco Perpetual's Investment Oversight team measures performance analysis, portfolio contribution and attribution at both sector and individual stock level and portfolio characteristics, such as financial ratios.

A summary of the investment monitoring tools used by the team is provided below:

Investment monitoring tools	Service provider	Use
Contribution, Attribution and Performance Reporting (CAPeR)	GPMR (Internal)	Performance attribution and contribution system used to provide stock level bottom-up or top-down attribution/contribution analysis
Perspective II	Internal	Fund management system used by fund managers for the day-to-day management of portfolios and their analysis relative to benchmark on a country/sector/stock basis
Style Research	Style Research	Used to analyse the 'style profile' of portfolios using measures such as book to price, dividend yield, earnings growth, market cap, debt/equity ratio etc.
APT	APT	Used to understand the ex-ante risk exposures of a portfolio at the country, sector, stock and factor level. Is also used for what-if scenario analysis to understand the risk impact of any changes made to the portfolio and for stress testing
Statpro Analytics Composites	Statpro	AIMR-GIPS performance and risk metrics tool
Morningstar	Morningstar	Retail fund performance analysis relative to the benchmark and competitor universe
Lipper	Lipper	Retail fund performance analysis relative to the benchmark and competitor universe

Important information

The information contained in this document relating to the composition of the 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).

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.

All data is as at 31 December 2016, sourced from Invesco unless otherwise stated.

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

As with all investments there are associated risks. Please obtain and review all relevant materials carefully before investing.

Invesco Perpetual is a business name of Invesco Asset Management Limited, Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire RG9 1HH, UK. Authorised and regulated by the Financial Conduct Authority.

GLRFP170



Strategy profile
Europe ex UK equities strategy
Invesco Perpetual
February 2017



Europe ex UK equities strategy

Invesco Perpetual

Corporate overview	3
Investment team & assets under management	5
Investment philosophy	7
Investment process	8
Risk management	16
Strategy overview	23
Appendix 1: Biographies	24

Europe ex UK equities strategy

Invesco Perpetual

Corporate overview

Invesco Ltd. (Invesco)

Invesco is one of the world's leading independent global investment firms, solely focused on investment management. With 6,788 employees worldwide as at 31 December 2016, the firm directs all of its intellectual capital, global strength and operational stability toward helping investors achieve their long term financial objectives. By delivering the combined power of the firm's distinctive investment management capabilities, Invesco provides a wide range of investment strategies and vehicles to retail and institutional clients around the world. Operating in over 20 countries, the company is listed on the New York Stock Exchange under the symbol IVZ.

Invesco offers diversified investment strategies spanning all major equity, fixed income, asset allocation and alternative asset classes. These strategies are managed across various worldwide investment centres, each of which focus on distinct asset classes, investment styles or regional expertise and adhere to clearly defined investment philosophies aligned with client expectations. Each team is able to operate independently, allowing them to follow and further their specific investment style and expertise.

To further strengthen its investment culture, Invesco also maintains an active Investors Forum that consists of senior investment professionals from each investment centre. Co-chaired by Chief Executive Officer (CEO) Martin L. Flanagan and Senior Managing Director Karen Dunn Kelley, the role of the Investors Forum is primarily to foster, promote and grow investment excellence across the organisation.

Invesco's distinctive combination of independent thought within individual investment centres and collaboration across investment centres provides clients the reach and resources of a global organisation and the focus and attention of a boutique firm: Invesco's investment capabilities are both diverse and specialised; the firm is global in reach yet local in presence and its processes are disciplined yet can be delivered in customised ways. All of which distinctively positions Invesco to keep pace with clients' evolving investment needs worldwide.

Invesco Perpetual

Background

Invesco Perpetual is a business name of Invesco Asset Management Limited (IAML). IAML forms part of Invesco UK Limited, which itself forms part of Invesco.

With USD116.45 billion in assets under management¹ as at 31 December 2016 and located in Henley-on-Thames (Henley), Invesco Perpetual's investment team structure exhibits many of the advantages of a boutique firm structure, albeit part of a larger organisation: small high-quality teams; the location of the team away from the main UK investment centres, 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 fund manager and analyst are combined.

¹ Total assets managed by Invesco Perpetual's investment centre as at 31 December 2016.

Europe ex UK equities strategy

Invesco Perpetual

Invesco Perpetual's highly experienced investment team consists of 68 investment professionals with an average 17 years' investment experience². The firm believes that a focused and highly-experienced team provides the best means of maximising value that it can generate for its clients by continuing to adopt a long-term, active approach to investment.

Invesco Perpetual's 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, the firm remains passionately focused on that original aim. Today, from its office in Henley, Oxfordshire, its investment team invests across 40 stock markets, over 500 companies globally and travels extensively to meet companies and their management.

Stability:

Turnover within Invesco Perpetual's investment team is low, and the stability of the team is a factor in helping the firm in its aim to deliver long-term sustainable outperformance. Invesco Perpetual believes that the unique location of its 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. Invesco Perpetual believes that investment management must be undertaken in a work environment where fund managers, who are focused on longer-term performance, are free to operate independently but with clear accountability and within a challenge culture. Fund managers must be given the opportunity to stand by their convictions. Invesco Perpetual believes that culture and environment are more important to "get right" than mapping a dogmatic process. The firm must be pragmatic and flexible.

Invesco Perpetual has 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 the firm's fund managers are aided in this by a robust oversight and risk management process.

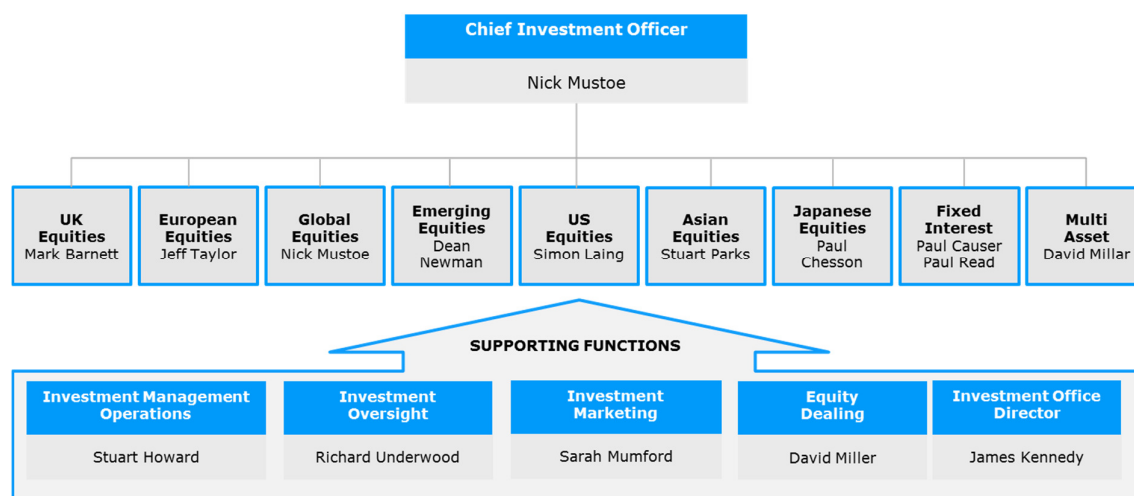
² Investment professionals as at 31 December 2016 include Invesco Perpetual's Chief Investment Officer (CIO), fund managers, analysts, trainee analysts, strategists, Multi Asset research director, Multi Asset portfolio director, Multi Asset product director and fixed income dealers.

Europe ex UK equities strategy

Invesco Perpetual

Investment team & assets under management

Invesco Perpetual's investment team is structured as follows:



Source: Invesco Perpetual as at 31 December 2016.

Invesco Perpetual European Equities team

The management of the Europe ex UK equities strategy is the responsibility of Invesco Perpetual's European Equities team led by Jeff Taylor:

Name	Role	Years' tenure	Years' industry experience
Jeff Taylor	Head of European Equities	20	31
John Surplice	European Equities Fund Manager	21	21
Stephanie Butcher	European Equities Fund Manager	13	23
Matthew Perowne	European Equities Fund Manager	7	7
Oliver Collin	European Equities Fund Manager	2	16
Adrian Bignell	European Small Cap Equities Fund Manager	13	22
Erik Esselink*	European Small Cap Equities Fund Manager	9	17
Steve Smith	European Equities Trainee Analyst	1	1
Product Directors			
Joel Copp-Barton	European Equities Product Director	5	18
Nitesh Mistry	European Equities Assistant Product Director	11	17

Source: Invesco Perpetual as at 31 December 2016. * Based in Atlanta, USA. Years' tenure and industry experience may be subject to rounding up.

Europe ex UK equities strategy

Invesco Perpetual

Within Invesco Perpetual's European Equities team, each fund manager determines, and has sole responsibility for, the investments in their portfolios. However, given the team structure and its collaborative approach to investment analysis, it is not uncommon to see significant overlap across the team's portfolios.

The team's Product Directors are responsible for communicating Invesco Perpetual's European equities investment capabilities internally and externally. They are integral members of the team working closely with its fund managers.

Biographies of team members are included within **Appendix 1**.

Assets under management

Assets under management for Invesco Perpetual's Europe ex UK equities strategy totalled USD4,057.81 million as at 31 December 2016.³ These assets were held across six pooled vehicles and one institutional segregated account.

³ Includes small cap mandates.

Europe ex UK equities strategy

Invesco Perpetual

Investment philosophy

There are a number of core beliefs underpinning the European Equities team's philosophy:

- Valuation is the key determinant of future returns over the longer term
- Market inefficiencies create valuation opportunities
- As active fund managers, the team looks to take advantage of these opportunities
- The team is agnostic with regards to investment style, country or sector positioning
- The team is reference index aware not reference index driven
- 'Bottom-up' and 'top-down' factors both add value

Market inefficiencies

Invesco Perpetual believes that investors' behavioural biases repeatedly give rise to 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

The investment team seeks to exploit these market inefficiencies through careful fundamental analysis and a strong emphasis on valuation.

Europe ex UK equities strategy

Invesco Perpetual

Investment process

Investment approach

The team's investment approach is to take advantage of inefficiencies in the market and buy stocks below their intrinsic value. This is achieved through fundamental research, drawing on internal proprietary research, selective use of external research and extensive company contact. This approach places a strong emphasis on valuation, a key determinant of future returns. The investment team takes a long-term approach to investing, typically around a three year investment time horizon, which enables it to take advantage of any valuation anomalies. By not favouring any one particular investment style, the investment team can actively take advantage of the best mix of individual risk/reward opportunities in the market - at any point in time in whatever stock, sector or country they are to be found. As such, the benchmark is considered to be more of a point of reference as opposed to a determinant of investment decisions. This flexible approach aims to deliver consistent, positive performance under most market conditions.

There are a number of characteristics central to the Invesco Perpetual European Equities team's investment approach:

Active: Invesco Perpetual's fund managers are active investors, investing where they believe the best risk adjusted returns are to be found, with the benchmark considered to be more of a point of reference as opposed to a determinant of investment decisions.

Pragmatic and flexible: There is no inbuilt country, sector, stock, market cap or style bias within the investment approach. Exposure to these factors within portfolios is purely a function of where the fund managers believe the best risk-adjusted opportunities are in the market place at any particular point in time. Consequently, exposures may change significantly over time.

Valuation focus: The investment team is valuation driven. Valuation determines whether a stock is an attractive investment or not. The 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.

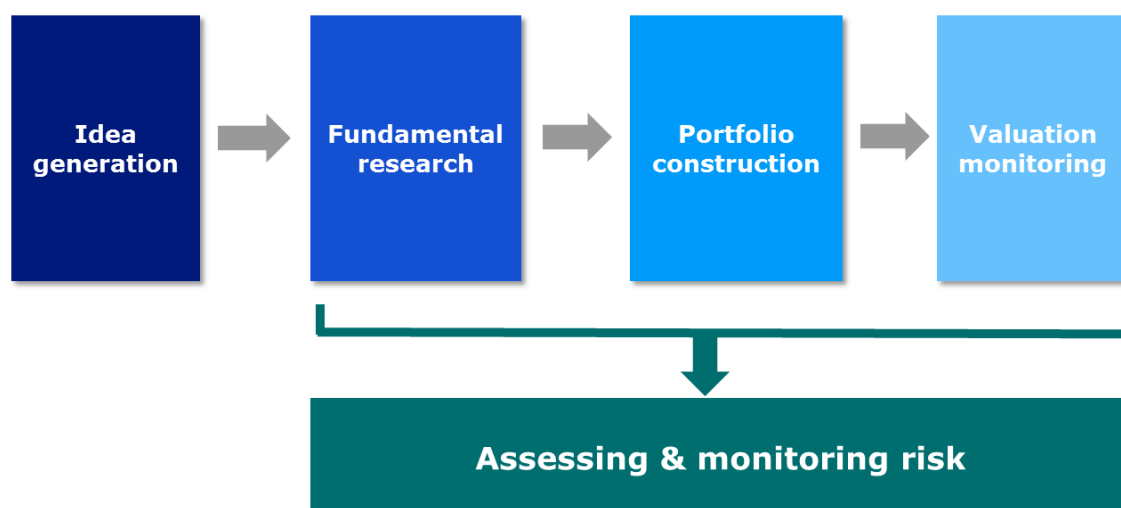
Bottom-up fundamental analysis within a "top-down" framework: The investment team combines detailed top-down and bottom-up fundamental analysis, both for new idea generation and the ongoing evaluation of existing holdings. Bottom-up analysis is the main focus for both and is expected to be the largest 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 the investment team's fundamental analysis the fund managers incorporate internal proprietary research, selected externally sourced research and extensive company contact.

Interaction: The investment 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 European equity markets at both a macro and micro level.

An overview of the investment process is shown diagrammatically below:

Europe ex UK equities strategy

Invesco Perpetual



For illustrative purposes only.

Idea generation

The investment process begins by identifying stocks that meet the team's investment criteria. The team adopts a flexible open-minded approach to sourcing ideas, and tries to avoid dismissing ideas for pre-conceived reasons. Indeed, it is this type of investor behaviour that often provides the investment team with the opportunity to invest in undervalued companies. Ideas are generated from a number of sources:

- Research capabilities and the individual and collective experience of the Henley-based regional equity investment teams
- Company meetings
- Research trips, visits and seminars
- Third party brokers/external research providing the investment team with an experienced network of sell side analysts, economists and strategists

The team is flexible in the type of ideas to be considered but typically involve signs of change. A summary of the main aspects of idea generation are provided below:



For illustrative purposes only.

Europe ex UK equities strategy

Invesco Perpetual

Potential investment opportunities that meet the team's criteria then undergo thorough fundamental research. Whilst the market often invests on the basis of history, the team endeavours to understand the potential future of a business.

Fundamental research

The Invesco Perpetual European Equities team's research effort is structured to maximise its ability to identify and analyse the stocks that have the potential to add the most value to its portfolios. To achieve this, Invesco Perpetual combines the role of fund manager and analyst. This approach leverages from the experience of the fund 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 fund manager.

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 fund managers to leverage from their top-down macro work and allocate the research resource to where they 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 the fund managers look to leverage from, complemented by any further research undertaken by other individual team members.

The team draws on a number of resources when conducting fundamental research:

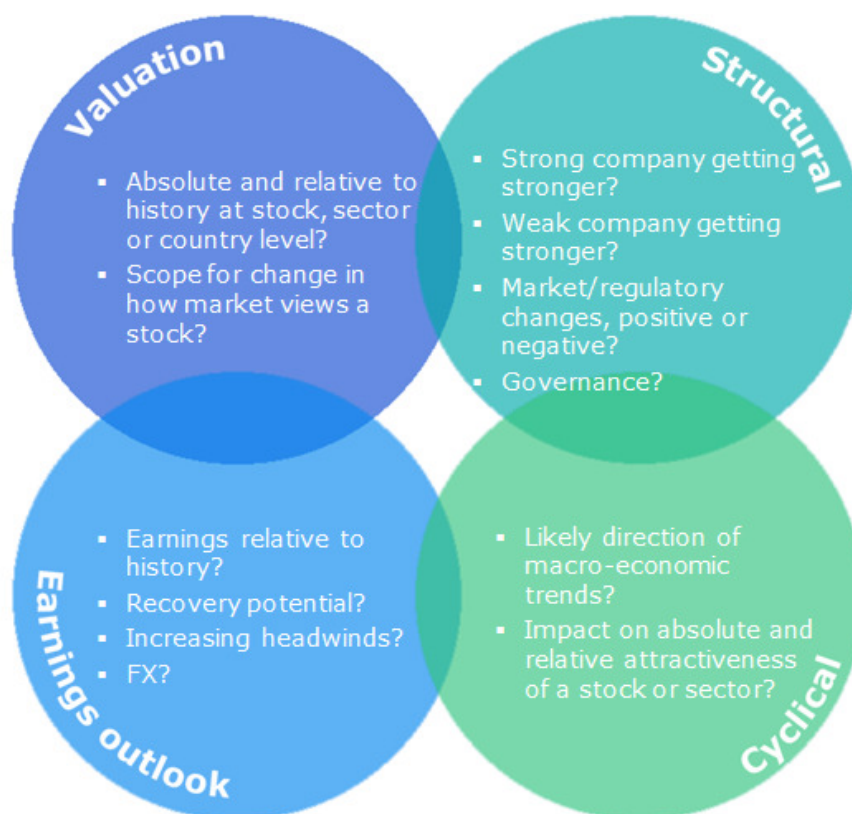
- Internal proprietary research undertaken by an individual fund manager or a member of the team
- Extensive company contact
- Preferred external research providers

The majority of the team's research is bottom-up stock specific, with a strong focus on valuation, incorporating its perception of the macro outlook.

A summary of the main aspects of fundamental research are provided below:

Europe ex UK equities strategy

Invesco Perpetual



For illustrative purposes only.

The diagram above provides a guide to the key areas that the team would typically consider and assess in the fundamental research stage. The extent to which these individual areas are scrutinised will depend on the individual stock in question.

Structural

Understanding a company's competitive position within an industry, as well as the wider trends facing an industry is critical. Both the current situation and how key trends are likely to evolve are considered. A combination of the investment team's existing experience and other sources are typically utilised:

- Company meetings – both companies being researched and competing companies within the industry
- Preferred analysts
- Regulators and industry participants

Cyclical

Resources are dedicated to understanding and anticipating 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.

An understanding of the macroeconomic environment is primarily undertaken through:

Europe ex UK equities strategy

Invesco Perpetual

- 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

Earnings outlook

Assessing the key structural and cyclical factors provides a starting point in understanding some of the drivers of earnings in the future. A number of additional relevant factors are typically considered – how do earnings compare to history? How is a company performing relative to its potential? Are earnings correctly incorporating some of the factors assessed? Is undue emphasis being placed on less relevant factors?

Valuation

A number of factors tend to be relevant in understanding valuation at a stock level and from a wider market perspective. How does current valuation compare to history? Does stock/sector valuation relative to the market trade at a discount/premium? At a stock level models from trusted third party analysts are used, incorporating the team's own assumptions. These scenarios are then compared with the current share price. Stocks will be purchased if they demonstrate sufficient potential for share price appreciation subject to the team's assessment of risk.

Meeting company management is critical in the information gathering process. From such meetings:

- The team believes that it can garner an improved understanding of the near- and longer-term prospects of a company and the quality of its management
- The team gains a forum to challenge its assumptions and predictions in person as well as ensuring that management understands the team's priorities as a shareholder

Valuation tools

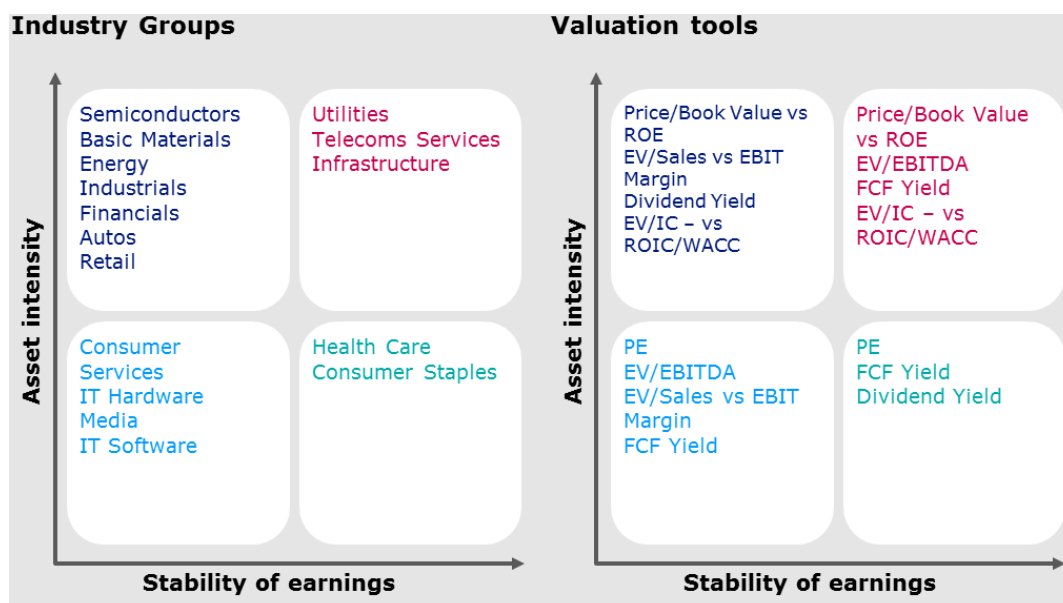
For each individual stock or sector the most appropriate valuation techniques are selected, which can include:

- Multiples analysis e.g. P/E, EV/EBITDA, dividend yield and FCF yield set against the team's perception of profits, earnings and cashflow
- P/BV versus ROE
- EV/Sales versus EBIT margin
- Enterprise value/invested capital versus ROIC/WACC
- Sum of parts

The diagram below provides an overview of the appropriate valuation methodologies for different industries:

Europe ex UK equities strategy

Invesco Perpetual



For illustrative purposes only.

External research

Invesco Perpetual emphasises the importance of internal proprietary research in combination with extensive company contact in the research stage. External research that is used is used purely as an input, as opposed to being a 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 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 judgmental business and the major scope to add value is in the interpretation that the fund management teams place on the available information. The experience of fund managers in this respect is critical and key to the Invesco Perpetual European Equities team's success.

Portfolio construction

The aim of the portfolio construction process is to have a portfolio of companies that offers the best mix of stock specific opportunities at any particular point in time. As well as assessing the potential for upside for each stock, the associated risks are also considered – these factors and the impact of any changes on the shape of the portfolio will be important in determining the overall size of that holding. At specific points in time the shape of the portfolio can be influenced by top-down factors as determined by the fund manager – these tend to be more occasional in nature.

Beyond regulatory requirements there are limited constraints as to the size of the team's individual holdings and exposure to sectors and countries. In practice, the team recognises the importance of having an appropriate mix of risk and reward at the portfolio level.

The chart overleaf highlights the key aspects of this stage:

Europe ex UK equities strategy

Invesco Perpetual

Stock weightings are determined by a number of factors:

Size of holding influenced by:

- The team's assessment of potential upside
- The team's assessment of risk
- Individual stock contribution to risk
- Liquidity of stock

Other considerations:

- Benchmark aware but not benchmark driven; stocks are not held to reduce benchmark risk
- Impact on the shape of the portfolio of new purchase/sale
- Top-down factors/turning points can also be relevant at specific times



Portfolio

- Portfolio typically consists of between 45 & 55 stocks
- Active share typically over 75%
- Cash position: Portfolio intended to be fully invested

The team aims to create a well diversified portfolio of active positions

For illustrative purposes only.

The team 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. With the benchmark considered more as a point of reference than as a constraint, this process will result in significant over or underweight positions in individual countries/sectors when compared to the index.

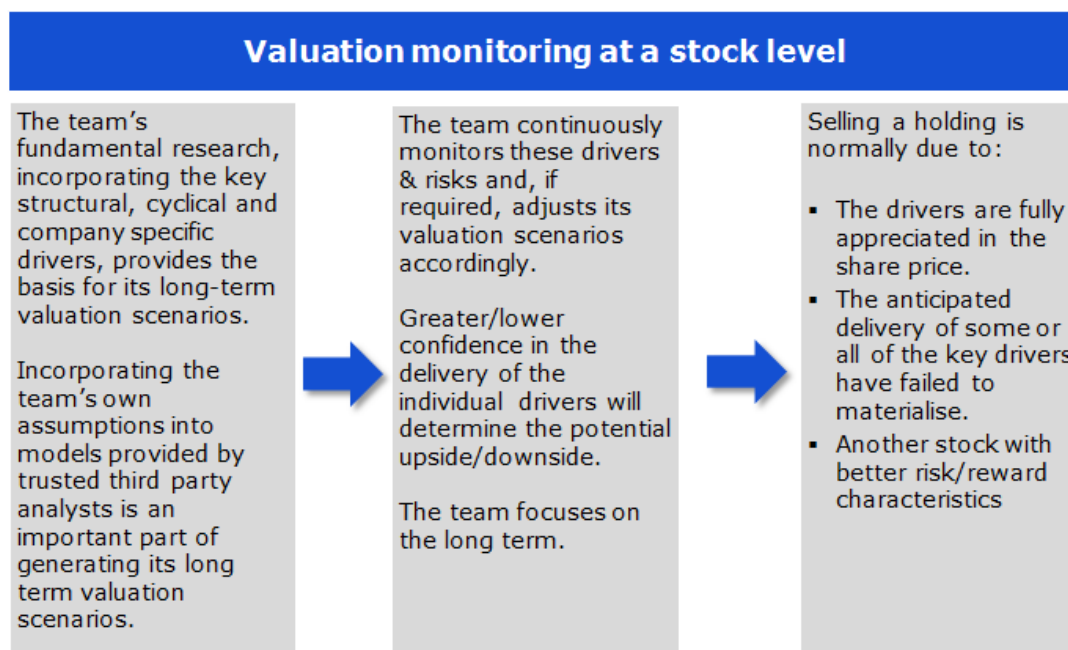
Valuation monitoring

Fund managers continuously monitor their individual positions within portfolios, focusing on the key drivers. If required the longer term valuation scenarios are adjusted accordingly to reflect any significant changes.

The key steps are highlighted overleaf, at a stock level:

Europe ex UK equities strategy

Invesco Perpetual



For illustrative purposes only.

When purchasing/selling a position, fund managers will typically scale into and out of a stock over time rather than buy or sell a full position at once.

Europe ex UK equities strategy

Invesco Perpetual

Risk management

Invesco employs a multi-faceted approach to oversight and risk management that is deeply embedded in the firm's culture, organisational governance and business structure. 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. These investment teams' processes are bolstered and overseen by multi-dimensional independent controls.

Invesco's Global Performance Measurement and Risk (GPMR) team is an independent function consisting of over 90 professionals providing comprehensive, detailed sources of information and analysis that will help Invesco better understand investment performance, quality, and risk. This team provides regular reviews of the performance and risk attributes of the various investment team disciplines to senior leadership.

With regards to firm-level risk management, Invesco'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.

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 regulatory requirements. The Invesco Compliance group (Compliance) 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 leadership regularly or as necessary.

The table overleaf visually presents how investment teams' processes are bolstered and overseen by multi-dimensional independent controls.

These controls include:

- The GPMR team (consisting of over 90 professionals), an independent group responsible for analysing performance and activities, as well as position and risk, in the context of investment process and philosophy, market environment and client expectations.
- Invesco's senior leadership oversight, comprised of:
 - Reporting lines running from investment team CIOs who have day-to-day responsibility for investment team risk controls up to the Invesco Senior Managing Director having management responsibility for the investment team.
 - Quarterly and monthly reviews, performed based upon investment performance and risk analytics of each investment discipline produced by the GPMR team. These reviews are conducted by the CEO and those Senior Managing Directors who oversee the investment teams.
 - Review of operational controls and related corporate exposures by the Invesco Corporate Risk Management Committee.

Europe ex UK equities strategy

Invesco Perpetual

- Regular review of investment matters by the Invesco Board of Directors and independent Fund Boards, 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'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.

Risk Oversight and Governance	Board of Directors and Fund Boards			
	Executive Management Team			
Risk Management Facilitation	Risk Areas of Focus	<ul style="list-style-type: none">▪ Investment▪ Credit/Asset/Liability	<ul style="list-style-type: none">▪ Financial▪ Operational	<ul style="list-style-type: none">▪ Business
	Global Performance Measurement and Risk <ul style="list-style-type: none">▪ Facilitates investment oversight function▪ Independently reviews investment execution and process application▪ Monitors consistency of investment results with mandates, market environments, client and CIO expectations▪ 90+ professionals	Corporate Risk Management Committee <ul style="list-style-type: none">▪ Timely and consistent identification, evaluation and mitigation of operational and business risk▪ Senior executives from all major business functions including:<ul style="list-style-type: none">– Investment management/trading– Product management– Administration (information technology, investment operations, human resources, procurement)– Portfolio operations– Legal and compliance– Finance and internal audit– Strategy		
Risk Management Embedded in the Business	Investment Risk Management Managing our core risks through the investment centers			
	Business/Operational Risk Management Managing all other risks in the business			
Internal Control	Compliance and Internal Audit Facilitate and monitor internal control at all levels			

For illustrative purposes only.

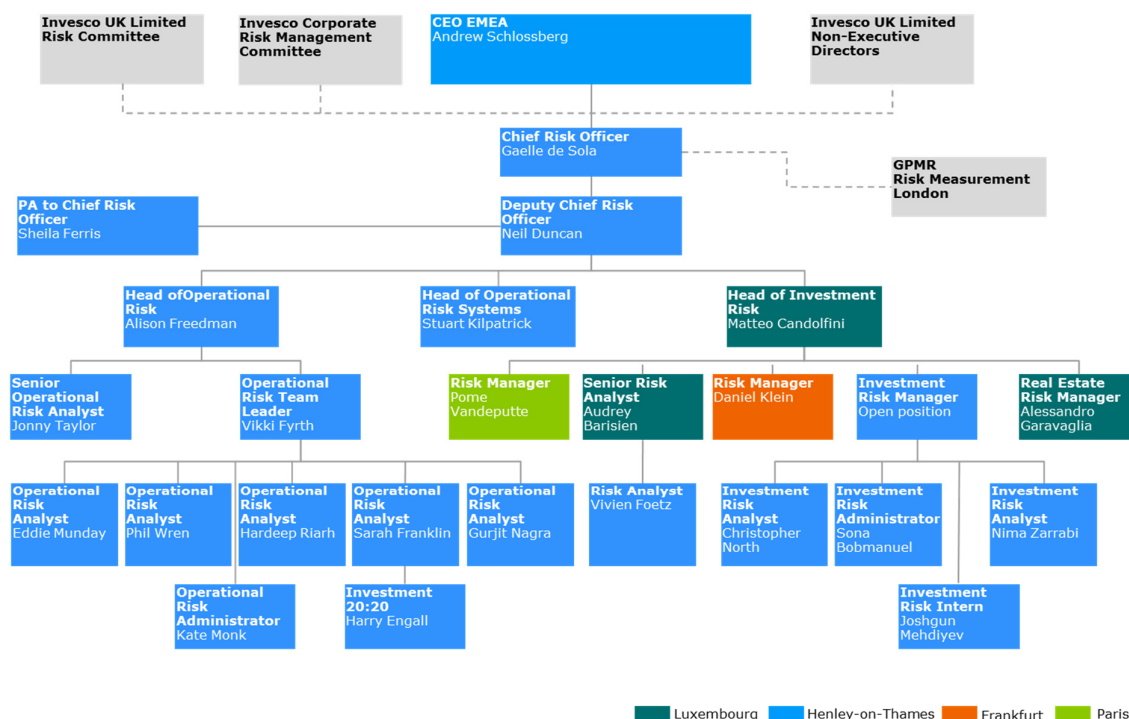
Independent Risk Function (IRF) in Europe, the Middle East and Africa (EMEA)

Gaelle de Sola, Chief Risk Officer for EMEA, leads the IRF 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 market, liquidity and counterparty risk) for the firm's UK and European (France, Ireland and Luxembourg) domiciled UCITS funds, Alternative Investment Funds (AIFs) and other relevant portfolios.

Gaelle reports directly to Andrew Schlossberg CEO of Invesco EMEA, Senior Managing Director of Invesco and Head of Invesco's EMEA region. The chart below illustrates the framework in which the IRF functions:

Europe ex UK equities strategy

Invesco Perpetual



Source: Invesco as at 4 January 2017.

The IRF is an independent assurance function for Invesco UK Limited⁴, and respectively all Invesco entities within EMEA. Its aim is to support and facilitate directors, senior management and the business in assessing, managing, monitoring and reporting all of Invesco's risks in EMEA. Risks that are assessed by the business or the senior management team to be inadequately managed, outside of Invesco's policies and procedures, risk appetite, best practice and regulatory requirements, are reported together with recommended actions for their risk reduction within the Invesco tolerance level. The IRF has a duty to highlight where risks may be inadequately or incorrectly assessed to the Invesco UK Limited Board to ensure appropriate attention is paid to these risks.

The role of the IRF is to undertake independent risk controlling duties at both a company and fund level. The tasks and duties of the IRF encompass different areas that include the oversight of implemented actions, strategies and processes aimed to comply with regulatory requirements for internal audit, compliance, risk management and risk reporting. The IRF ensures relevant techniques for risk measurement and reviews regularly the adequacy of existing methods. Furthermore, the IRF is in charge of coordinating the execution of identification, evaluation and quantification of risks.

The activities of the two teams within the IRF are as follows:

Operational risk

- Facilitate and coordinate the quarterly risk self-assessment (RSA) process and independently challenge the RSAs completed by each business function
- Active management and administration of the risk management module of B Wise, the system used to record incidents and risks

⁴ Invesco UK Limited is the parent company of IAML.

Europe ex UK equities strategy

Invesco Perpetual

- Provide operational risk information for capital requirements directive purposes e.g. for the ICAAP (Internal Capital Adequacy Assessment Process), including quantified aggregated inherent impact exposures and viable stress-test scenarios
- End-to-end management of the incident reporting module of BWISE including independently following up on and ensuring effective mitigation of incidents logged by the business and investigation of systemic and thematic issues

Investment risk

- Independently monitor, quantify and assess all investment-related risks within and across products during the new product development phase and within the life of a product
- Monitoring of portfolio risk limits (regulatory and internal) with application of the escalation process
- Communicate/heighten awareness and escalate investment-related risks, on an ad hoc basis as warranted, through regular 'risk challenge' sessions with fund managers
- Derivatives risk management oversight
- Oversight of risk systems, models and analytics

The IRF is also responsible for setting up adequate risk management policies to reflect processes and guidelines in place to ensure they are in line with regulatory standards across EMEA as well as best practices and oversee their implementation.

Additionally, the IRF is in charge of risk reports for senior management and boards and communication on risk-related matters to internal and external stakeholders.

The IRF collaborates closely with other risk experts within the firm, in particular the GPMR team, an independent function consisting of over 90 professionals. GPMR is responsible for analysing performance and activities, as well as position and risk, in the context of investment process and philosophy, market environment and client expectations. In particular, in EMEA, the GPMR team focuses on the production of risk metrics, such as the Value-at-Risk (VaR), stress-testing or liquidity risk analysis.

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 investments 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 below, this process is implemented via challenge meetings that are attended by the CIO, a member of the Investment Oversight team and the fund manager and seeks to check that the individuals managing money are doing so in a way that adds value to the firm's clients, and that the risks taken on behalf of its clients are understood and are considered appropriate. The objective is to review each fund manager annually, although where particular issues are identified with performance or the investment process, these take precedence.

Risk management is an integral component of Invesco Perpetual's 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.

Europe ex UK equities strategy

Invesco Perpetual

Although the fund manager is always aware of the relative risk they are running – where relative risk is defined as the holding of investment positions that differ from the structure of the benchmark – they do not set out to manage the relative risk characteristics of their portfolios.

A portfolio's relative risk characteristics will simply be a function of the investment decisions and absolute risk judgments that were made while constructing the portfolio.

Continuous monitoring

At the total portfolio level, monthly performance, attribution and risk reports are considered by Invesco Perpetual's Investment Oversight team, ensuring 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, a member of the Investment Oversight team and the fund manager. Where the CIO is the lead manager, Invesco Perpetual's Head of Investment Oversight undertakes the CIO challenge process. 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 the firm's 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 potential 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 the firm's 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.

As mentioned, 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. The challenge process seeks to check that the individuals managing money are doing so in a way that strives to add value to the firm's clients.

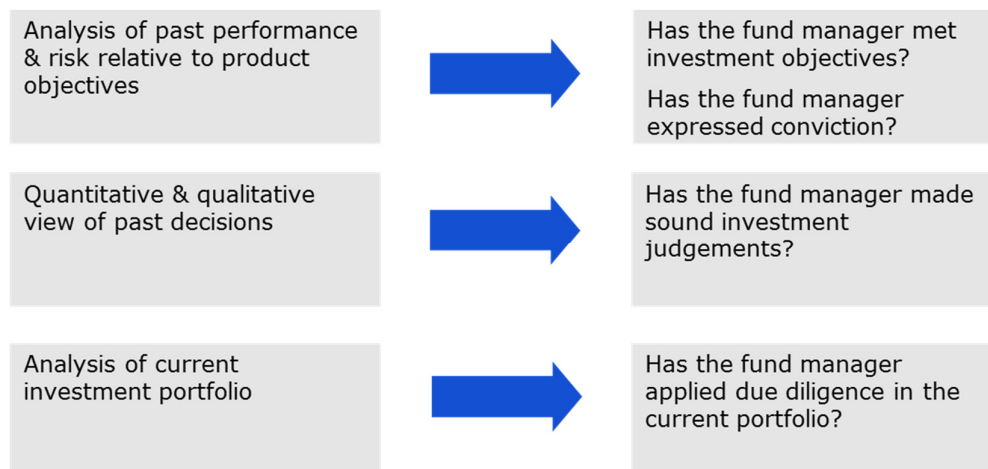
Fund managers are given the autonomy to back their investment judgment within the scope of fund mandates and regulations. Invesco Perpetual does not wish to put in place unnecessary restrictions that limit a fund manager's ability to back his/her own convictions in a stock or investment strategy. In an environment that allows such free thought, traditional controls and processes are particularly important, but applied in a pragmatic way.

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 Invesco Perpetual's Henley investment centre.

Europe ex UK equities strategy

Invesco Perpetual

The chart below illustrates this process:



For illustrative purposes only.

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 has trading activity 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 the Investment Oversight team to check the understanding of a fund manager's active positions against their investable universe.
- **Risk reporting:** to challenge/support where the investment teams believe their excess returns will come from.
- **Active positions:** where are major stock, industry, country or asset class positions being taken?

The aim of the CIO challenge process is to ensure that there is sufficient investment oversight to monitor that risks taken on behalf of Invesco Perpetual's clients are understood and are considered appropriate. It is accepted that Invesco Perpetual's business is judgmental 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.

Europe ex UK equities strategy

Invesco Perpetual

Investment monitoring

A summary of the main IT systems used by the IRF for risk management oversight is provided below:

Risks covered	IT system	Service provider	Use
Market	RiskMetrics	MSCI	Daily VaR and monthly stress-testing
	APT	FIS (Formerly SunGard)	Volatility analysis for the Invesco Perpetual Multi Asset team's funds
Liquidity	Liquidity Analyser	RC Banken	Liquidity reports
Counterparty	GPMR internal database	GPMR (Internal)	Concentration exposure
Operational	BWise	NASDAQ OMX	Incident reporting and operational risk management
	Stress Controller	Risk Control	Capital adequacy assessments

In assessing portfolio risk, Invesco Perpetual's Investment Oversight team measures performance analysis, portfolio contribution and attribution at both sector and individual stock level and portfolio characteristics, such as financial ratios.

A summary of the investment monitoring tools used by the team is provided below:

Investment monitoring tools	Service provider	Use
Contribution, Attribution and Performance Reporting (CAPeR)	GPMR (Internal)	Performance attribution and contribution system used to provide stock level bottom-up or top-down attribution/contribution analysis
Perspective II	Internal	Fund management system used by fund managers for the day-to-day management of portfolios and their analysis relative to benchmark on a country/sector/stock basis
Style Research	Style Research	Used to analyse the 'style profile' of portfolios using measures such as book to price, dividend yield, earnings growth, market cap, debt/equity ratio etc.
APT	APT	Used to understand the ex-ante risk exposures of a portfolio at the country, sector, stock and factor level. Is also used for what-if scenario analysis to understand the risk impact of any changes made to the portfolio and for stress testing
Statpro Analytics Composites	Statpro	AIMR-GIPS performance and risk metrics tool
Morningstar	Morningstar	Retail fund performance analysis relative to the benchmark and competitor universe
Lipper	Lipper	Retail fund performance analysis relative to the benchmark and competitor universe

Europe ex UK equities strategy

Invesco Perpetual

Strategy overview

European ex UK equities

Strategy name, manager and objective	Benchmark	Concentration
Invesco Perpetual Europe ex UK equities strategy Jeff Taylor/Stephanie Butcher The strategy aims to achieve capital growth in Continental Europe. The strategy intends to invest primarily in shares in companies in Continental Europe, although it may include other European related investments	FTSE World Europe ex UK index	Typically 50 to 60 stocks
Invesco Perpetual Europe ex UK equity income strategy Stephanie Butcher The strategy aims to generate a rising level of income, together with long-term capital growth investing primarily into European equities, excluding the UK	FTSE World Europe ex UK index	Typically 50 to 60 stocks
Invesco Perpetual European opportunities strategy⁵ Adrian Bignell The strategy aims to achieve capital growth through a portfolio of investments primarily in European companies, excluding the UK	FTSE World Europe ex UK index	Typically 60 to 80 stocks

European ex UK small cap equities

Strategy name, manager and objective	Benchmark	Concentration
Invesco Perpetual European smaller companies strategy Adrian Bignell The strategy aims to achieve capital growth through a portfolio of investments primarily in smaller European companies, excluding the UK	Euromoney Smaller Europe (ex UK) index	Typically 70 to 90 stocks
Invesco Perpetual continental European small cap equity strategy Erik Esselink The strategy aims to achieve long-term capital growth by investing in small companies throughout Europe, but excluding the UK	Euromoney Smaller Europe (ex UK) index	Typically 50 to 80 stocks

Please note that the investment philosophy/process text provided in this submission is for Invesco Perpetual's European ex UK equities portfolios managed by Jeff Taylor. The investment process for other portfolios within the strategy, such as smaller companies strategies, will differ in some aspects.

⁵ All cap strategy.

Europe ex UK equities strategy

Invesco Perpetual

Appendix 1: Biographies

European Equities team:

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 Invesco Perpetual in 1997 and became Head of European Equities at the firm 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 Invesco Perpetual 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 Invesco Perpetual in 2003. Stephanie holds an MA (Cantab) in History from Cambridge University.

Matthew Perowne, European Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Matthew is a European Equities Fund Manager at Invesco Perpetual. He joined the company in June 2010 as a trainee analyst within the European Equities team, taking on fund management responsibilities in June 2014. 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, an MSc in Real Estate from London Southbank University, the Investment Management Certificate from the CFA Society of the UK, and he is a member of the Chartered Institute of Securities and Investment.

Oliver Collin, European Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Oliver joined Invesco Perpetual in July 2014 as an analyst within the firm's European Equities team, before taking on fund management responsibilities in December 2015. His career started in September 2000 with ING Barings, initially within their graduate programme, before becoming a member of their Institutional Equity Sales team, specialising in Pan European mid-cap equities. In January 2006 he joined Berenberg Bank where he specialised in French mid-cap institutional equity sales. In November 2010 he joined Exane BNP Paribas where, as an Extel-rated salesman, he latterly led their Pan European Mid Cap Sales team after becoming a Partner in the firm in November 2011. Oliver holds a BSc (Honours) in Economics & Politics from the London School of Economics.

Europe ex UK equities strategy

Invesco Perpetual

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 focus 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, before joining Invesco Perpetual 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 Atlanta, Erik specialises in the research and management of equities strategies for Invesco. Not only is he a member of the Global Core Equity team in Atlanta, but he also forms part of Invesco Perpetual's European Equities team and the Invesco Perpetual Global Smaller Companies Group based in Henley-on-Thames, spending approximately two months a year there. Erik's career started in 1997 and prior to joining Invesco in October 2007, he worked with Morgan Stanley, most recently as a pan European small and mid-cap equity specialist covering institutional equity sales into the Benelux region. Previously, he had worked for three years with ING Barings in Amsterdam, specialising in Dutch equities institutional sales. 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.

Steve Smith, European Equities Trainee Analyst at Invesco Perpetual

Based in Henley-on-Thames, Steve joined Invesco Perpetual in September 2015 as a trainee analyst within the European Equities team, after spending six months with the team during an internship in 2014. Steve holds a BSc (Honours) in Business Administration from the University of Bath which included an accredited spell at Copenhagen Business School.

Joel Copp-Barton, European Equities Product Director at Invesco Perpetual

Based in Henley-on-Thames, Joel represents Invesco Perpetual's European Equities investment capabilities to external and internal clients. Joel joined the company as Product Director for Invesco Perpetual's European Equities team in March 2012, reporting directly to Jeff Taylor, Head of European Equities at Invesco Perpetual. He began his industry career in 1998, joining Dresdner Kleinwort as an analyst covering the Pan European Transportation sector before moving to Nomura in the same area of expertise. Joel holds a BA (Honours) in Business Studies from the Manchester Metropolitan University.

Nitesh Mistry, European Equities Assistant Product Director at Invesco Perpetual

Based in Henley-on-Thames, Nitesh represents Invesco Perpetual's European Equities investment capabilities to external and internal clients. He joined the company in June 2006 and supported the European Equities team as Product Manager before transferring to the team in March 2014 reporting directly to Jeff Taylor, Head of European Equities at Invesco Perpetual. Nitesh began his industry career in 2000, and prior to joining Invesco Perpetual, he was an Investment Communications Specialist at Old Mutual. Nitesh holds a BSc (Honours) in Economics and Finance from the University of York and the Investment Management Certificate from the CFA Society of the UK.

Important information

The information contained in this document relating to the composition of the 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).

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.

All data is as at 31 December 2016, sourced from Invesco unless otherwise stated.

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

As with all investments there are associated risks. Please obtain and review all relevant materials carefully before investing.

Invesco Perpetual is a business name of Invesco Asset Management Limited, Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire RG9 1HH, UK. Authorised and regulated by the Financial Conduct Authority.

GLRFP231



Strategy profile
Global opportunities strategy
Invesco Perpetual
February 2017



Global opportunities strategy

Invesco Perpetual

Corporate overview	3
Investment team & assets under management	5
Investment philosophy	7
Investment process	8
Risk management	15
Strategy overview	17
Appendix 1: Biographies	18
Appendix 2: Risk management	19

Global opportunities strategy

Invesco Perpetual

Corporate overview

Invesco Ltd. (Invesco)

Invesco is one of the world's leading independent global investment firms, solely focused on investment management. With 6,788 employees worldwide as at 31 December 2016, the firm directs all of its intellectual capital, global strength and operational stability toward helping investors achieve their long term financial objectives. By delivering the combined power of the firm's distinctive investment management capabilities, Invesco provides a wide range of investment strategies and vehicles to retail and institutional clients around the world. Operating in over 20 countries, the company is listed on the New York Stock Exchange under the symbol IVZ.

Invesco offers diversified investment strategies spanning all major equity, fixed income, asset allocation and alternative asset classes. These strategies are managed across various worldwide investment centres, each of which focus on distinct asset classes, investment styles or regional expertise and adhere to clearly defined investment philosophies aligned with client expectations. Each team is able to operate independently, allowing them to follow and further their specific investment style and expertise.

To further strengthen its investment culture, Invesco also maintains an active Investors Forum that consists of senior investment professionals from each investment centre. Co-chaired by Chief Executive Officer (CEO) Martin L. Flanagan and Senior Managing Director Karen Dunn Kelley, the role of the Investors Forum is primarily to foster, promote and grow investment excellence across the organisation.

Invesco's distinctive combination of independent thought within individual investment centres and collaboration across investment centres provides clients the reach and resources of a global organisation and the focus and attention of a boutique firm: Invesco's investment capabilities are both diverse and specialised; the firm is global in reach yet local in presence and its processes are disciplined yet can be delivered in customised ways. All of which distinctively positions Invesco to keep pace with clients' evolving investment needs worldwide.

Invesco Perpetual

Background

Invesco Perpetual is a business name of Invesco Asset Management Limited (IAML). IAML forms part of Invesco UK Limited, which itself forms part of Invesco.

With USD116.45 billion in assets under management¹ as at 31 December 2016 and located in Henley-on-Thames (Henley), Invesco Perpetual's investment team structure exhibits many of the advantages of a boutique firm structure, albeit part of a larger organisation: small high-quality teams; the location of the team away from the main UK investment centres, 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 fund manager and analyst are combined.

¹ Total assets managed by Invesco Perpetual's investment centre as at 31 December 2016.

Global opportunities strategy

Invesco Perpetual

Invesco Perpetual's highly experienced investment team consists of 68 investment professionals with an average 17 years' investment experience². The firm believes that a focused and highly-experienced team provides the best means of maximising value that it can generate for its clients by continuing to adopt a long-term, active approach to investment.

Invesco Perpetual's 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, the firm remains passionately focused on that original aim. Today, from its office in Henley, Oxfordshire, its investment team invests across 40 stock markets, over 500 companies globally and travels extensively to meet companies and their management.

Stability:

Turnover within Invesco Perpetual's investment team is low, and the stability of the team is a factor in helping the firm in its aim to deliver long-term sustainable outperformance. Invesco Perpetual believes that the unique location of its 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. Invesco Perpetual believes that investment management must be undertaken in a work environment where fund managers, who are focused on longer-term performance, are free to operate independently but with clear accountability and within a challenge culture. Fund managers must be given the opportunity to stand by their convictions. Invesco Perpetual believes that culture and environment are more important to "get right" than mapping a dogmatic process. The firm must be pragmatic and flexible.

Invesco Perpetual has 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 the firm's fund managers are aided in this by a robust oversight and risk management process.

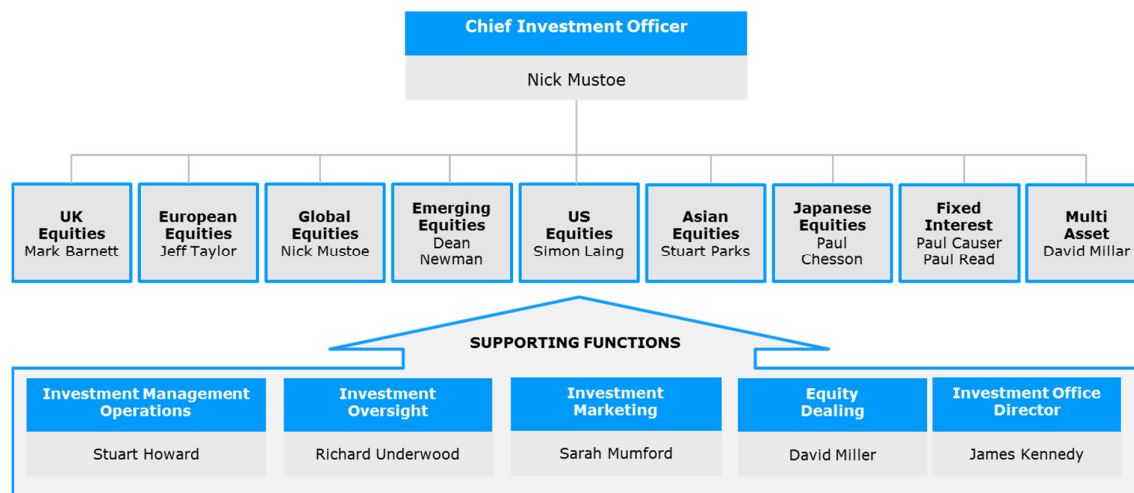
² Investment professionals as at 31 December 2016 include Invesco Perpetual's Chief Investment Officer (CIO), fund managers, analysts, trainee analysts, strategists, Multi Asset research director, Multi Asset portfolio director, Multi Asset product director and fixed income dealers.

Global opportunities strategy

Invesco Perpetual

Investment team & assets under management





Invesco Perpetual's investment team is structured as follows:



Source: Invesco Perpetual as at 31 December 2016.

Invesco Perpetual Global Opportunities team (team)

The team is small by design, brought together to apply an intensive focus on company valuations to a global investment universe. It brings together different yet complementary skills and experience that are well suited to managing unconstrained, concentrated portfolios. Team members include:

	<ul style="list-style-type: none"> Over a decade's experience of managing concentrated equity portfolios Mentored by renowned investor Neil Woodford Strong discipline of valuation investing and long term focus 		<ul style="list-style-type: none"> Hedge fund background Experienced at distinguishing value traps from valuation opportunities Skill set in identifying financial weakness and understanding downside risk in stocks
<p>Stephen Anness Fund Manager (lead)</p> <ul style="list-style-type: none"> 14 years experience 14 years tenure 		<p>Andrew Hall Fund Manager</p> <ul style="list-style-type: none"> 16 years experience 4 years tenure 	
	<ul style="list-style-type: none"> Experienced the Henley culture over two separate internships, across investment desks Supports the team with company research Maintains and develops the in-house screening process 		<ul style="list-style-type: none"> Experienced client communicator Engages with clients, articulating the team's process and thinking Allows other team members to focus on fund management
<p>Joe Dowling Analyst</p> <ul style="list-style-type: none"> 3 years experience 3 years tenure 		<p>Rob Stabler Product Director</p> <ul style="list-style-type: none"> 17 years experience 15 years tenure 	

Source: Invesco Perpetual as at 31 December 2016. Years' experience and tenure are subject to rounding.

Global opportunities strategy

Invesco Perpetual

Experienced fund managers with complementary skills

Stephen Anness, lead fund manager, and Andrew Hall, fund manager, share responsibility for implementing the strategy. In addition to constructing and managing portfolios, both perform in-depth research on a broad range of companies. Their dual fund manager/analyst role ensures they have in-depth knowledge of each portfolio holding and allows them to compare companies across sectors.

Stephen began his investment career at Invesco Perpetual in 2002 and has been managing concentrated equity portfolios since 2004. He was mentored by renowned investor Neil Woodford. Andrew joined Invesco Perpetual in 2013 and has 16 years of equity markets experience (as at 31 December 2016) including sell side and hedge funds and ranging from large investment banks to a small investment boutique.

The complementary skill sets of the fund managers enhance the research and decision-making process. Stephen has more than a decade's worth of experience managing concentrated, long-only equity portfolios, immersed in Invesco Perpetual's highly successful investment culture and approach. Andrew is particularly adept at understanding financial weakness; his hedge fund experience is helpful in understanding downside risk, and differentiating between 'value traps' and 'value opportunities'.

Analytical and service support

Joe Dowling, Analyst, conducts bespoke company research and runs the proprietary screening process. Rob Stabler, Product Director, articulates the team's approach and thinking to clients. Rob's work with clients allows his colleagues to focus exclusively on research and portfolio management.

Biographies are included within **Appendix 1**.

Assets under management

Assets under management for Invesco Perpetual's global opportunities strategy totalled USD335.13 million as at 31 December 2016. These assets are held across five pooled vehicles.

Source: Invesco Perpetual as at 31 December 2016.

Global opportunities strategy

Invesco Perpetual

Investment philosophy

The team's philosophy is based upon five persistent investment anchors. These anchors, combined with a focus on two clearly identified types of company, define the strategy.

Unconstrained

To outperform the market you need to be different to the market. The fund managers are active stock pickers and aim to provide genuine alpha to clients through bottom-up company analysis, irrespective of benchmark weightings.

Focused

The best investment ideas should not be diluted. It is a high conviction strategy, and the fund managers are disciplined in maintaining the concentration of the portfolio. Each stock is judged on a meritocratic basis.

Valuation intensive

A rigorous assessment of valuation is the best way to determine future returns and mitigate risk. Understanding a company's intrinsic worth and purchasing shares below that value is key to driving performance and minimising downside volatility.

Risk is absolute

Risk is not benchmark relative, it is the permanent loss of capital. Risk is primarily managed at the stock level, ensuring a risk-reward asymmetry exists for all holdings. A diversified portfolio is sought to assist performance through different market cycles.

Long-term

The team takes a long-term approach to its investments, providing a 'time arbitrage' advantage versus an increasingly short-term approach to stocks which can be employed by other market participants. Value is added by the team engaging with companies over time, allowing a deeper understanding and analysis.

When applying these investment anchors, the team focuses on two types of company which it believes are overlooked or undervalued by the market:

- **Long term compounding companies, or "compounders"** (approximately 80% of the portfolio). These companies present exceptional operating characteristics and good management teams which position them for high and sustainable returns on capital. Some market participants generally assume the strong returns of these companies will fade over time. The team seeks to purchase these stocks at attractive prices, such as during periods of market dislocation or following short term weak price performance.
- **Special situation companies** (approximately 20% of the portfolio). The shares of these companies trade at deep discounts to intrinsic value. Often, they are businesses that are facing challenges through change - either industry or stock-specific. The team focuses on companies that, despite having challenges, offer a product or service that continues to be relevant. There are other market participants that tend to overlook, or give up on, these companies and thus fail to recognise the catalyst to unlock their value.

Global opportunities strategy

Invesco Perpetual

Investment process

The team employs a rigorous and repeatable investment process that is based on an “IDEAS” framework:

I	Identify	potential ideas
D	Determine	the most promising ideas
E	Evaluate	the opportunity
A	Approve	the idea for the portfolio
S	Structure	the portfolio

For illustrative purposes only.

IDEAS: Identify potential ideas

There are over 50,000 companies listed on global equity markets. The team focuses on those companies with a market capitalisation greater than USD1 billion, and seeks to reduce the universe to those companies that it feels offer the strongest potential. The idea generation process efficiently hones in on the two types of stocks the team wants to own in the portfolio: compounders and special situations. The team’s open-minded approach about where the next great idea compelling valuation opportunities might come from, supports an idea-generation effort designed for the discovery and inclusion of interesting stocks rather than one that rules stocks out. The team will initially undertake idea generation, prioritising ideas from multiple sources, as illustrated below:



For illustrative purposes only.

Global opportunities strategy

Invesco Perpetual

Bespoke screens

The team employs a number of screens to help it narrow the investment universe, and enable it to find potential ideas from several vantage points. The screens are designed specifically to identify the characteristics of those businesses described in the investment philosophy: compounders and special situations. In the compounder category the team seeks to find businesses with high and sustainable returns with low relative valuation. In the special situations category the team seeks to identify businesses that are undergoing change and hence the team looks for businesses that have historically delivered poor returns, but are now showing a significant degree of inflection and evidence of change.

The team does not rely on one screen over another, rather it is the combination of them, their internal colleagues and external contacts that help prioritise its work load. The team run these screens on a monthly basis, though it may increase this regularity in times of market volatility.

Invesco Perpetual's investment team

All professionals within Invesco Perpetual's investment team operate under a common and unified investment philosophy that emphasises bottom-up company analysis, high conviction positions, and the importance of valuation. Within its equity teams specifically, professionals are assigned either to regional specialties or operate as part of the global equity team. Regional specialties include UK, European, emerging market, US, Asian and Japanese equities.

The team believes that its access to the broader Invesco Perpetual investment team constitutes one of its key strengths. Various mediums allow for the easy and continuous exchange of ideas, whether it is through the common Bloomberg Research Portal, weekly team meetings, or the more informal communication that occurs every day in Invesco Perpetual's open-plan office setting. The culture of the firm promotes idea-sharing and debate.

Therefore, the broader investment team is another potential source of ideas and/or challenge when the strategy's team is considering the universe of investable options.

External research

The team selectively refers to external sell-side research providers, who at times highlight securities of interest. The team's review of broker research is focused and selective: it provides a set list of criteria to a broker, who then acts as an additional source of ideas. The sell-side individuals that are considered active 'idea generators' are individuals that have demonstrated a clear understanding of the strategy's process via the ideas that are put forward and who are focused on research rather than sales.

The team underlines that sell-side research is selectively used for the sole purpose of idea generation. Securities included in the portfolio have all received in-depth research coverage by the team.

Watchlist

The team has a number of stocks for which it has completed fundamental analysis and it would like to own, however their absolute valuation and/or relative valuation are not attractive versus existing portfolio holdings. Watchlist constituents are constantly monitored on share price and valuation criteria to determine potential attractive entry points.

These four inputs - bespoke screens, consultation with the wider Invesco Perpetual investment team, external broker research and watchlist - assist the team in identifying circa 50 interesting ideas that warrant preliminary analysis (from approximately 5,000 securities with a minimum market cap of USD1 billion).

Global opportunities strategy

Invesco Perpetual

IDEAS: Determine the most promising ideas

At this stage, the team conducts an initial fundamental screen which takes the form of a number of key questions for any potential new idea:

Can the team understand the business and investment case?

- Can the team understand the business model, industry position and key drivers?
- Can the team build a simple model to analyse key drivers/sensitivities?
- Can the team articulate the investment case in a few sentences?

What are the key risks?

- Is the balance sheet appropriate to this business?
- Is the business cyclical, where is it in the cycle?
- Can the business be easily disintermediated?
- Is there key man risk?
- Customer/product concentration risk?
- Is there regulatory risk?
- Is it over-earning in terms of margins relative to the value it adds to society?
- Are there any accounting red flags (working capital, auditors, NEDs, pensions, exceptionals, tax rates, leases etc.)
- What is the 'short' thesis?

Do management allocate capital well and are they aligned with shareholders?

- Are management aligned with shareholders? How much stock do they own directly?
- Are management sensible and trustworthy? Do they have a good track record?
- Is capital allocated sensibly within the business? Are they shareholder friendly?

Is there risk/reward asymmetry?

- Is valuation attractive relative to the qualities of the business?
- Is the risk-adjusted compound return potential better than what is in the portfolio currently?
- Does it add to correlation/factor risks to the current portfolio?

What do other Invesco Perpetual fund managers think of the idea?

- Internal debate with Invesco Perpetual asset class specialists can help build conviction in a promising investment idea.

The threshold to pass the 'idea generation' stage is high. This analysis leads to five to ten portfolio candidates which are subjected to further fundamental evaluation.

This high-level analysis, combined with low portfolio turnover, allows the team to spend a considerable amount of time on the most compelling portfolio candidates.

IDEAS: Evaluate the opportunity

Fundamental analysis is a deep dive, rigorous investigation into the individual stocks. This stage takes up the majority of the team's time and is focused on building conviction, and is a critical part of the investment process.

Global opportunities strategy

Invesco Perpetual

The team's approach to fundamental analysis is distinctive in that it does not focus on a narrow set of characteristics. The team believes that in some instances, such narrow selection criteria are exactly what lead many investors to overlook interesting opportunities. While the market is focused on very short-term information, the team looks forward to a company's future to better understand its true prospects. The team concentrates on developing an understanding of the drivers of the business and the position of the company within the industry in which it operates. The team focuses on factors such as the outlook for revenues, margins, return on capital and cash generation. Its emphasis on future prospects underlines the importance of understanding the industry dynamics.

Fundamental research is broadly conducted via three research activities:

1. Financials analysis

The objective of financials analysis is to assess the financial stability and future prospects of the company. In considering any investment, the team studies the financial statements to confirm the strength of the company's cashflows, its asset backing, the return on capital versus the cost of capital, expected revenues and earnings over the next two to three years, as well as the company's ability to compound value. The team also wants to understand the company balance sheet and the optionality for mergers and acquisitions. The financial statements help substantiate the investment thesis behind why a company's value may be higher than the current view of the market, as captured by the price. As with other aspects of fundamental analysis, financials are considered within a long-term framework.

Specifically when dealing with special situations, the team clearly identifies early on the factors that signal that the thesis on a company has merit, for instance a relevant product line that is able to deliver a steady or growing return stream. Special situations often constitute restructuring stories. The team analyses the sustainability of the current situation, strives to understand potential change factors, and builds the conviction to purchase the security before the market has recognised the hidden potential or value of the stock. For instance, while the market often reacts positively to a management change, the team strives to identify companies susceptible of undergoing a management change before it has occurred.

The team is not a proponent of the development of standardised financial models. Instead, the team emphasises financial modelling that focuses on validation of the investment thesis. The team looks for areas where value is unrecognised by the market and hones its financial analysis on specific areas of interest. For instance, a company may present an opportunity due to the market's over-pessimism on the losses affecting one division. In this example, the team's area of focus could be the analysis of the potential resale value of the unprofitable division, the profitability of other business lines, the sustainability of the current situation and potential for directional change, etc. This example illustrates the team's approach to analysing financials: the area of focus depends on the thesis for holding the security.

Finally, the team conducts sensitivity analysis to better understand the impact of a change in business environment (expressed in its assumptions) on the company. Sensitivity analysis helps the team to better understand the impact of positive and negative surprises on the company. Variables may include macroeconomic or broader industry factors (detailed in macro/industry analysis below).

The result of the team's financials analysis is a clear picture of the company's true value and its ability to compound over time.

Global opportunities strategy

Invesco Perpetual

2. Company management

Company management meetings are an important part of the fundamental research process. The objective of these meetings is to better understand the nature of the business, its key drivers, competitive position and the achievability of management goals. Ultimately the team wants company management to show consistency of message. Management meetings allow a forum for the following research opportunities to:

- Obtain an improved understanding of the near- and longer-term prospects of a company, as described by management.
- Assess the quality of the management team: does Invesco Perpetual trust the management team? Have they delivered good margins and created value for shareholders?
- Provide a forum to challenge management's assumptions and forecasts.
- Discuss in greater depth the economic environment in which the company operates, most notably the state of business across a company's suppliers, customers and competitors.
- Identify differences between short-term consensus expectations and what the company expects to realistically achieve over the long term.

Through discussions with company management, the team focuses on gaining 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.

Invesco Perpetual has a notable travel budget to support company management research. The team makes every attempt to meet company management before investing in a stock.

3. Macro/industry analysis

While the investment process is clearly driven by bottom-up, fundamental company analysis, consideration of macro and industry factors are an important risk input in better understanding a business' future potential. When evaluating a company, the team considers how the economic environment might impact its cost structure, its revenue stream, etc.

As is the case with fundamental company research, the team does not have any prescriptive views on macroeconomic analysis that dictates company or industry positioning. The team believes each economic crisis and environment is unique; it strives to understand the impact of a particular environment on a company. Also, different macroeconomic variables are considered according to their relevance to the company that is analysed.

The ultimate focus of the fundamental analysis process is to understand a company's valuation, or true worth. The team believes it is this strong valuation focus that helps reduce investment risk by limiting the downside of a position. Within a global stock universe, the team believes it is possible to take advantage of market anomalies to buy a portfolio of good businesses priced substantially below their intrinsic worth.

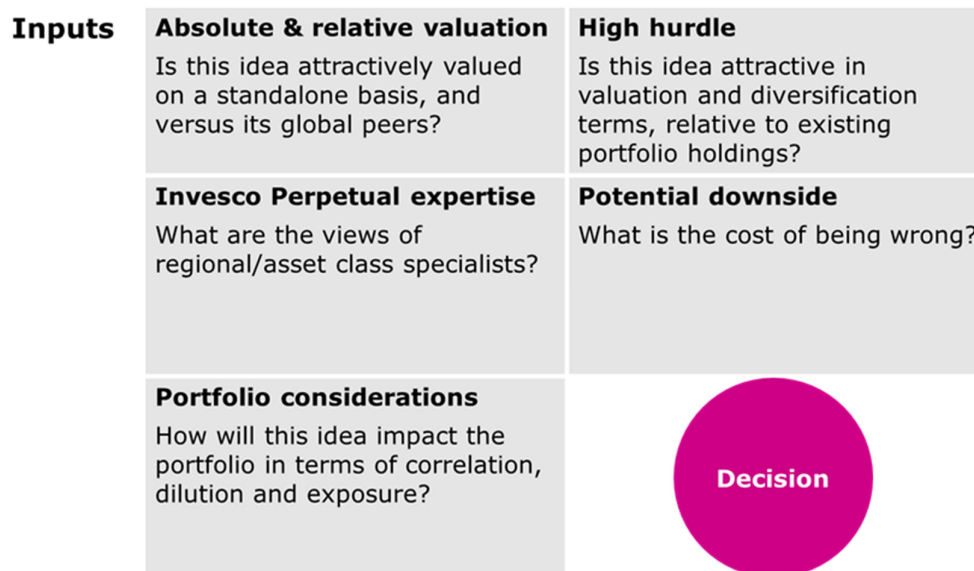
IDEAS: Approve the idea for the portfolio

To arrive at an investment decision the team undergoes a thorough process of questioning, discussion and challenge. Critical questions asked incorporate valuation, Invesco Perpetual expertise, portfolio considerations, high hurdle and potential downside.

Global opportunities strategy

Invesco Perpetual

This stage of the investment process is illustrated below:



For illustrative purposes only.

IDEAS: Structure the portfolio

The result of the team's idea generation and fundamental analysis activities is the structuring of a focused high-conviction, portfolio of circa 40 of its best stock ideas.

Portfolio construction involves:

Identifying risk-reward asymmetry

Position sizes are not determined by having largest exposures to stocks deemed to have the most upside. The team spends a significant amount of time understanding the downside risk of individual companies and the cost of being wrong on its investment thesis. The team seeks to identify those stocks that have significant upside in combination with limited downside potential and the extent of this trade-off will determine weightings. The process involves a blend of art with science as the team makes a judgement on the relative opportunity set alongside the scientific analysis.

Avoidance of dilution through meritocracy

Each stock is judged on its individual merits and importantly relative to other stocks in the portfolio and those on the watch list. The portfolio is consistently viewed afresh in order to avoid bias.

Focus on idiosyncratic risk

The team is focused on stock-specific risk, rather than having a portfolio which is exposed to any particular macro theme or trend.

The team views portfolio construction as a dynamic process, with ongoing review and deliberation of absolute and relative position sizes.

Global opportunities strategy

Invesco Perpetual

Guidelines on absolute exposures

The strategy invests without benchmark-based constraints and as a result delivers a portfolio which looks very different to the market and has a high active share. While the team remains keenly aware of the composition of the MSCI AC World index, its actions are not driven by it, and the portfolio routinely includes stocks that are not benchmark constituents.

Parameter	Guideline
Number of stocks:	Circa 40
Position size:	Minimum individual stock position size 1.2%; Maximum weight 8% at market
Market capitalisation:	Minimum USD1 billion market capitalisation at point of purchase; 10% maximum invested in companies with market capitalisations of less than USD2.5 billion
Country:	25% maximum in emerging markets
Sector:	Exposure to at least five sectors, as defined by MSCI's Global Industry Classification Standard (GICS)
Cash:	Fully-invested; generally less than 5%

Sell discipline: Continuous, unbiased review

The team starts each day with a fresh perspective, asking itself, whether these are the stocks it would want to own were the portfolio built today. Each position is evaluated through an unbiased lens, focusing on why the stock is attractive now. It doesn't think about the price it paid for the stock or fixates on why the stock was attractive in the past.

The team will sell a stock for one of the reasons below:

- The stock has reached the team's estimate of its intrinsic value
- The team has identified a stock with a better risk/reward asymmetry
- The stock is too highly correlated with a new, more compelling idea that the team is adding to the portfolio
- The investment thesis is no longer intact

Global opportunities strategy

Invesco Perpetual

Risk management

Risk is defined by the team as the permanent loss of capital and employs multiple levels of controls to guard against loss. The team does not operate on the basis of a risk budget based on volatility, tracking error, or any other such measure. The team focuses on both stock-specific and total portfolio risk, striving to structure the portfolio based on risk-adjusted returns at a stock level and correlation and factor bias at a portfolio level.

Risk management at a stock level:

- **Detailed analysis and modelling of profit and loss (P&L) and cashflow**

The first line of risk mitigation is checking that the P&L is a broadly accurate reflection of the health of a business or not. Investing in companies with high balance sheet leverage is generally avoided by the team as it believes that this is often the most likely route to major equity value compression. In addition, the team believes that having a good understanding of industry trends, competitive dynamics and disintermediation threats is the key to avoiding 'value traps'. The team believes that cashflow is very difficult to manipulate. It also drives dividend paying capacity and in turn, dividend growth drives share prices. The team is wary of companies that use excessive provisioning, exceptional restructuring charges, pay low cash tax etc.

- **Independent accounting quality monitoring**

The vast majority of the fundamental analysis work undertaken by the team is done at the point of inception for a stock. As models are updated regularly, the team will pick up upon notable accounting changes. However, the team also uses Cannacord Quest as an independent monitoring system to flag up any changes to a company's accounts. This system gives independent verification to the team's work. If the system highlights any unexpected 'red flags', further investigation is then conducted by the team.

- **Regular challenge meetings**

These challenge meetings involve a full review of the analysis and rationale for investing in a stock. The fund managers will take opposing 'bull' and 'bear' views and debate the merits of the investment. This element of the process ensures that the team avoids 'falling in love' with a holding, ensures that the initial reasoning for investing remains and that there is consistency being applied to the investment thesis.

Risk management at a portfolio level:

- **Correlation analysis**

The services of Absolute Strategy Research (ASR), an independent macro research provider, are used to provide a correlation analysis of the stocks in the portfolio. Both short-term and long-term correlation analysis is observed, although more weight is given to longer-term trends, in line with the teams' investment time horizon. This helps ensure that the portfolio is not only concentrated but well-diversified.

- **Style/tilt monitoring (Style Research)**

The team seeks to distinguish between the portfolio characteristics of the businesses described in the investment philosophy: compounders and special situations. Although the team is not 'style biased' it believes it is insightful to monitor the style characteristics of the overall portfolio, over time, to understand how they change in different market conditions.

Global opportunities strategy

Invesco Perpetual

- **Ex-post 'risk budget' analysis (APT)**

Although there are no defined relative 'risk budgets' such as tracking error, the team still uses APT, a third-party risk model, to understand where portfolio risk has been allocated, i.e. the contributions to overall portfolio risk at both the stock and sector levels. APT is also used to conduct 'factor' analysis on the portfolio to understand how the portfolio may behave in certain macro scenarios.

Investment monitoring and independent risk management:

- **Invesco Perpetual's CIO challenge process**

Undertaken at least annually, the CIO challenge process ensures that portfolios are being managed in order to generate value for clients, and that the risks taken on behalf of clients are understood and considered appropriate. Assessments are both qualitative and quantitative, and cover a number of factors including performance attribution/contribution, absolute and relative risk, capacity, flows & liquidity, financial attributes, active positioning, and transaction/stock analysis.

- **Invesco's Independent Risk Function (IRF) in EMEA³**

The IRF facilitates the risk monitoring process covering both operational and portfolio risk, including market, liquidity and counterparty risk. The tasks and duties of the IRF encompass different areas that include the oversight of implemented actions, strategies and processes aimed to comply with regulatory requirements for internal audit, compliance, risk management and risk reporting. Furthermore, the IRF is responsible for coordinating the execution of identification, evaluation and quantification of risks. It also ensures the relevancy of the techniques used for risk measurement, regularly reviewing the adequacy of existing methods.

- **Invesco's Global Performance Measurement and Risk (GPMR) team**

The GPMR team provides comprehensive, detailed sources of information and analysis that help the firm better understand investment performance, quality, and risk. The team provides regular reviews of the performance and risk attributes of Invesco's investment teams to stakeholders in the business, including senior leadership. The team's risk reporting focuses on Value-at-Risk (VaR) together with back-testing and stress-testing, as well as liquidity risk analysis.

Please refer to **Appendix 2** for further details.

³ Europe, the Middle East and Africa.

Global opportunities strategy

Invesco Perpetual

Strategy overview

Global opportunities

Strategy name, manager and objective	Reference benchmark	Concentration
Invesco Perpetual global opportunities strategy Stephen Anness (lead) and Andrew Hall This strategy aims to achieve long-term capital growth through a portfolio of primarily global equities	MSCI AC World index	Focused portfolio of circa 40 securities

Global opportunities strategy

Invesco Perpetual

Appendix 1: Biographies

Stephen Anness, Global Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Stephen is lead manager for Invesco Perpetual's global opportunities strategy. He specialises in managing concentrated global equity portfolios. Stephen has been a key part of the idea generation and stock selection process in global equity portfolios since 2009. He took over responsibility for the global opportunities strategy on 1 January 2013. Stephen began his investment career with Invesco Perpetual's UK Equities team, joining the company in July 2002 as a trainee analyst. Having come through the investment team ranks, Stephen started managing UK equity portfolios in September 2004 and took on management of his first UK fund in 2008, before moving to the Global Equities team at the end of 2012. Stephen holds a BSc in Economics, the Securities Institute Diploma, the Investment Management Certificate from the CFA Society of the UK and has studied Corporate Finance at The London Business School.

Andrew Hall, Global Equities Fund Manager at Invesco Perpetual

Based in Henley-on-Thames, Andrew joined the company in May 2013 to work with Stephen Anness on Invesco Perpetual's global opportunities strategy. Andrew began his career in October 2000 in equity sales at UBS Warburg. He developed relationships with key UK-based institutional and hedge fund investors, including Invesco Perpetual's UK Equities team. In 2007 he moved to Merrill Lynch to help grow its UK equities franchise. In May 2009, he took on his first 'buy-side' role as a European equities analyst at Moore Europe Capital Management. Most recently, Andrew was a Partner at Bramshott Capital LLP, a spin-off of Moore Europe Capital Management. Andrew holds a BSc in Economics from Nottingham University and the Investment Management Certificate from the CFA Society of the UK.

Joe Dowling, Global Equities Analyst at Invesco Perpetual

Based in Henley-on-Thames, Joe is an analyst for Invesco Perpetual's global opportunities strategy. Having worked for Invesco Perpetual over two separate internships whilst studying at Bath University, Joe returned to work for the Global Equities team full-time in July 2013. Having rotated through Invesco Perpetual's Global Equity, Global Equity Income and Global Smaller Companies groups during his internships, Joe is now responsible for providing investment research and in-house screening for its global opportunities strategy. Joe holds a BSc in Business Administration from the University of Bath and the Investment Management Certificate from the CFA Society of the UK.

Rob Stabler, Global Equities Product Director at Invesco Perpetual

Based in Henley-on-Thames, Rob is a product director for Invesco Perpetual's Global Equities team, and is responsible for developing and delivering the team's investment message. Rob began his career in financial services in 2000, working as an independent financial adviser. He joined Invesco Perpetual in 2002, spending 11 years working as a regional sales manager within the Retail Sales team, where he developed and maintained relationships across a range of wealth managers, IFA and fund-of-fund clients. He joined the Global Equities team in July 2013. He holds a BA in Politics & Economics from Newcastle University and the Investment Management Certificate from the CFA Society of the UK.

Global opportunities strategy

Invesco Perpetual

Appendix 2: Risk management

Invesco employs a multi-faceted approach to oversight and risk management that is deeply embedded in the firm's culture, organisational governance and business structure. 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. These investment teams' processes are bolstered and overseen by multi-dimensional independent controls.

Invesco's GPMR team is an independent function consisting of over 90 professionals providing comprehensive, detailed sources of information and analysis that will help Invesco better understand investment performance, quality, and risk. This team provides regular reviews of the performance and risk attributes of the various investment team disciplines to senior leadership.

With regards to firm-level risk management, Invesco'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.

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 regulatory requirements. The Invesco Compliance group (Compliance) 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 leadership regularly or as necessary.

The table overleaf visually presents how investment teams' processes are bolstered and overseen by multi-dimensional independent controls.

These controls include:

- The GPMR team (consisting of over 90 professionals), an independent group responsible for analysing performance and activities, as well as position and risk, in the context of investment process and philosophy, market environment and client expectations.
- Invesco's senior leadership oversight, comprised of:
 - Reporting lines running from investment team CIOs who have day-to-day responsibility for investment team risk controls up to the Invesco Senior Managing Director having management responsibility for the investment team.
 - Quarterly and monthly reviews, performed based upon investment performance and risk analytics of each investment discipline produced by the GPMR team. These reviews are conducted by the CEO and those Senior Managing Directors who oversee the investment teams.
 - Review of operational controls and related corporate exposures by the Invesco Corporate Risk Management Committee.

Global opportunities strategy

Invesco Perpetual

- Regular review of investment matters by the Invesco Board of Directors and independent Fund Boards, 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'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.

Risk Oversight and Governance	Board of Directors and Fund Boards			
	Executive Management Team			
Risk Management Facilitation	Risk Areas of Focus	<ul style="list-style-type: none">▪ Investment▪ Credit/Asset/Liability	<ul style="list-style-type: none">▪ Financial▪ Operational	<ul style="list-style-type: none">▪ Business
	Global Performance Measurement and Risk <ul style="list-style-type: none">▪ Facilitates investment oversight function▪ Independently reviews investment execution and process application▪ Monitors consistency of investment results with mandates, market environments, client and CIO expectations▪ 90+ professionals	Corporate Risk Management Committee <ul style="list-style-type: none">▪ Timely and consistent identification, evaluation and mitigation of operational and business risk▪ Senior executives from all major business functions including:<ul style="list-style-type: none">– Investment management/trading– Product management– Administration (information technology, investment operations, human resources, procurement)– Portfolio operations– Legal and compliance– Finance and internal audit– Strategy		
Risk Management Embedded in the Business	Investment Risk Management Managing our core risks through the investment centers			
	Business/Operational Risk Management Managing all other risks in the business			
Internal Control	Compliance and Internal Audit Facilitate and monitor internal control at all levels			

For illustrative purposes only.

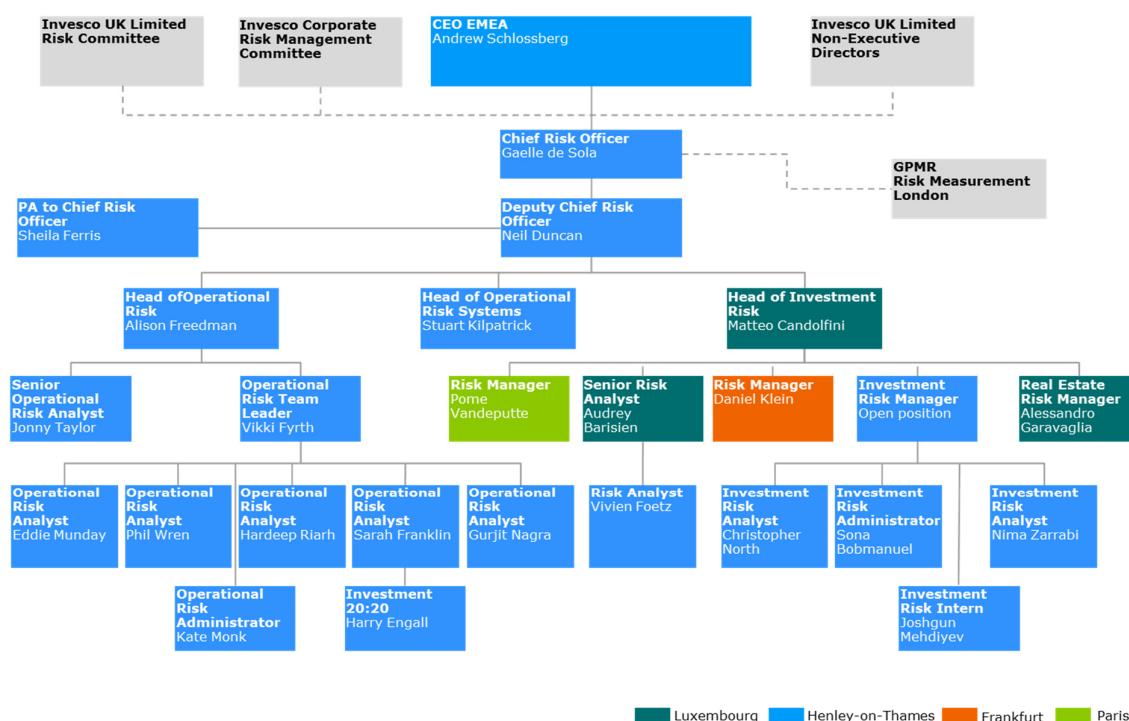
IRF in EMEA

Gaelle de Sola, Chief Risk Officer for EMEA, leads the IRF 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 market, liquidity and counterparty risk) for the firm's UK and European (France, Ireland and Luxembourg) domiciled UCITS funds, Alternative Investment Funds (AIFs) and other relevant portfolios.

Gaelle reports directly to Andrew Schlossberg CEO of Invesco EMEA, Senior Managing Director of Invesco and Head of Invesco's EMEA region. The chart below illustrates the framework in which the IRF functions:

Global opportunities strategy

Invesco Perpetual



Source: Invesco as at 4 January 2017.

The IRF is an independent assurance function for Invesco UK Limited⁴, and respectively all Invesco entities within EMEA. Its aim is to support and facilitate directors, senior management and the business in assessing, managing, monitoring and reporting all of Invesco's risks in EMEA. Risks that are assessed by the business or the senior management team to be inadequately managed, outside of Invesco's policies and procedures, risk appetite, best practice and regulatory requirements, are reported together with recommended actions for their risk reduction within the Invesco tolerance level. The IRF has a duty to highlight where risks may be inadequately or incorrectly assessed to the Invesco UK Limited Board to ensure appropriate attention is paid to these risks.

The role of the IRF is to undertake independent risk controlling duties at both a company and fund level. The tasks and duties of the IRF encompass different areas that include the oversight of implemented actions, strategies and processes aimed to comply with regulatory requirements for internal audit, compliance, risk management and risk reporting. The IRF ensures relevant techniques for risk measurement and reviews regularly the adequacy of existing methods. Furthermore, the IRF is in charge of coordinating the execution of identification, evaluation and quantification of risks.

The activities of the two teams within the IRF are as follows:

Operational risk

- Facilitate and coordinate the quarterly risk self-assessment (RSA) process and independently challenge the RSAs completed by each business function
- Active management and administration of the risk management module of B Wise, the system used to record incidents and risks

⁴ Invesco UK Limited is the parent company of IAML.

Global opportunities strategy

Invesco Perpetual

- Provide operational risk information for capital requirements directive purposes e.g. for the ICAAP (Internal Capital Adequacy Assessment Process), including quantified aggregated inherent impact exposures and viable stress-test scenarios
- End-to-end management of the incident reporting module of BWISE including independently following up on and ensuring effective mitigation of incidents logged by the business and investigation of systemic and thematic issues

Investment risk

- Independently monitor, quantify and assess all investment-related risks within and across products during the new product development phase and within the life of a product
- Monitoring of portfolio risk limits (regulatory and internal) with application of the escalation process
- Communicate/heighten awareness and escalate investment-related risks, on an ad hoc basis as warranted, through regular 'risk challenge' sessions with fund managers
- Derivatives risk management oversight
- Oversight of risk systems, models and analytics

The IRF is also responsible for setting up adequate risk management policies to reflect processes and guidelines in place to ensure they are in line with regulatory standards across EMEA as well as best practices and oversee their implementation.

Additionally, the IRF is in charge of risk reports for senior management and boards and communication on risk-related matters to internal and external stakeholders.

The IRF collaborates closely with other risk experts within the firm, in particular the GPMR team, an independent function consisting of over 90 professionals. GPMR is responsible for analysing performance and activities, as well as position and risk, in the context of investment process and philosophy, market environment and client expectations. In particular, in EMEA, the GPMR team focuses on the production of risk metrics, such as VaR, stress-testing or liquidity risk analysis.

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 investments 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 below, this process is implemented via challenge meetings that are attended by the CIO, a member of the Investment Oversight team and the fund manager and seeks to check that the individuals managing money are doing so in a way that adds value to the firm's clients, and that the risks taken on behalf of its clients are understood and are considered appropriate. The objective is to review each fund manager annually, although where particular issues are identified with performance or the investment process, these take precedence.

Risk management is an integral component of Invesco Perpetual's 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.

Global opportunities strategy

Invesco Perpetual

Although the fund manager is always aware of the relative risk they are running – where relative risk is defined as the holding of investment positions that differ from the structure of the benchmark – they do not set out to manage the relative risk characteristics of their portfolios.

A portfolio's relative risk characteristics will simply be a function of the investment decisions and absolute risk judgments that were made while constructing the portfolio.

Continuous monitoring

At the total portfolio level, monthly performance, attribution and risk reports are considered by Invesco Perpetual's Investment Oversight team, ensuring 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, a member of the Investment Oversight team and the fund manager. Where the CIO is the lead manager, Invesco Perpetual's Head of Investment Oversight undertakes the CIO challenge process. 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 the firm's 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 potential 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 the firm's 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.

As mentioned, 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. The challenge process seeks to check that the individuals managing money are doing so in a way that strives to add value to the firm's clients.

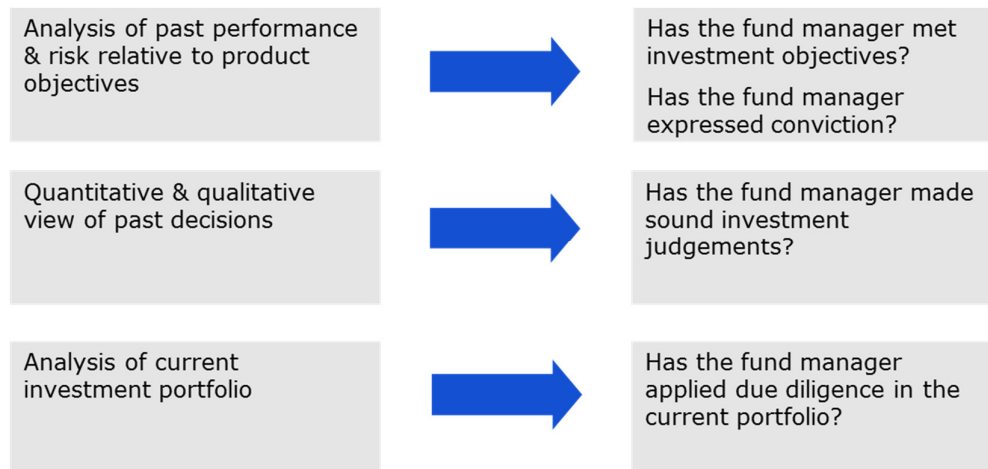
Fund managers are given the autonomy to back their investment judgment within the scope of fund mandates and regulations. Invesco Perpetual does not wish to put in place unnecessary restrictions that limit a fund manager's ability to back his/her own convictions in a stock or investment strategy. In an environment that allows such free thought, traditional controls and processes are particularly important, but applied in a pragmatic way.

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 Invesco Perpetual's Henley investment centre.

Global opportunities strategy

Invesco Perpetual

The chart below illustrates this process:



For illustrative purposes only.

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 has trading activity 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 the Investment Oversight team to check the understanding of a fund manager's active positions against their investable universe.
- **Risk reporting:** to challenge/support where the investment teams believe their excess returns will come from.
- **Active positions:** where are major stock, industry, country or asset class positions being taken?

The aim of the CIO challenge process is to ensure that there is sufficient investment oversight to monitor that risks taken on behalf of Invesco Perpetual's clients are understood and are considered appropriate. It is accepted that Invesco Perpetual's business is judgmental 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.

Global opportunities strategy

Invesco Perpetual

Investment monitoring

A summary of the main IT systems used by the IRF for risk management oversight is provided below:

Risks covered	IT system	Service provider	Use
Market	RiskMetrics	MSCI	Daily VaR and monthly stress-testing
	APT	FIS (Formerly SunGard)	Volatility analysis for the Invesco Perpetual Multi Asset team's funds
Liquidity	Liquidity Analyser	RC Banken	Liquidity reports
Counterparty	GPMR internal database	GPMR (Internal)	Concentration exposure
Operational	BWise	NASDAQ OMX	Incident reporting and operational risk management
	Stress Controller	Risk Control	Capital adequacy assessments

In assessing portfolio risk, Invesco Perpetual's Investment Oversight team measures performance analysis, portfolio contribution and attribution at both sector and individual stock level and portfolio characteristics, such as financial ratios.

A summary of the investment monitoring tools used by the team is provided below:

Investment monitoring tools	Service provider	Use
Contribution, Attribution and Performance Reporting (CAPeR)	GPMR (Internal)	Performance attribution and contribution system used to provide stock level bottom-up or top-down attribution/contribution analysis
Perspective II	Internal	Fund management system used by fund managers for the day-to-day management of portfolios and their analysis relative to benchmark on a country/sector/stock basis
Style Research	Style Research	Used to analyse the 'style profile' of portfolios using measures such as book to price, dividend yield, earnings growth, market cap, debt/equity ratio etc.
APT	APT	Used to understand the ex-ante risk exposures of a portfolio at the country, sector, stock and factor level. Is also used for what-if scenario analysis to understand the risk impact of any changes made to the portfolio and for stress testing
Statpro Analytics Composites	Statpro	AIMR-GIPS performance and risk metrics tool
Morningstar	Morningstar	Retail fund performance analysis relative to the benchmark and competitor universe
Lipper	Lipper	Retail fund performance analysis relative to the benchmark and competitor universe

Important information

The information contained in this document relating to the composition of the 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).

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.

All data is as at 31 December 2016, sourced from Invesco unless otherwise stated.

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

As with all investments there are associated risks. Please obtain and review all relevant materials carefully before investing.

Invesco Perpetual is a business name of Invesco Asset Management Limited, Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire RG9 1HH, UK. Authorised and regulated by the Financial Conduct Authority.

GLRFP172



Strategy Profile

Global Targeted Returns

Invesco Perpetual

February 2017



Global Targeted Returns Invesco Perpetual

Corporate overview	3
Investment team & assets under management	5
Investment philosophy & process	Error! Bookmark not defined.
Risk management	13
Strategy overview	22
Appendix 1 – Multi Asset team biographies	23

Global Targeted Returns

Invesco Perpetual

Corporate overview

Invesco Ltd. (Invesco)

Invesco is one of the world's leading independent global investment firms, solely focused on investment management. With 6,788 employees worldwide, the firm directs all of its intellectual capital, global strength and operational stability toward helping investors achieve their long term financial objectives. By delivering the combined power of the firm's distinctive investment management capabilities, Invesco provides a wide range of investment strategies and vehicles to retail and institutional clients around the world. Operating in over 20 countries, the company is listed on the New York Stock Exchange under the symbol IVZ.

Invesco offers diversified investment strategies spanning all major equity, fixed income, asset allocation and alternative asset classes. These strategies are managed across various worldwide investment centres, each of which focus on distinct asset classes, investment styles or regional expertise and adhere to clearly defined investment philosophies aligned with client expectations. Each team is able to operate independently, allowing them to follow and further their specific investment style and expertise.

To further strengthen its investment culture, Invesco also maintains an active Investors Forum that consists of senior investment professionals from each investment centre. Co-chaired by Chief Executive Officer (CEO) Martin L. Flanagan and Senior Managing Director Karen Dunn Kelley, the role of the Investors Forum is primarily to foster, promote and grow investment excellence across the organisation.

Invesco's distinctive combination of independent thought within individual investment centres and collaboration across investment centres provides clients the reach and resources of a global organisation and the focus and attention of a boutique firm: Invesco's investment capabilities are both diverse and specialised; the firm is global in reach yet local in presence and its processes are disciplined yet can be delivered in customised ways. All of which distinctively positions Invesco to keep pace with clients' evolving investment needs worldwide.

Invesco Perpetual

Background

Invesco Perpetual is a business name of Invesco Asset Management Limited (IAML). IAML forms part of Invesco UK Limited, which itself forms part of Invesco.

With USD116.45 billion in assets under management¹ and located in Henley-on-Thames (Henley), Invesco Perpetual's investment team structure exhibits many of the advantages of a boutique firm structure, albeit part of a larger organisation: small high-quality teams; the location of the team away from the main UK investment centres, 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 fund manager and analyst are combined.

¹ Total assets managed by Invesco Perpetual's investment centre as at 31 December 2016.

Global Targeted Returns

Invesco Perpetual

Invesco Perpetual's highly experienced investment team consists of 68 investment professionals with an average 17 years' investment experience². The firm believes that a focused and highly-experienced team provides the best means of maximising value that it can generate for its clients by continuing to adopt a long-term, active approach to investment.

Invesco Perpetual's 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, the firm remains passionately focused on that original aim. Today, from its office in Henley, Oxfordshire, its investment team invests across 40 stock markets, over 500 companies globally and travels extensively to meet companies and their management.

Stability:

Turnover within Invesco Perpetual's investment team is low, and the stability of the team is a factor in helping the firm in its aim to deliver long-term sustainable outperformance. Invesco Perpetual believes that the unique location of its 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. Invesco Perpetual believes that investment management must be undertaken in a work environment where fund managers, who are focused on longer-term performance, are free to operate independently but with clear accountability and within a challenge culture. Fund managers must be given the opportunity to stand by their convictions. Invesco Perpetual believes that culture and environment are more important to "get right" than mapping a dogmatic process. The firm must be pragmatic and flexible.

Invesco Perpetual has 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 the firm's fund managers are aided in this by a robust oversight and risk management process.

² Investment professionals, as at 31 December 2016, include Invesco Perpetual's Chief Investment Officer (CIO), fund managers, analysts, trainee analysts, strategists, Multi Asset research director, Multi Asset portfolio director, Multi Asset product director and fixed income dealers.

Global Targeted Returns Invesco Perpetual

Investment team & assets under management

Invesco Perpetual Multi Asset team

The strategy is managed by Invesco Perpetual's Multi Asset team in Henley.

The Multi Asset team is focused on building a market-leading multi asset offering at Invesco Perpetual based upon a single philosophy of investing which is reflected in the Invesco Perpetual Global Targeted Returns Strategy and its income variant, the Invesco Perpetual Global Targeted Income Strategy.

The team's fundamental, long-term approach and conviction-based style of investing is consistent with that of the Henley investment centre, and it is able to access a rich seam of investment ideas and alpha-generating capabilities across the platform. The Multi Asset team also has access to the intellectual capability and investment expertise of all Invesco investment teams worldwide and is embedded in a global infrastructure, which already supports other award-winning, risk-based multi asset offerings in the firm.

The Multi Asset team adopts a team-based approach to investing. Key investment decisions are made jointly by the three named fund managers, however, such decisions are made following discussions with all other members of the Multi Asset team.

The team consists of the following members, averaging 16 years' industry experience:

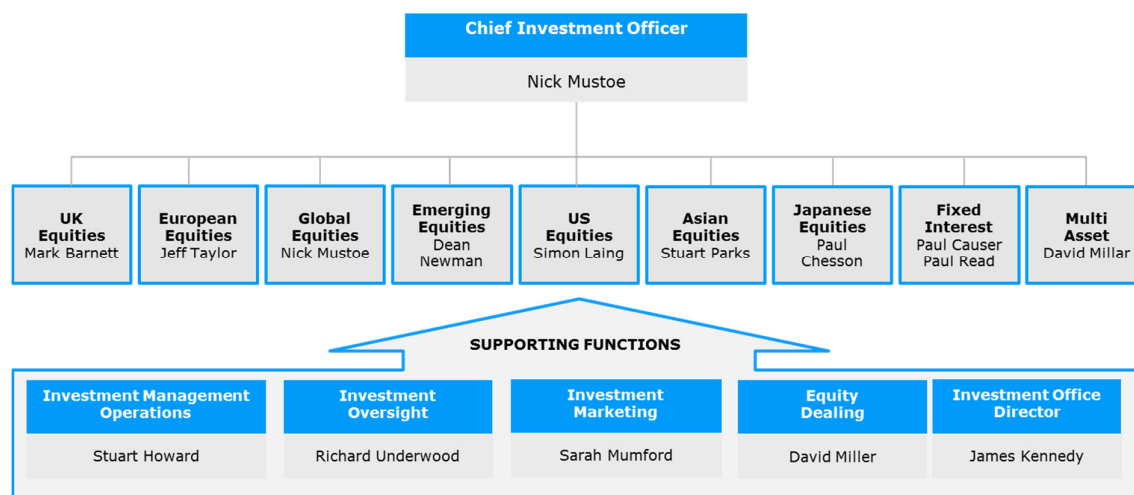
Investment team	Position	Years in industry
David Millar, FIA	Head of Multi Asset and Fund Manager	28
Richard Batty, PhD	Fund Manager	22
David Jubb, FIA	Fund Manager	34
Sebastian Mackay	Fund Manager	16
Gwilym Satchell, PRM	Fund Manager/Risk Manager	8
Clive Emery	Product Director	20
Danielle Singer, CFA	Portfolio Director	15
Georgina Taylor	Research Director	16
Saul Shaul	Fund Analyst	10
Dilek Ulu	Fund Analyst	3
Stephen Hawes, CFA	Research Analyst	7
Michael Marshall, CFA	Risk Analyst	10

Source: Invesco Perpetual as at 6 January 2017. Years in industry may be subject to rounding up.

Global Targeted Returns Invesco Perpetual

Invesco Perpetual

Invesco Perpetual's investment team is structured as follows:



Source: Invesco Perpetual as at 30 September 2016.

Based in the firm's investment centre in Henley, the Multi Asset team is surrounded by fellow like-minded fundamental investment thinkers, with access to their intellectual capability and investment expertise.

The Multi Asset team divides its time between the following tasks:

- **Thematic/Economic research**
 - to generate investment ideas and analyse the economic and macro drivers that make them work
- **Analytic research**
 - to investigate industry standard and proprietary valuation metrics used to test investment ideas
- **Risk management**
 - an integral part of the Multi Asset team's investment process
- **Client service**
 - particularly enhanced by the Product Directors and client facing members of the team

Please find below the division of time between the tasks for each member of the investment team:

Name	Thematic / Economic Research	Analytic Research	Risk Management	Client Service
David Millar*	30%	10%	20%	20%
Dave Jubb	20%	40%	30%	10%
Richard Batty	40%	20%	20%	20%
Sebastian Mackay	40%	30%	20%	10%
Gwilym Satchell	10%	30%	50%	10%
Michael Marshall	10%	20%	60%	10%
Georgina Taylor	30%	15%	5%	50%

Global Targeted Returns Invesco Perpetual

Name	Thematic / Economic Research	Analytic Research	Risk Management	Client Service
Clive Emery	23%	5%	5%	67%
Danielle Singer	15%	5%	13%	67%
Saul Shaul	0%	70%	25%	5%
Dilek Ulu	0%	70%	25%	5%
Steven Hawes	70%	25%	0%	5%

Source: Invesco Perpetual as at 31 December 2016. For illustrative purposes only. *As the Head of Multi Asset at Invesco Perpetual, David Millar spends about 20% of his time fulfilling business management duties.

Biographies are included within **Appendix 1**.

Assets under management

Provided below is a breakdown of the Invesco Perpetual Global Targeted Returns strategy managed by the Multi Asset team:

Asset breakdown	US\$ million	£ million	€ million
Pooled vehicles	17,305.36	14,067.11	16,388.19
Separate accounts	1,200.39	975.77	1,136.77
Strategy Total	18,505.76	15,042.88	17,524.96

Source: Invesco Perpetual as at 31 December 2016. Figures may not sum due to rounding.

All the vehicles are managed “hand-in-hand” with one another, having the same investment strategy, philosophy and intended investment outcome.

Global Targeted Returns Invesco Perpetual

Investment philosophy

The investment philosophy of the Invesco Perpetual Global Targeted Returns strategy is based on the belief that positive total returns can be achieved across all market environments over a rolling three year period through an unconstrained approach to sourcing return ideas and robust risk management.

Unconstrained approach:

- Two to three year investment horizon
- High conviction macro investment ideas
- Across asset types and geographies

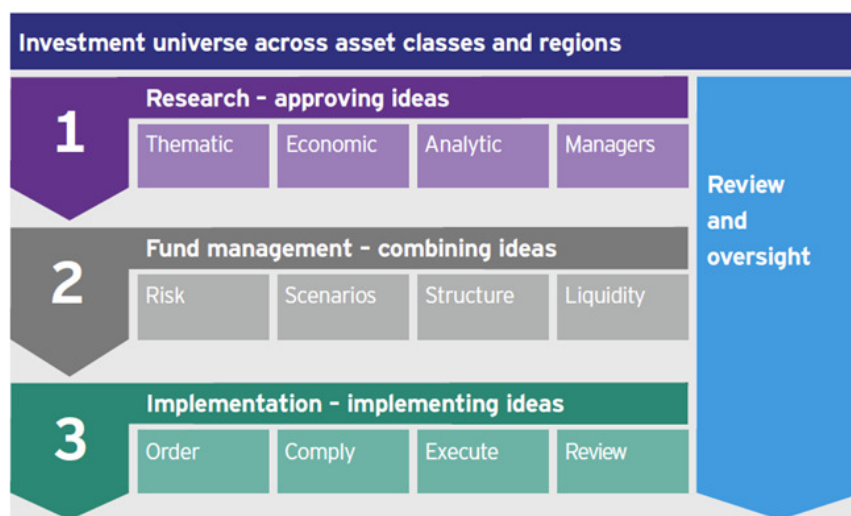
Robust risk management:

- Risk-based analysis
- True diversification
- Transparency and liquidity

For illustrative purposes only

Investment process

Invesco Perpetual's Multi Asset team seeks to generate investment ideas, identify the optimal way to gain exposure to them and combine them successfully into a risk-managed portfolio. The overall aim is to effectively harness the power of diversification and risk management, which should result in a smoother growth trajectory. The Multi Asset team adopts a three-tier investment process:



For illustration purposes only

Step 1: Researching and approving ideas

The first step of the investment process involves the sourcing of investment ideas. These are generated by a 'TEAM' approach:

- **Thematic discussion** – the investment theme underlying each investment idea (why it will work in the Multi Asset team's central view), the asset class(es) and instruments that will be used to express the theme and the idea's return expectations.
- **Economic drivers** – the economic and macro drivers that will make the idea work, fiscal and monetary policy drivers, corporate cash-flow and profitability drivers, as well as economic risks.
- **Analytic drivers** – valuation metrics (industry standard and proprietary), supply and demand for assets, investor positioning and sentiment and asset class risks.
- **Manager's input** – the views of asset class specialists within Invesco Perpetual and the wider Invesco group.

Global Targeted Returns

Invesco Perpetual

During this step of the investment process, the Multi Asset team establishes a macroeconomic view. This forms the basis of the team's central economic thesis, against which each investment idea is expected to deliver a positive return. The central economic thesis as at 31 December 2016 was as follows:

Challenging global growth may fragment

- Longer-term structural growth rates will remain subdued
- Possible fiscal boost to US economic growth while other headwinds remain
- Future growth momentum in Europe not helped by political uncertainty

Policy effectiveness impacted by financial linkages, e.g. US dollar

- Official monetary and/or fiscal policy choices becoming more difficult
- Strains in funding markets already imply monetary tightening (e.g. EM)
- Lower trend growth and policy rates likely to cap the upside for bond yields

Low inflation view being challenged

- Risk that wage, commodity and/or protectionism inflationary pressures persist
- Chinese liquidity measures a new source of upward pressure on inflation
- But disinflationary forces still in place e.g. debt overhang and Asian devaluation

Select opportunities in risk assets

- Further equity and credit market returns dominated by income
- Seeking alternative return sources to reduce reliance on broad markets
- Diversified alpha as an additional source of value

Uncertain macro environment to be reflected in higher volatility

- Conflict between cyclical and structural drivers will cause increased volatility
- Volatility likely from non-market forces (e.g. political uncertainty)
- Long-term impacts from the misallocation of capital (e.g. through leverage)

Source: Invesco. For illustrative purposes only.

Each investment idea may be represented by more than one investment instrument. In such cases, the Multi Asset team does not look at an investment instrument on its own. What really matters is how all of them are expected to perform when combined into one single idea.

Details of new ideas (e.g. expected returns in medium term, best/worst case scenarios, notional size and suggested implementation method) are captured in a consistent template, for which the owner of the individual idea is responsible. All ideas are discussed during the monthly Multi Asset ideas meeting to which members of other teams at Invesco Perpetual are invited.

Each idea is evaluated on its ability to outperform UK 3-month LIBOR (or an equivalent reference rate) over a two- to three-year investment horizon before being approved to progress to the next step of the investment process.

The Multi Asset team benefits from an average of 16 years' industry experience, but being part of Invesco, the team can enhance its research by making use of the firm's extensive infrastructure and by incorporating the relevant views of Invesco asset class specialists globally for each idea. For example, an idea with an outlook on two US sectors could incorporate the views of US equity managers based in the UK and the US. This is an integral part of the research process that leverages the synergies between the time horizons of the Multi Asset team and those of the asset class specialists around Invesco. Many of Invesco's investment teams take a long-term view of markets and invest in high-conviction stock and bond ideas. This culture of investing provides the Multi Asset team with essential inputs that may shape the investment ideas under review.

Global Targeted Returns

Invesco Perpetual

In Henley, Invesco's Chief Economist (John Greenwood) provides the Multi Asset team with regular economic updates, while meetings involving Invesco Perpetual's Chief Investment Officer (Nick Mustoe) as well as representatives of other investment teams at Invesco Perpetual are intended to facilitate the sharing of investment views and themes within the firm. External research calls are conducted on a weekly basis, with the aim of filtering research available from investment banks and other external strategists.

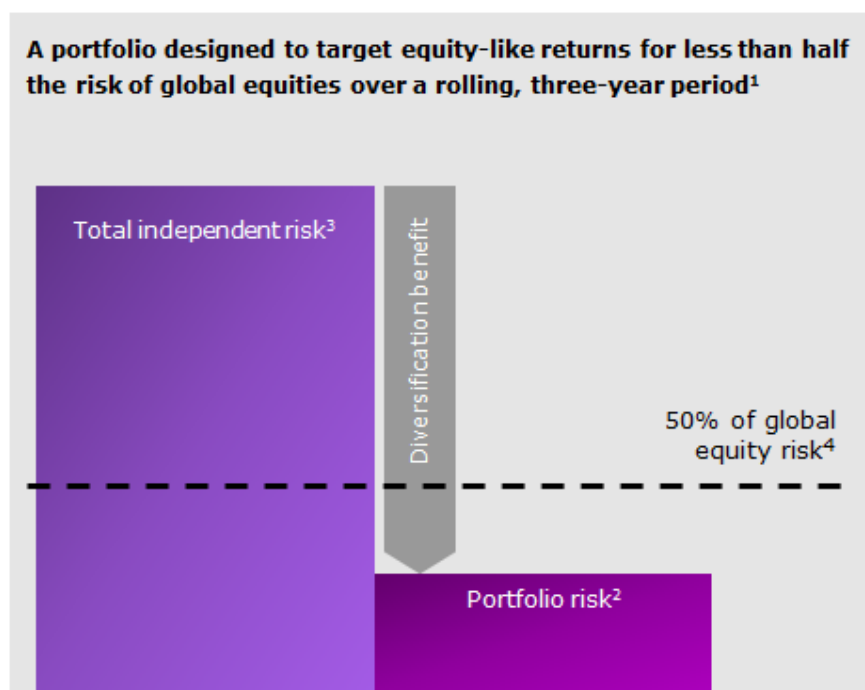
Step 2: Risk-based fund management – combining ideas

Once a new investment idea has passed the research phase, the Multi Asset team will test it against three key parameters:

- Diversification benefits & risk dynamics
- Impact of various stress-testing scenarios
- Optimum structure of the strategy

To do this, the Multi Asset team uses APT, an independent, third-party risk system provided by FIS (formerly SunGard). Each idea's diversification benefits and risk dynamics are evaluated, including its standalone risk characteristics (independent risk), as well as its correlation with the overall portfolio on a 180-week look back basis. Risk, return and correlation are all important, and higher volatility could be offset by low correlation.

The chart below illustrates how diversification can decrease a portfolio's overall volatility:



Source: Invesco Perpetual. For illustrative purposes only.

¹ There is no guarantee this target will be achieved.

² **Portfolio risk** – the expected volatility of the portfolio as measured by the standard deviation of the current portfolio of ideas over the last three and a half years.

³ **Independent risk** – the expected volatility of an individual idea as measured by its standard deviation over the last three and a half years.

⁴ **Global equity risk** is the expected volatility of the MSCI World index as measured by its standard deviation over the last three and a half years.

Global Targeted Returns

Invesco Perpetual

An investment idea's contribution to risk is examined by comparing portfolio volatility pre-inclusion and post-inclusion of the investment idea. In any case, total portfolio volatility is expected to be less than half of global equities, when the same look back period of 180 weeks is applied. To ensure diversification of risk, each asset class or investment idea has to contribute less than 50% and 25% respectively to total portfolio risk.

Further analysis on any new investment idea being considered for the portfolio involves a more detailed review of the overall change that idea may bring to the portfolio. In particular, the Multi Asset team will examine attributes such as theoretical portfolio income or carry, target return checks, geographical exposures and risk on/risk off characteristics. All findings are formally documented in a standard template.

The Multi Asset team will also perform scenario testing to see how hypothetical economic scenarios (e.g. a rise in interest rates) may impact the performance of a portfolio. These scenarios will vary over time. In addition, historical stress-testing is performed by Invesco's Independent Risk Function (IRF), the results of which the Multi Asset team will take into consideration. The historical scenarios used by the IRF can be seen below, followed by the hypothetical scenarios used by the Multi Asset team.

IRF's historical scenarios	From	To
9/11 terrorist attack in the USA	10/09/2001	21/09/2001
Black October 2008	08/09/2008	13/10/2008
Early 2008: credit crisis	02/01/2008	17/03/2008
Increase of long end interest rates	10/05/2007	18/06/2007
Lehman Brothers default	08/09/2008	18/09/2008
Shanghai drop	26/02/2007	05/03/2007
Sub-prime crisis	20/07/2007	17/08/2007
Position unwinding crisis	11/05/2006	22/05/2006
Equity markets crisis	09/02/2009	09/03/2009
Sovereign debt crisis	16/04/2010	07/05/2010
Asian market rebound	13/03/2009	05/06/2009
Economy slowdown impact on Asian markets	08/05/2008	23/10/2008
Japanese earthquake	09/03/2011	14/03/2011
European market fall	08/07/2011	18/07/2011
Global decline	01/08/2011	19/08/2011
European sovereign debt crisis	01/07/2011	31/10/2011
Recession fear	02/09/2011	30/09/2011
Chinese economy slow-down	30/09/2011	04/10/2011
US economy weakens	17/10/2011	31/10/2011
Asian crisis 2008	03/01/2008	05/01/2009
Brent drop	02/04/2012	21/06/2012
Gold slump long period	21/03/2013	27/06/2013
Gold slump short period	02/04/2013	15/04/2013
Japanese equities drop	22/05/2013	13/06/2013

Global Targeted Returns

Invesco Perpetual

US tapering tantrum	18/06/2013	24/06/2013
EMBI spike	15/01/2014	03/02/2014
Ukraine crisis	24/02/2014	24/03/2014
Systemic financial risk	13/10/2008	09/03/2009

Source: Invesco as at 31 December 2016.

Scenario	Characteristics
Cash is King	S&P 500 -50%, US 10yr Treasuries +300bp
Labour market fights back	US 5yr Treasuries + 200bp, S&P 500 experiences no growth
Abegeddon	Nikkei -40%, US dollar/Japanese yen exchange rate +100%
Sun Always Shines	Australian dollar +10%, long-dated Australian bonds +150bps
China Bust	Chinese equity volatility to 50, HSCEI index underperforms S&P 500 by 20%, Brazilian real -20%
Recession 2017	S&P 500 -50%, US 10yr Treasuries -100bp

Source: Invesco as at 31 December 2016.

During this step of the investment process, the Multi Asset team determines the optimum structure to represent the investment idea (whether that be asset or derivative-based) after assessing the underlying market liquidity and relative size of the investment idea in the overall portfolio. This will be based on the expected total return established in Step 1 of the investment process. If an investment idea is deemed beneficial for the portfolio, it will graduate to the next step of the investment process.

The portfolio's investment strategies and techniques will make significant use of financial derivative instruments ("derivatives") to obtain exposure to long and short positions. The use of derivatives may include but is not limited to derivatives on currencies, interest rates, credit, commodity indices and equities, which may be either exchange traded or off exchange. Such derivative usage can be for the purposes of efficient portfolio management and/or meeting the investment objective. Such derivatives have the potential to increase significantly the portfolio's risk profile.

The portfolio may at any time have substantial holdings in ancillary liquid assets.

Step 3: Dealing and governance – implementing ideas

All trades are made via the Charles River Development trading system (CRD). Prior to a trade being made, information about the trade is shared between the Multi Asset team, the IRF and the Invesco's Global Trading Desk. This will include the sharing of core details such as:

- Tier 1 description: Asset class
- Tier 2 description: Investment idea
- Instruments to be used to implement the idea
- Instrument maturity date, if applicable
- Overall portfolio size
- Instrument sizing
- Pricing/Dealing policy
- Hedging policy

This information in itself is not an instruction to trade, but serves as a core due diligence check to ensure appreciation for the idea before it is entered into CRD for execution. The

Global Targeted Returns

Invesco Perpetual

Global Trading Desk will then be aware that a deal ticket is to follow shortly through CRD. This allows for a two-way dialogue between the Multi Asset team and the trading desk to ensure the idea is understood.

Any member of the investment team can input the trades into CRD. However, one of the named fund managers must sign it off, therefore ensuring a four-eye policy within the Multi Asset team. Each trade is checked against the information previously shared between the Multi Asset team, the IRF and the trading desk.

Given the important interaction between the Multi Asset team and the trading team, a Service-Level Agreement (SLA) is in place between both teams.

As previously mentioned, 5 to 50 investment ideas can be incorporated into the portfolio at any time. While each idea is designed to be long-term and thematic by nature, and where the team has a high conviction in each, not all of them are expected to work simultaneously. Each investment idea is subject to review on at least a quarterly basis. This continual review and renewal of commitment challenges and then evidences the investment team's continued confidence in each idea.

Risk management

Invesco employs a multi-faceted approach to oversight and risk management that is deeply embedded in the firm's culture, organisational governance and business structure. 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. These investment teams' processes are bolstered and overseen by multi-dimensional independent controls.

Invesco's Global Performance Measurement and Risk (GPMR) team is an independent function consisting of over 90 professionals providing comprehensive, detailed sources of information and analysis that will help Invesco better understand investment performance, quality, and risk. This team provides regular reviews of the performance and risk attributes of the various investment team disciplines to senior leadership.

With regards to firm-level risk management, Invesco'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.

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 regulatory requirements. The Invesco Compliance group (Compliance) 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 leadership regularly or as necessary.

The table overleaf visually presents how investment teams' processes are bolstered and overseen by multi-dimensional independent controls.

Global Targeted Returns Invesco Perpetual

These controls include:

- The GPMR team (consisting of over 90 professionals), an independent group responsible for analysing performance and activities, as well as position and risk, in the context of investment process and philosophy, market environment and client expectations.
- Invesco's senior leadership oversight, comprised of:
 - Reporting lines running from investment team CIOs who have day-to-day responsibility for investment team risk controls up to the Invesco Senior Managing Director having management responsibility for the investment team.
 - Quarterly and monthly reviews, performed based upon investment performance and risk analytics of each investment discipline produced by the GPMR team. These reviews are conducted by the CEO and those Senior Managing Directors who oversee the investment teams.
 - Review of operational controls and related corporate exposures by the Invesco Corporate Risk Management Committee.
 - Regular review of investment matters by the Invesco Board of Directors and independent Fund Boards, 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'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.

Risk Oversight and Governance	Board of Directors and Fund Boards			
	Executive Management Team			
Risk Management Facilitation	Risk Areas of Focus	<ul style="list-style-type: none">▪ Investment▪ Credit/Asset/Liability	<ul style="list-style-type: none">▪ Financial▪ Operational	<ul style="list-style-type: none">▪ Business
		Global Performance Measurement and Risk <ul style="list-style-type: none">▪ Facilitates investment oversight function▪ Independently reviews investment execution and process application▪ Monitors consistency of investment results with mandates, market environments, client and CIO expectations▪ 90+ professionals	Corporate Risk Management Committee <ul style="list-style-type: none">▪ Timely and consistent identification, evaluation and mitigation of operational and business risk▪ Senior executives from all major business functions including:<ul style="list-style-type: none">– Investment management/trading– Product management– Administration (information technology, investment operations, human resources, procurement)– Portfolio operations– Legal and compliance– Finance and internal audit– Strategy	
Risk Management Embedded in the Business	Investment Risk Management Managing our core risks through the investment centers			
	Business/Operational Risk Management Managing all other risks in the business			
Internal Control	Compliance and Internal Audit Facilitate and monitor internal control at all levels			

For illustrative purposes only.

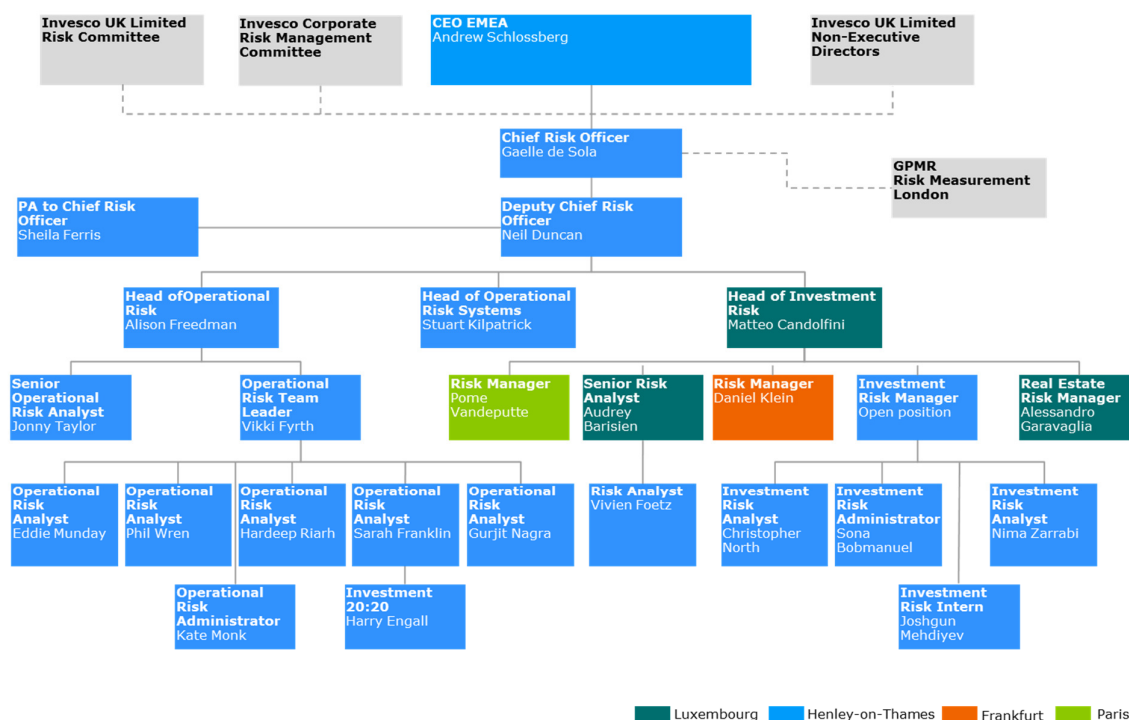
Independent Risk Function (IRF) in Europe, the Middle East and Africa (EMEA)

Gaelle de Sola, Chief Risk Officer for EMEA, leads the IRF 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 market, liquidity and counterparty risk) for the firm's UK

Global Targeted Returns Invesco Perpetual

and European (France, Ireland and Luxembourg) domiciled UCITS funds, Alternative Investment Funds (AIFs) and other relevant portfolios.

Gaelle reports directly to Andrew Schlossberg CEO of Invesco EMEA, Senior Managing Director of Invesco and Head of Invesco's EMEA region. The chart below illustrates the framework in which the IRF functions:



Source: Invesco as at 4 January 2017.

The IRF is an independent assurance function for Invesco UK Limited³, and respectively all Invesco entities within EMEA. Its aim is to support and facilitate directors, senior management and the business in assessing, managing, monitoring and reporting all of Invesco's risks in EMEA. Risks that are assessed by the business or the senior management team to be inadequately managed, outside of Invesco's policies and procedures, risk appetite, best practice and regulatory requirements, are reported together with recommended actions for their risk reduction within the Invesco tolerance level. The IRF has a duty to highlight where risks may be inadequately or incorrectly assessed to the Invesco UK Limited Board to ensure appropriate attention is paid to these risks.

The role of the IRF is to undertake independent risk controlling duties at both a company and portfolio level. The tasks and duties of the IRF encompass different areas that include the oversight of implemented actions, strategies and processes aimed to comply with regulatory requirements for internal audit, compliance, risk management and risk reporting. The IRF ensures relevant techniques for risk measurement and reviews regularly the adequacy of existing methods. Furthermore, the IRF is in charge of coordinating the execution of identification, evaluation and quantification of risks.

³ Invesco UK Limited is the parent company of Invesco Asset Management Limited.

Global Targeted Returns

Invesco Perpetual

The activities of the two teams within the IRF are as follows:

Operational risk

- Facilitate and coordinate the quarterly risk self-assessment (RSA) process and independently challenge the RSAs completed by each business function
- Active management and administration of the risk management module of B Wise, the system used to record incidents and risks
- Provide operational risk information for capital requirements directive purposes e.g. for the ICAAP (Internal Capital Adequacy Assessment Process), including quantified aggregated inherent impact exposures and viable stress-test scenarios
- End-to-end management of the incident reporting module of B Wise including independently following up on and ensuring effective mitigation of incidents logged by the business and investigation of systemic and thematic issues

Investment risk

- Independently monitor, quantify and assess all investment-related risks within and across products during the new product development phase and within the life of a product
- Monitoring of portfolio risk limits (regulatory and internal) with application of the escalation process
- Communicate/heighten awareness and escalate investment-related risks, on an ad hoc basis as warranted, through regular 'risk challenge' sessions with fund managers
- Derivatives risk management oversight
- Oversight of risk systems, models and analytics

The IRF is also responsible for setting up adequate risk management policies to reflect processes and guidelines in place to ensure they are in line with regulatory standards across EMEA as well as best practices and oversee their implementation.

Additionally, the IRF is in charge of risk reports for senior management and boards and communication on risk-related matters to internal and external stakeholders.

The IRF collaborates closely with other risk experts within the firm, in particular the Global Performance Measurement and Risk (GPMR) team, an independent function consisting of over 90 professionals. GPMR is responsible for analysing performance and activities, as well as position and risk, in the context of investment process and philosophy, market environment and client expectations. In particular, in EMEA, the GPMR team focuses on the production of risk metrics, such as the Value-at-Risk (VaR), stress-testing or liquidity risk analysis.

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 investments 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 below, this process is implemented via challenge meetings that are attended by the CIO, a member of the Investment Oversight team and the fund manager and seeks to check that the individuals managing money are doing so in a way that adds value to the firm's clients, and that the risks taken on behalf of its clients are understood and are considered appropriate. The objective is to review each fund manager annually, although where particular issues are identified with performance or the investment process, these take precedence.

Risk management is an integral component of Invesco Perpetual's investment process and is the product of the following factors:

Global Targeted Returns

Invesco Perpetual

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 the fund manager is always aware of the relative risk they are running – where relative risk is defined as the holding of investment positions that differ from the structure of the benchmark – they do not set out to manage the relative risk characteristics of their portfolios.

A portfolio's relative risk characteristics will simply be a function of the investment decisions and absolute risk judgments that were made while constructing the portfolio.

Continuous monitoring

At the total portfolio level, monthly performance, attribution and risk reports are considered by Invesco Perpetual's Investment Oversight team, ensuring 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, a member of the Investment Oversight team and the fund manager. Where the CIO is the lead manager, Invesco Perpetual's Head of Investment Oversight undertakes the CIO challenge process. 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 the firm's 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 potential 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 the firm's 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.

As mentioned, 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. The challenge process seeks to check that the individuals managing money are doing so in a way that strives to add value to the firm's clients.

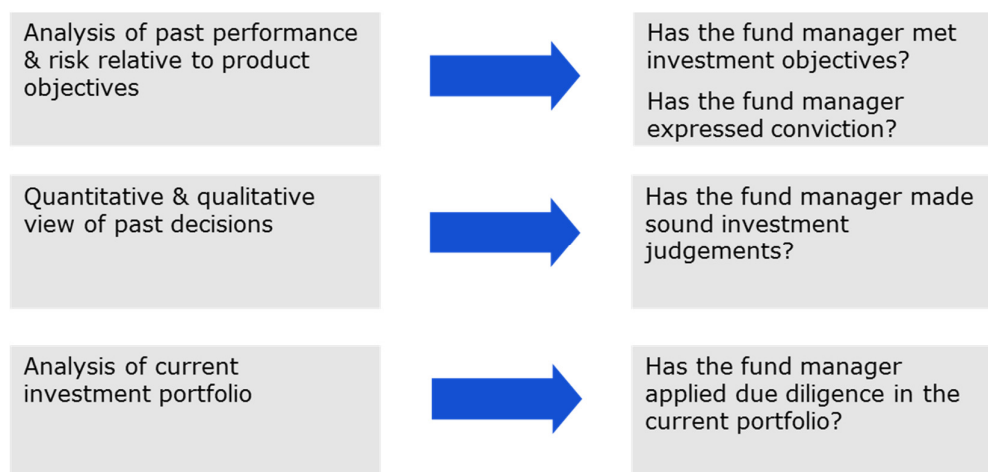
Fund managers are given the autonomy to back their investment judgment within the scope of fund mandates and regulations. Invesco Perpetual does not wish to put in place unnecessary restrictions that limit a fund manager's ability to back his/her own convictions in a stock or investment strategy. In an environment that allows such free thought, traditional controls and processes are particularly important, but applied in a pragmatic way.

Global Targeted Returns

Invesco Perpetual

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 Invesco Perpetual's Henley investment centre.

The chart below illustrates this process:



For illustrative purposes only.

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 has trading activity 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 the Investment Oversight team to check the understanding of a fund manager's active positions against their investable universe.
- **Risk reporting:** to challenge/support where the investment teams believe their excess returns will come from.
- **Active positions:** where are major stock, industry, country or asset class positions being taken?

The aim of the CIO challenge process is to ensure that there is sufficient investment oversight to monitor that risks taken on behalf of Invesco Perpetual's clients are understood and are considered appropriate. It is accepted that Invesco Perpetual's business is judgmental 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.

Investment monitoring

Investment management success is dependent upon prudent risk taking. Invesco views its risk factor exposures in the following areas: investment, credit/asset/liability, financial, operational and business. The definition of investment risk depends on the investment

Global Targeted Returns

Invesco Perpetual

portfolio. Invesco approaches risk from a client-perspective. Depending on the mandate and client guidelines, risk may be deviation from a stated benchmark, client specified guidelines or performance objectives. Each investment team's portfolio construction is validated against client mandates. The performance implication of this construction could be the risk of capital loss or the risk of underperforming benchmark or both. The firm's approach attempts to take both into consideration.

Multi Asset team's approach

The Multi Asset team has two targets, as detailed in the investment objectives section: return and volatility. The investment policy targets a gross return of 5% above cash on a rolling three-year basis, and aims to achieve this with less than half the volatility of global equities over the same three-year rolling period. There is no guarantee that the portfolio will achieve its performance target.

When the Multi Asset team looks at returns, it evaluates them for an idea as a whole rather than for each individual instrument. The team looks at risk in a similar way, therefore keeping risk and return naturally linked. However, it also considers other aggregations, which may reveal biases not immediately obvious at the idea level.

The Multi Asset team assesses the risk of the portfolio using four key areas of analysis:

- **Volatility:** How much risk does each idea pose and how does that offset existing risks in the portfolio? The team will analyse the portfolio by idea, asset type, geographic exposure and risk characteristics.
- **Structure:** The team structure each trade, whether cash instruments, futures, options or funds, to give them pinpoint exposure to the idea or theme.
- **Scenarios:** The team test every idea against its core economic thesis. It then subjects the whole portfolio to stress tests and scenario analysis to see how the portfolio performs under different conditions.
- **Liquidity:** Liquidity is vital to limit risk. The team use daily priced instruments to support daily access and scale. Only liquid derivatives are used and are collateralised daily to minimise counterparty exposure. The team also liaise with our dealers to confirm the liquidity of each instrument used.

The Multi Asset team considers the strategy's main risk characteristics as follows:

Risk measure	Description
Total portfolio volatility	Volatility of the entire portfolio
Risk of each investment idea	<ul style="list-style-type: none"> ▪ Independent risk – the risk of an idea on its own ▪ Risk impact – the change in the portfolio's risk as a result of adding that idea to the portfolio ▪ Contribution to risk – the allocation of portfolio volatility to that particular idea, based on marginal changes to the portfolio <p>The combination of the above provides an understanding of the diversification the idea is providing to the portfolio</p>
Asset type risk	Risk attributed to each grouping of ideas by their nearest traditional asset type (each asset type has to contribute less than 50% to total portfolio risk)
Market factor risk ¹	Each idea is given a simple 'risk-on', 'risk-off', 'partial risk-on', 'partial risk-off' or 'risk-neutral' label, so that the balance of risk in the portfolio can be assessed against prevailing equity market conditions
Geographical risk	Trades are allocated to a geographical region, and the balance of risks between those is considered to help mitigate unintended exposure to idiosyncratic risk in a particular region

Global Targeted Returns

Invesco Perpetual

¹ Risk-on = Correlation with global equity markets is greater than 0.25; Partial Risk-on = Correlation with global equity markets is between 0.125 and 0.25; Neutral = Correlation with global equity markets is between -0.125 and 0.125; Partial Risk-off = Correlation with global equity markets is between -0.125 and -0.25; Risk-off = Correlation with global equity markets is less than -0.25.

Risk measurement systems

To understand the risks in the portfolio, a number of systems (both third party and internal) are used to form as wide a picture as possible.

The primary system used for the purpose of risk monitoring is APT, an independent, third-party risk system provided by FIS (formerly SunGard). APT uses a multi asset, multi-factor risk model using 97 independent statistical factors. This model is updated on a monthly basis through the delivery of a database containing the risk profiles of over 400,000 securities across different asset classes. For the portfolio, a medium-term model is applied, that calculates the risk from 180 weeks of equally-weighted historical returns. Where a particular instrument of interest is not covered, a synthetic security is created within the database by providing a historic time series of returns matching the same dates as the other securities already found in the database.

APT is used by three parties: Invesco's IRF in EMEA, Invesco Perpetual's Investment Oversight team and the Multi Asset team. The IRF produces daily reports through APT, which they analyse and use to challenge the portfolio's management as to the risks embedded in the portfolio. Historical stress testing is also performed through APT and discussed with the Multi Asset team on a monthly basis. For the Investment Oversight team, APT provides a useful tool for carrying out bespoke analysis to assist it in its role of raising appropriate issues and questions with the fund managers.

The Multi Asset team uses APT as a portfolio management tool to assess the risk characteristics of the portfolio and as a pre-trade risk analysis tool for assessing new ideas that may be introduced to the portfolio. The team hereby focuses on the independent risk of each idea, its risk impact and contribution, in order to construct a robust and diverse portfolio. It is also possible for the team to use APT to develop custom analytics and other outputs not supported by the standard user interface, either via MS Excel or numerical software such as MatLab.

The team uses also the Imagine Trading System, a third-party, real-time risk system that captures portfolio holdings and real-time pricing, based on live exchange-linked data and market standard derivative models to determine the exposures of the portfolio. Benefiting from a seamless flow of trades and prices feeding automatically into the Imagine Trading System, the Multi Asset team has access to up to date information and can monitor real-time metrics of the portfolio including notional exposures, option Greeks and idea level aggregation of information, which are used extensively in the day-to-day management of the portfolios (rebalancing, hedging, etc.).

RiskMetrics is the official system used for Risk Measurement, in line with other funds managed by Invesco. It is used for daily VaR calculation, back-testing and monthly stress testing. This system is maintained by Invesco's GPMR team and the results are monitored by the IRF. Results are discussed with the Multi Asset team on a regular basis. RiskMetrics has a fundamentally different methodology from APT. Instead of using a data window to calculate a covariance matrix, which implicitly assumes that risk factors are normally distributed, it uses a full re-pricing approach to calculate a portfolio/fund return for every day of the window (two years in the case of the strategy) and returns statistics based on this distribution. While the differences in methodology and window will result in potentially very different results, this does provide a result, which is independent in terms of both methodology and data, and thereby can increase the robustness of the overall risk analysis.

Global Targeted Returns Invesco Perpetual

A regular and on-going reconciliation process is carried out by IRF who meet with the Multi Asset team to review and understand the different results these two systems provide.

There is flexibility to develop internal systems and tools for additional risk analysis, should these type of analysis not be available in third party systems. A good example would be hypothetical scenario analysis – a necessarily subjective area, which can be greatly strengthened by the flexibility to develop and extend tools internally.

Other key systems used by the IRF include:

- RC Banken's Liquidity Analyser is used to measure and provide an analysis of a portfolio's liquidity in both normal conditions and fire sale conditions. It is a dedicated web-based software application, that stores and monitors the subscriptions/ redemptions of the portfolio, along with the assets held within the portfolio, that are then classified as liquid, semi-liquid or illiquid, according to their assigned bid-ask spread. All portfolios are then tested as and when required but at least on a weekly basis to check whether they have sufficient liquid assets to cover the 1-day 99% flow in normal conditions and the 1-day 99.9% flow in fire sale conditions.
- Counterparty Database is a proprietary database developed in-house to assess counterparty exposure covering OTC derivatives including FX forwards, P-Notes, term-deposits and cash.

Global Targeted Returns Invesco Perpetual

Strategy overview

Global Targeted Returns

Strategy name, management and objective	Benchmark	Concentration
<p>Global Targeted Return strategy Invesco Perpetual Multi Asset team</p> <p>The objective of this strategy is to achieve a positive total return in all market conditions over a rolling 3-year period. The strategy targets a gross return of 5% per annum above UK 3-month LIBOR (or an equivalent reference rate) and aims to achieve this with less than half the volatility of global equities, over the same rolling 3-year period.</p> <p>There is no guarantee that the portfolio will achieve a positive return or its target and an investor may not get back the full amount invested.</p>	UK 3-month LIBOR. (or equivalent reference rate)	5-50 investment ideas

Global Targeted Returns

Invesco Perpetual

Appendix 1 – Multi Asset team biographies

Please find below biographies of the Invesco Multi Asset team:

David Millar, FIA, Head of Multi Asset and Fund Manager

Based in Henley-on-Thames, David joined the company in January 2013 and heads the Multi Asset team. After commencing his investment career with Scottish Widows in 1989, where he qualified as an actuary, David joined the Fixed Interest team at Scottish Widows Investment Partnership in 1996, becoming Head of Bond Strategy and chair of their Bond Policy Group. In 2008, he joined Standard Life Investments as Investment Director in their Multi-asset investment team. He was one of the fund managers within their Global Absolute Return strategy and was chair of their Bond Investment Group. David holds a BSc (Hons) in Mathematical Statistics from the University of Cape Town and is a Fellow of the Institute and Faculty of Actuaries.

Richard Batty, PhD, Fund Manager

Based in Henley-on-Thames, Richard joined the company in March 2013, and serves as a fund manager within the Multi Asset team. Previously, he had worked at Standard Life Investments since 2003 where he was the Global Investment Strategist in their Strategy team which is now part of Standard Life's Multi Asset investment team, gaining additional responsibilities for Global Tactical Asset Allocation in 2012. Prior to joining Standard Life Investments, he began his investment career at James Capel/HSBC as an equity strategist in 1995. During this part of his career, Richard became a highly-rated, senior member of its industry renowned Economics and Strategy group. In 1994, he was awarded a PhD in Financial Economics from Brunel University, where he was a part-time research assistant and taught both graduate and undergraduate students.

Dave Jubb, FIA, Fund Manager

Based in Henley-on-Thames, Dave joined the company in March 2013, and serves as a fund manager within the Multi Asset team. Prior to this, he worked at Standard Life Investments where he was an Investment Director within their Multi Asset investment team, and was one of the fund managers within the firm's Global Absolute Return investment team. Dave joined Standard Life Group in 1982 as a computer programmer and after a period in the Actuarial Department of Standard Life Canada he joined Standard Life Investments where he held a position as a fixed income fund manager and strategist before joining their Multi Asset investment team in 2006. Dave graduated from St Andrews University in 1982 with a BSc (Hons) in Mathematics and is a Fellow of the Institute and Faculty of Actuaries.

Sebastian Mackay, Fund Manager

Based in Henley-on-Thames, Sebastian joined Invesco Perpetual in August 2016 and serves as a fund manager for the Multi Asset team. He began his career at Scottish Widows Investment Partnership in 2000, where he was a senior economist for the Fixed Interest team prior to joining the Aggregate Bonds team as an investment director. In 2011, Sebastian moved to Standard Life Investments, where he was an investment director for the Fixed Income team, before joining the Multi-Asset Investing team in 2014. Sebastian holds an MA (Hons) in Economics from the University of Edinburgh and an MSc in Financial Economics from the University of London, School of Oriental and African Studies.

Gwilym Satchell, PRM, Fund Manager/Risk Manager

Based in Henley-on-Thames, Gwilym joined the company in March 2013, and serves as a Fund Manager and a Risk Manager for the Multi Asset team. Prior to this, he commenced his career in 2008 at Standard Life Investments, where he was involved in Multi Asset risk management, in particular the development of scenario analysis techniques.

Global Targeted Returns

Invesco Perpetual

In addition, he was responsible for managing a range of liability-driven investment (LDI) funds. He graduated from Warwick University in 2005 with a degree in Computer Science, and gained a Master's degree at the University of Edinburgh Business School in 2008. Gwilym also holds the Professional Risk Manager (PRM) designation which is an independent validation of skills and commitment to the highest standard of professionalism, integrity, and best practices within the risk management profession.

Clive Emery, Product Director

Based in Henley-on-Thames, Clive joined the company in July 2015 and serves as a Product Director for the Multi Asset team. Clive commenced his career with Merrill Lynch in 1997, where he advised asset managers on European Equities. In 2004, he joined Dresdner Kleinwort Benson as a Director in their Equities Division becoming the Head of their Equity Hedge Fund team in 2005. He went on to join Societe Generale in 2007 as the Head of their Equity Hedge Fund Advisory team. Clive graduated from the University of Exeter in 1995 with a BSc (Hons) in Economics & Politics and in 1997 he gained a Masters from the London School of Economics in the Politics & Economics of Transition for Eastern Europe.

Danielle Singer, CFA, Portfolio Director

Based in New York, Danielle serves as a Portfolio Director for Invesco Perpetual's Multi Asset team. Before joining Invesco in 2014, Danielle was a strategist of the Global Investment Solutions (GIS) team at UBS. Her responsibilities included participating in the review and setting of multi-asset and currency strategies and assisting clients as part of the GIS initiative. Prior to that, Danielle was an account manager for UBS's Institutional Investment Management group and an internal investment consultant during her more than 10 years with the firm. Danielle started her investment career in 2002 in financial services. She earned a BA degree at Middlebury College and an MBA at the University of Chicago with concentrations in analytic finance and econometrics. She holds the Series 3, 7 and 66 registrations. Danielle is a CFA charterholder and a member of the New York Society of Security Analysts.

Georgina Taylor, Research Director

Based in Henley-on-Thames, Georgina joined the company in June 2013 and is the Research Director for the Multi Asset team. Georgina commenced her career with HSBC in 2001 as an Equity Strategist. She went on to join the Equity Strategy team at Goldman Sachs in 2004 where she wrote global equity and asset allocation research. Georgina gained asset management experience at Legal & General Investment Management, contributing to the overall asset allocation outlook for the firm and multi asset funds. Before joining Invesco Perpetual Georgina was head of Equity Strategy, EMEA, at State Street Global Markets, producing and presenting on asset allocation and equity research. Georgina holds a BSc (Hons) in Economics from the University of Bath.

Saul Shaul, Fund Analyst

Based in Henley-on-Thames, Saul joined the company in May 2012 as an IT contractor working in front office IT and was later assigned to the implementation project working on the technical build of Invesco Perpetual's Multi Asset investment platform. In January 2014 Saul joined the Multi Asset team as a fund analyst. Saul commenced his career in front office IT in 2006 and has worked as an IT contractor on several projects involving Fund Management and Trading systems. He graduated from The University of Portsmouth in 1998 with a degree in International Finance and Trade.

Steve Hawes, CFA, Research Analyst

Based in Henley-on-Thames, Steve joined the company in July 2010, and since January 2014 has served as a Trainee Analyst within the Multi Asset team. Steve joined Invesco Perpetual as a Client Services Executive, specialising in investment performance. He graduated from the Sheffield Hallam University in 2010 with a BA (Hons) in Business and

Global Targeted Returns Invesco Perpetual

Financial Services and passed the Investment Management Certificate (IMC) in January 2013 and is a Chartered Financial Analyst (CFA®) charterholder.

Dilek Ulu, PhD, Fund Analyst

Based in Henley-on-Thames, Dilek joined the company in November 2013, and since January 2017 has served as a Fund Analyst within the Multi Asset team. Dilek joined Invesco Perpetual as a Senior Risk Analyst in the Independent Risk Function where she worked as a lead investment risk analyst. She was responsible for risk oversight and monitoring activities for all funds managed within Europe, including the multi asset portfolios. Dilek holds a first degree in Economics and a Master's degree in Finance and Accounting from Hacettepe University. In 2013, Dilek was awarded a PhD in Finance from the University of Essex, where she worked on various projects covering risk management and derivatives while also teaching both postgraduate and undergraduate students.

Michael Marshall, CFA, Risk Analyst

Based in Henley-on-Thames, Michael joined the company in June 2013, and since March 2015 has served as a Risk Analyst within the Multi Asset team. Michael joined Invesco Perpetual as a Senior Valuations Analyst and subsequently managed the OTC Derivatives and Alternatives team, reporting to the Head of EMEA Portfolio Services. Prior to joining Invesco Perpetual, he held various Derivative Analyst positions at Tier 1 investment banks and other asset management firms working in a broad range of derivatives-related fields. Michael graduated from the University of Cape Town in 2006 with a Bachelor of Business Science (Hons) in Finance and Accounting and is a Chartered Financial Analyst (CFA®) charterholder.

Important information

The information contained in this document relating to the composition 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).

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.

All data is as at 31 December 2016, sourced from Invesco Perpetual/Invesco unless otherwise stated.

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

As with all investments there are associated risks. Please obtain and review all relevant materials carefully before investing.

Invesco Perpetual is a business name of Invesco Asset Management Limited, Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire RG9 1HH, UK. Authorised and regulated by the Financial Conduct Authority.

GLRFP 132

Contact information

Christopher Edge

Director of UK Compliance

Telephone +44 (0) 1491 417000

christopher.edge@invescopetpetual.co.uk

Invesco Asset Management Limited

Perpetual Park
Perpetual Park Drive
Henley-on-Thames
Oxfordshire
RG9 1HH
UK

www.invescopetpetual.co.uk

Appendix D

Invesco Global Liquidity Product Profile



Investment team profile

Invesco Global Liquidity - London

Invesco Fixed Income - London

February 2017



Invesco Global Liquidity - London
Invesco Fixed Income - London

Corporate overview	3
Investment team & assets under management	4
Investment philosophy	5
Investment process	5
Risk management	10
Strategy overview	14

Corporate overview

Invesco Ltd. (Invesco)

Invesco is one of the world's leading independent global investment firms, solely focused on investment management. With 6,788 employees worldwide as at 31 December 2016, the firm directs all of its intellectual capital, global strength and operational stability toward helping investors achieve their long term financial objectives. By delivering the combined power of the firm's distinctive investment management capabilities, Invesco provides a wide range of investment strategies and vehicles to retail and institutional clients around the world. Operating in over 20 countries, the company is listed on the New York Stock Exchange under the symbol IVZ.

Invesco offers diversified investment strategies spanning all major equity, fixed income, asset allocation and alternative asset classes. These strategies are managed across various worldwide investment centres, each of which focus on distinct asset classes, investment styles or regional expertise and adhere to clearly defined investment philosophies aligned with client expectations. Each team is able to operate independently, allowing them to follow and further their specific investment style and expertise.

To further strengthen its investment culture, Invesco also maintains an active Investors Forum that consists of senior investment professionals from each investment centre. Co-chaired by Chief Executive Officer (CEO) Martin L. Flanagan and Senior Managing Director Karen Dunn Kelley, the role of the Investors Forum is primarily to foster, promote and grow investment excellence across the organisation.

Invesco's distinctive combination of independent thought within individual investment centres and collaboration across investment centres provides clients the reach and resources of a global organisation and the focus and attention of a boutique firm: Invesco's investment capabilities are both diverse and specialised; the firm is global in reach yet local in presence and its processes are disciplined yet can be delivered in customised ways. All of which distinctively positions Invesco to keep pace with clients' evolving investment needs worldwide.

Invesco Global Liquidity - London

Invesco Fixed Income - London

Investment team & assets under management

Invesco Global Liquidity is a Money Market Fund manager led by Tony Wong, Head of Global Credit Research & Liquidity. As a specialist in cash management Global Liquidity 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. As at 31 December 2016 Invesco Global Liquidity manages US\$87 billion in assets under management. For more than 30-years, Invesco Global Liquidity has worked to gain and keep the trust of its clients through its deep industry knowledge and investment expertise.

Invesco Global Liquidity is a dedicated group that includes 17 investment professionals — with significant history in the business and an average of 16 years of industry experience. Their sole purpose is to manage and distribute short-term investment products worldwide.

Paul Mueller, based in London, is the named portfolio manager for the Global liquidity strategies managed in London. He reports to Laurie Brignac, Head of Global Liquidity Portfolio Management, as part of Invesco Fixed Income (IFI).

Please refer to the chart below for details of the organisation structure within Invesco Global Liquidity's management team:

Global Liquidity Team				
Tony Wong (22) Head of Global Credit Research & Liquidity				
Portfolio Management and Trading				
Laurie Brignac*, CFA (27)				
United States		Europe		Asia
Joe Madrid, CFA (18)	Marques Mercier (23)	Paul Mueller (22)		Chris Lau (21)
Ripal Tilara, CFA (14)	Justin Mandeville (13)	Michelle Randall (20)		
Brandon Maitre, CFA (14)	Wes Rager (12)	Warren Clayton-Howe (9)		
Bryn Zinser (7)				
Global Liquidity Credit Research				
Justo Gonzalez** (31)	Jennifer Brown (17)	Jay Sammons, CFA (8)	Lucas Simmons, CFA (9)	Lucas Staggs, CFA (5)
Public Corporate Credit Team 41 Professionals	Risk Management 6 Professionals	Investment Strategy Team 7 Professionals	Global Trading Support ¹ 13 Professionals	
Client Portfolio Management ^				
Rob Corner (28)	Natalie Cross (16)		Tim Jackson (31)	

* Head of Global Liquidity Portfolio Management ; ** Head of Global Liquidity Credit Research; () Denotes years of experience as of December 31, 2016. Org Structure as of January 2017. Subject to change without notice.

¹ Invesco Global Trading is a supporting group for Invesco Fixed Income and does not fall under IFI headcount.

[^] The primary responsibilities of the client portfolio manager (CPM) are to represent the investment team in the marketplace and to help manage the team's business responsibilities. The CPM does not manage portfolio assets.

Invesco Global Liquidity - London

Invesco Fixed Income - London

Assets under management

The Invesco Global Liquidity team manages USD 87 billion¹ in assets worldwide as at 31 December 2016.

Investment philosophy

The Invesco Global Liquidity team utilise a highly disciplined investment approach to deliver high quality products to meet each of their clients' distinctive investment needs. The clients are globally diversified including Sovereign funds, Foundations and Financial Institutions as well as Corporates. Whilst cash management is core, bespoke reserve management is an established and growing segment of Invesco's business. When Invesco launched its first cash management fund in 1980, the determination was made to separate the portfolio management and research functions in order to ensure a discrete balance between the investment and research decisions. This model has served Invesco Global Liquidity well over the past 30 years and has been time tested over many interest rate and economic cycles.

This is one of the many reasons why institutions trust Invesco Global Liquidity to effectively and efficiently manage their cash reserves. Since Invesco Global Liquidity's first institutional cash management fund was introduced the investment philosophy has always been safety, liquidity and then yield – in that specific order.

Safety

Safety is paramount in the investment management process of Invesco Global Liquidity's cash management products. In fact, all of the portfolios managed by this team are triple-A rated by at least one of the following rating agencies: Standard & Poor's, Moody's, and Fitch Ratings. The investment team do not sacrifice safety to capture yield. The team view safety as the equation whereby portfolio assets plus portfolio configuration plus operational risk has to equal a pound; this standard is not compromised.

Liquidity

In the short-term market, it is important for Invesco Global Liquidity's clients to have a quick, dependable place to invest their cash. Equally critical is the length of time it takes to redeem funds. Portfolio managers are sensitive to the liquidity demands of their clients whether they are calendar-driven events such as quarter-ends and tax payment dates, or specific cash flows indicative of their type of business and manage the fund to meet their clients liquidity needs consistent with their objectives.

Yield

Throughout various economic conditions and despite very conservative safety and liquidity standards, the Invesco Global Liquidity team have been able to provide solid competitive performance. Through a combination of deep and broad market access and consistently low operational costs the team can pass along highly competitive rates to their clients. It is their goal to continue to meet their client's performance needs while maintaining their disciplined investment strategy.

Investment process

Within the money market space, for more than 30 years, Invesco Global Liquidity has been committed to a disciplined approach that includes a primary focus on safety of principal and daily liquidity, while seeking to deliver a competitive yield. At the core of our

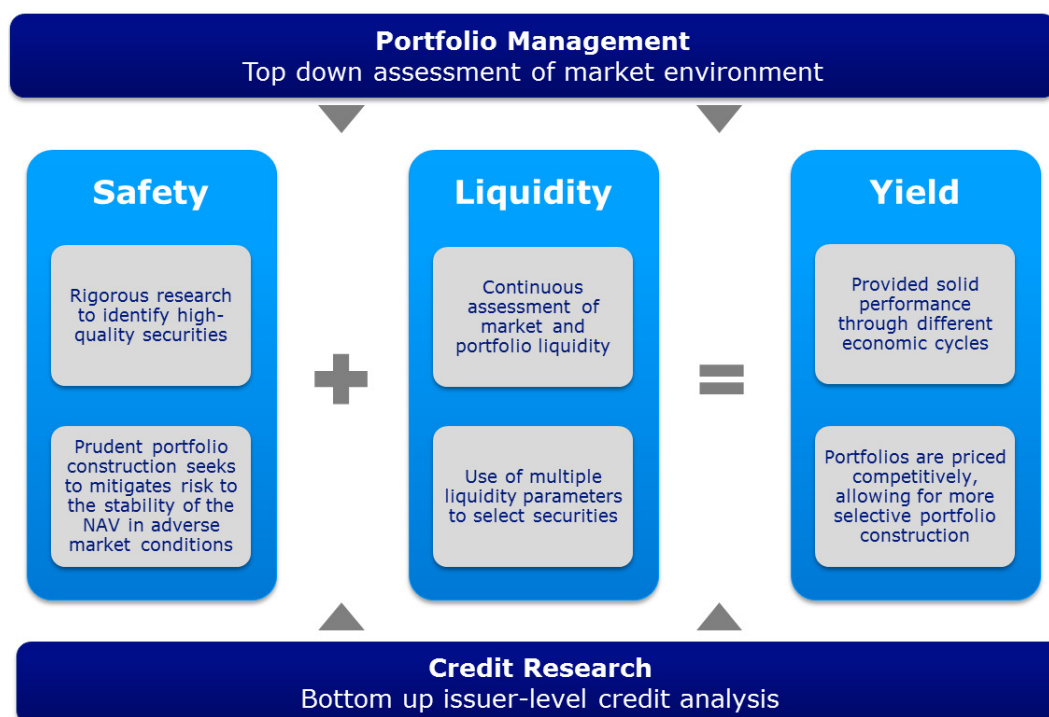
¹ Invesco Global Liquidity's total assets under management are composed of all cash management products, including global institutional, retail and customised vehicles.

Invesco Global Liquidity - London

Invesco Fixed Income - London

investment process are two teams – portfolio management and credit research – working separately in pursuing a singular focus - safety, liquidity and yield:

- Safety of principal is paramount in the investment management process of our liquidity products. The majority of the funds managed by Invesco Global Liquidity are AAA-rated by at least one of the following rating agencies: Standard & Poor's, Moody's, and Fitch Ratings. Stress testing is performed regularly on the portfolios.
- The team perform daily assessments of market liquidity, events and portfolio liquidity positions. Portfolio allocation is based on multiple liquidity parameters. Invesco Global Liquidity portfolios have a relatively low weighted average maturity and a relatively low weighted average life, relative to the industry average.
- Yield - throughout various economic conditions, Invesco has provided solid competitive performance. Portfolios are priced competitively, allowing for more selective portfolio constructions while seeking to deliver a competitive yield and meet our client's performance needs.



For illustrative purposes only.

Credit Process

Invesco Global Liquidity's team portfolio management has initial responsibility in submitting new names for consideration by their Credit Research team. A priority list is distributed monthly with portfolio management's updated requests. This provides an efficient use of resources allowing portfolio management to determine the attractiveness of the credit based on availability and pricing.

An analyst reviews the credit to determine whether the credit is eligible under prospectus guidelines, regulation guidelines, internal policies, and finally whether it meets our credit standards.

Invesco Global Liquidity - London

Invesco Fixed Income - London

At the core of the research process is the initial credit analysis which provides the basis of the approval and board review. The company's financials are characterised according to fundamental trend and ratio analysis in the context of their industry position and business strengths and weaknesses. The company's backup lines and liquidity resources are also detailed.

The status of the rating agencies views are reported with any opinion of the analysts on possible directions of future ratings action. The credit is written and discussed with the Head of Invesco Global Liquidity's Credit Research, before being distributed to the other credit team members for a peer review of the credit at the weekly meeting. After a discussion, where any questions are answered and any changes to the written report are determined, the issuer must be approved by unanimous consent. The report is then distributed to the entire credit and portfolio management teams. The credit is added to the Approved List where the analyst will continue to monitor the credit.

Once a month, a written Credit Action memo is delivered to the board members with any additions, changes or deletions to the Approved List and includes actual credit write-ups.

Research is responsible for daily monitoring of rating and news events of each credit and a formal annual review.

A dedicated analyst is assigned to monitor current events daily on the portfolio names. A Daily Events Update report is distributed to both research and portfolio management of rating changes and newsworthy events on specific credits that are included in the Approved List.

The credit team in monitoring the credits determines the credit worthiness and risk to the portfolio. If they determine the credit no longer represents minimal credit risk to the portfolio, the analyst has the authority to place the credit on watch making it ineligible for purchase immediately. "On watch" means that the analyst will continue to monitor the credit for either an improving or deteriorating credit situation and cannot be purchased. The Head of Global Liquidity Credit Research, Portfolio Manager and the Director of Cash Management immediately decide on appropriate actions based on the recommendation of the credit analyst.

If a credit deteriorates, the research team notifies the portfolio management team that a credit is deteriorating and any action that the analyst deems necessary is taken, such as a sale or hold decision. The team's analysts are very sensitive to event risk and seek to minimise any potential loss or headline risk to the portfolio.

With the credit process, extensive experience and diligent oversight, Invesco's rated institutional money market funds have never wavered from their AAA-rated status.

Portfolio construction

The portfolio 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

The 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

Invesco Global Liquidity - London

Invesco Fixed Income - London

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 macroeconomic fundamentals in formulating an overall investment strategy, which is then incorporated to each portfolio based on its investment objective and liquidity needs.

The team 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 a portfolio 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.

The team work closely with its 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 Liquidity utilises an Approved List, which contains issuers and securities that have been evaluated and approved by Invesco'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.

The portfolios need to be balanced with respect to issuers and industries. Depending on the interest rate environment, the portfolios may need to be diversified to index to protect the fund from any over or underweight positions.

Valuation assessment

An important aspect of portfolio construction is the ability to filter through supply in the markets and make valuation assessments. Many times, various issuers, asset-backed commercial paper conduits and other structured securities trade as though they are interchangeable entities, and that is not the case. This has never been the way Invesco Global Liquidity has traded in the markets. The portfolio management team again works closely with the credit research group regarding headline risk, trends in prices and spread valuations.

Invesco Global Liquidity primarily maintains a buy-and-hold strategy for all portfolios; however, the team may seek to enhance the yield of a portfolio by taking advantage of

Invesco Global Liquidity - London
Invesco Fixed Income - London

yield disparities or other factors that occur in the markets while foremost maintaining our primary mandate of providing safety and liquidity to our clients.

Risk management

Invesco employs a multi-faceted approach to oversight and risk management that is deeply embedded in the firm's culture, organisational governance and business structure. 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. These investment teams' processes are bolstered and overseen by multi-dimensional independent controls.

Invesco's Global Performance Measurement and Risk (GPMR) team is an independent function consisting of over 90 professionals providing comprehensive, detailed sources of information and analysis that will help Invesco better understand investment performance, quality, and risk. This team provides regular reviews of the performance and risk attributes of the various investment team disciplines to senior leadership.

With regards to firm-level risk management, Invesco'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.

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 regulatory requirements. The Invesco Compliance group (Compliance) 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 leadership regularly or as necessary.

The table overleaf visually presents how investment teams' processes are bolstered and overseen by multi-dimensional independent controls.

These controls include:

- The GPMR team (consisting of over 90 professionals), an independent group responsible for analysing performance and activities, as well as position and risk, in the context of investment process and philosophy, market environment and client expectations.
- Invesco's senior leadership oversight, comprised of:
 - Reporting lines running from investment team CIOs who have day-to-day responsibility for investment team risk controls up to the Invesco Senior Managing Director having management responsibility for the investment team.
 - Quarterly and monthly reviews, performed based upon investment performance and risk analytics of each investment discipline produced by the GPMR team. These reviews are conducted by the CEO and those Senior Managing Directors who oversee the investment teams.
 - Review of operational controls and related corporate exposures by the Invesco Corporate Risk Management Committee.

Invesco Global Liquidity - London

Invesco Fixed Income - London

- Regular review of investment matters by the Invesco Board of Directors and independent Fund Boards, 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'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.

Risk Oversight and Governance	Board of Directors and Fund Boards			
	Executive Management Team			
Risk Management Facilitation	Risk Areas of Focus	<ul style="list-style-type: none">▪ Investment▪ Credit/Asset/Liability	<ul style="list-style-type: none">▪ Financial▪ Operational	<ul style="list-style-type: none">▪ Business
	Global Performance Measurement and Risk <ul style="list-style-type: none">▪ Facilitates investment oversight function▪ Independently reviews investment execution and process application▪ Monitors consistency of investment results with mandates, market environments, client and CIO expectations▪ 90+ professionals	Corporate Risk Management Committee <ul style="list-style-type: none">▪ Timely and consistent identification, evaluation and mitigation of operational and business risk▪ Senior executives from all major business functions including:<ul style="list-style-type: none">– Investment management/trading– Product management– Administration (information technology, investment operations, human resources, procurement)– Portfolio operations– Legal and compliance– Finance and internal audit– Strategy		
Risk Management Embedded in the Business	Investment Risk Management Managing our core risks through the investment centers			
	Business/Operational Risk Management Managing all other risks in the business			
Internal Control	Compliance and Internal Audit Facilitate and monitor internal control at all levels			

For illustrative purposes only.

Invesco Global Liquidity - London

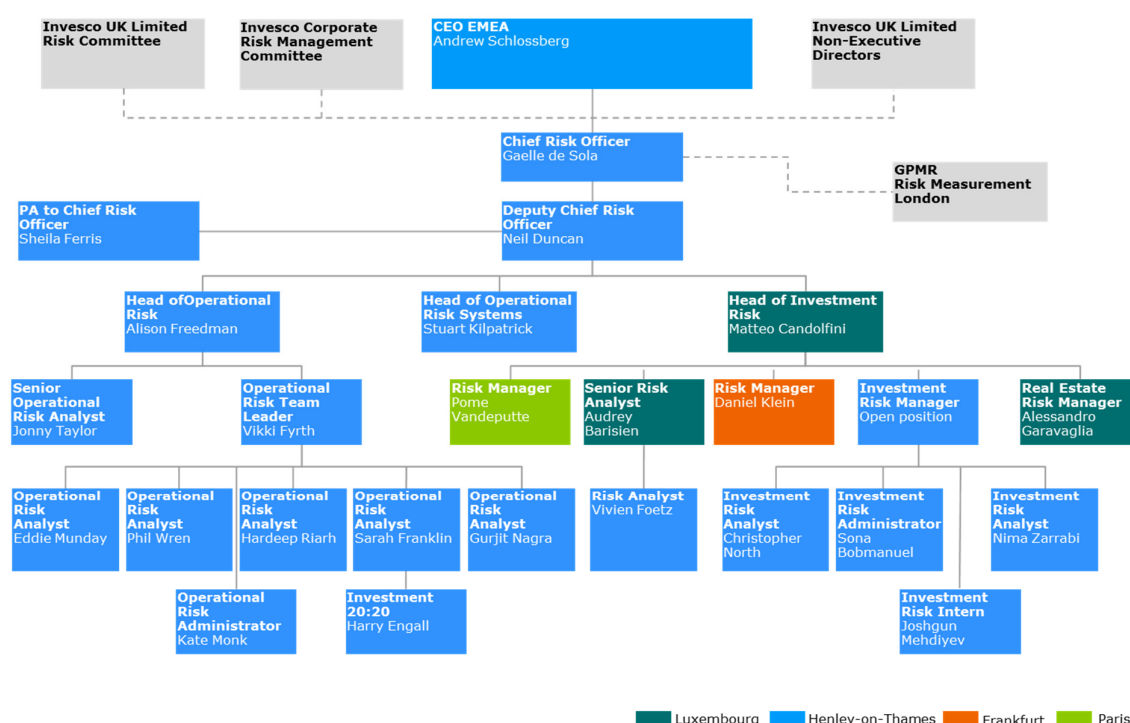
Invesco Fixed Income - London

Invesco's Independent Risk Function (IRF) in EMEA

Independent Risk Function (IRF) in Europe, the Middle East and Africa (EMEA)

Gaelle de Sola, Chief Risk Officer for EMEA, leads the IRF 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 market, liquidity and counterparty risk) for the firm's UK and European (France, Ireland and Luxembourg) domiciled UCITS funds, Alternative Investment Funds (AIFs) and other relevant portfolios.

Gaelle reports directly to Andrew Schlossberg CEO of Invesco EMEA, Senior Managing Director of Invesco and Head of Invesco's EMEA region. The chart below illustrates the framework in which the IRF functions:



Source: Invesco as at 4 January 2017.

The IRF is an independent assurance function for Invesco UK Limited², and respectively all Invesco entities within EMEA. Its aim is to support and facilitate directors, senior management and the business in assessing, managing, monitoring and reporting all of Invesco's risks in EMEA. Risks that are assessed by the business or the senior management team to be inadequately managed, outside of Invesco's policies and procedures, risk appetite, best practice and regulatory requirements, are reported together with recommended actions for their risk reduction within the Invesco tolerance level. The IRF has a duty to highlight where risks may be inadequately or incorrectly assessed to the Invesco UK Limited Board to ensure appropriate attention is paid to these risks.

² Invesco UK Limited is the parent company of Invesco Asset Management Limited and Invesco Fund Managers Limited.

Invesco Global Liquidity - London

Invesco Fixed Income - London

The role of the IRF is to undertake independent risk controlling duties at both a company and fund level. The tasks and duties of the IRF encompass different areas that include the oversight of implemented actions, strategies and processes aimed to comply with regulatory requirements for internal audit, compliance, risk management and risk reporting. The IRF ensures relevant techniques for risk measurement and reviews regularly the adequacy of existing methods. Furthermore, the IRF is in charge of coordinating the execution of identification, evaluation and quantification of risks.

The activities of the two teams within the IRF are as follows:

Operational risk

- Facilitate and coordinate the quarterly risk self-assessment (RSA) process and independently challenge the RSAs completed by each business function
- Active management and administration of the risk management module of B Wise, the system used to record incidents and risks
- Provide operational risk information for capital requirements directive purposes e.g. for the ICAAP (Internal Capital Adequacy Assessment Process), including quantified aggregated inherent impact exposures and viable stress-test scenarios
- End-to-end management of the incident reporting module of B Wise including independently following up on and ensuring effective mitigation of incidents logged by the business and investigation of systemic and thematic issues

Investment risk

- Independently monitor, quantify and assess all investment-related risks within and across products during the new product development phase and within the life of a product
- Monitoring of portfolio risk limits (regulatory and internal) with application of the escalation process
- Communicate/heighten awareness and escalate investment-related risks, on an ad hoc basis as warranted, through regular 'risk challenge' sessions with fund managers
- Derivatives risk management oversight
- Oversight of risk systems, models and analytics

The IRF is also responsible for setting up adequate risk management policies to reflect processes and guidelines in place to ensure they are in line with regulatory standards across EMEA as well as best practices and oversee their implementation.

Additionally, the IRF is in charge of risk reports for senior management and boards and communication on risk-related matters to internal and external stakeholders.

The IRF collaborates closely with other risk experts within the firm, in particular the GPMR team, an independent function consisting of over 90 professionals. GPMR is responsible for analysing performance and activities, as well as position and risk, in the context of investment process and philosophy, market environment and client expectations. In particular, in EMEA, the GPMR team focuses on the production of risk metrics, such as the Value-at-Risk (VaR), stress-testing or liquidity risk analysis.

Invesco Global Liquidity - London

Invesco Fixed Income - London

Strategy overview

Global Liquidity

Investment strategy and risk

Invesco Global Liquidity is committed to a disciplined approach that includes a primary focus on safety of principal and daily liquidity, while seeking to deliver a competitive yield. The portfolio offers prime, government/Treasury and tax-free/tax-exempt funds to meet clients' liquidity management needs. The funds pursue this objective by investing primarily in short-term, high quality money market instruments including US dollar-denominated obligations, Sterling-denominated obligations and Euro dominated obligations. The majority of the funds are AAA-rated by at least one of the Nationally Recognized Statistical Rating Organizations.

The inherent risks of money market funds include liquidity risk, interest rate risk and counterparty risk. The Invesco Global Liquidity investment team seeks to mitigate and minimize these risks by performing daily assessments of market liquidity, events and portfolio liquidity positions. Portfolio allocation is based on multiple liquidity parameters. Stress testing is performed regularly on the portfolios to determine the potential impact on US\$1 Net Asset Value. Moreover, the credit research team is responsible for the daily monitoring the credits on the Approved List to determine credit worthiness and risk to the portfolio. The credits are also subject to an annual review.

Important information

The information contained in this document relating to the composition of the portfolio of any fund 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).

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.

All data is as at 31 December 2016, sourced from Invesco unless otherwise stated.

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

As with all investments there are associated risks. Please obtain and review all relevant materials carefully before investing.

Invesco Perpetual is a business name of Invesco Asset Management Limited, Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire RG9 1HH, UK. Authorised and regulated by the Financial Conduct Authority.

UK1240

Contact information

Christopher Edge

Director of UK Compliance

Telephone +44 (0) 1491 416032

Christopher.Edge@invesco.com

Invesco Asset Management Limited

Perpetual Park

Perpetual Park Drive

Henley-on-Thames

Oxfordshire

RG9 1HH

UK

www.invesco.com

Appendix E

Invesco Fixed Income London Product Profile



Strategy profile

Invesco Global Aggregate Bond strategy

Invesco Fixed Income - London

February 2017



Invesco Global Aggregate Bond strategy
Invesco Fixed Income - London

Corporate overview	3
Investment team & assets under management	3
Investment philosophy	<u>6</u>5
Investment process	<u>7</u>5
Risk management	<u>16</u>12
Strategy overview	<u>21</u>19

Invesco Global Aggregate Bond strategy

Invesco Fixed Income - London

Corporate overview

Invesco Ltd. (Invesco)

Invesco is one of the world's leading independent global investment firms, solely focused on investment management. With 6,788 employees worldwide as at 31 December 2016, the firm directs all of its intellectual capital, global strength and operational stability toward helping investors achieve their long term financial objectives. By delivering the combined power of the firm's distinctive investment management capabilities, Invesco provides a wide range of investment strategies and vehicles to retail and institutional clients around the world. Operating in over 20 countries, the company is listed on the New York Stock Exchange under the symbol IVZ.

Invesco offers diversified investment strategies spanning all major equity, fixed income, asset allocation and alternative asset classes. These strategies are managed across various worldwide investment centres, each of which focus on distinct asset classes, investment styles or regional expertise and adhere to clearly defined investment philosophies aligned with client expectations. Each team is able to operate independently, allowing them to follow and further their specific investment style and expertise.

To further strengthen its investment culture, Invesco also maintains an active Investors Forum that consists of senior investment professionals from each investment centre. Co-chaired by Chief Executive Officer (CEO) Martin L. Flanagan and Senior Managing Director Karen Dunn Kelley, the role of the Investors Forum is primarily to foster, promote and grow investment excellence across the organisation.

Invesco's distinctive combination of independent thought within individual investment centres and collaboration across investment centres provides clients the reach and resources of a global organisation and the focus and attention of a boutique firm: Invesco's investment capabilities are both diverse and specialised; the firm is global in reach yet local in presence and its processes are disciplined yet can be delivered in customised ways. All of which distinctively positions Invesco to keep pace with clients' evolving investment needs worldwide.

Invesco Global Aggregate Bond strategy

Invesco Fixed Income - London

Investment team & assets under management

Invesco Fixed Income's (IFI) organisational structure and investment teams are aligned with the investment process and include defined responsibility and accountability for analysis, implementation, and review of key elements of investment risk. As such, there are clear functional reporting lines for fundamental research teams (bottom up analysis) and macro research (top down) comprising rates and currency teams. Collectively, the IFI global investment platform has 165 investment professionals, as at 31 December 2016.

Please see the team structure illustrated below:

Greg McGreevey Chief Executive Officer Invesco Fixed Income									
Portfolio Management and Trading									
Scott Baskind Head of Global Senior Loans	Tony Wong¹ Head of Global Research & Liquidity	Joe Portera CIO, High Yield and Multi-Sector Credit	Lyman Missimer Head of Municipals	Michael Hyman CIO, Global IG and Emerging Markets	Rich King/Mario Clemente Heads of Structured Investments	Rob Waldner Head of Global Macro and Chief Strategist			
Bank Loans	Global Liquidity	High Yield	MSC	Municipals	Investment Grade	Emerging Markets	Structured Credit	Stable Value	Macro
PM/Trader: 6 Avg Exp: 20 years	PM/Trader: 12 Avg Exp: 17 years	PM/Trader: 5 Avg Exp: 23 years	PM/Trader: 1 Avg Exp: 24 years	PM/Trader: 6 Avg Exp: 24 years	PM/Trader: 10 Avg Exp: 19 years	PM/Trader: 4 Avg Exp: 23 years	PM/Trader: 8 Avg Exp: 21 years	PM/Trader: 7 Avg Exp: 21 years	PM/Trader: 9 Avg Exp: 27 years
Global Research									
Tom Ewald/Kevin Egan* Heads of Private Side Research	Tony Wong¹ Head of Global Research & Liquidity		Rob Kuster Head of Structured Research		Ray Uy Head of Macro Research				
Private Side Research	Public Side Research		Structured Research		Macro/Quantitative Research				
Analyst: 22 Avg Exp: 15 Years	Analyst: 39 Avg Exp: 17 years		Analyst: 14 Avg Exp: 20 years		Analyst: 12 Avg Exp: 12 years				

165 Investment Professionals : 75 PMs/Traders and 90 Analysts

Please note some Portfolio Managers may serve a dual function as Analysts.

¹ Included in analyst count. * Included in PM count. Average experience includes team heads, while counts do not. Investment professional data as at 31 December 2016.

Responsibility for the portfolio management of the Invesco Global Aggregate Bond strategy rests with the Global Aggregate Bond Portfolio Management Team based in London, reporting to Rob Waldner, Chief Strategist and Head of Global Macro, and Ray Uy, Head of Macro Research and Global Multi-Sector Portfolio Management, both based in IFI's head office in Atlanta. The team operates within the interconnected framework of IFI's investment platform with daily interaction taking place with investment colleagues globally. The product has two dedicated portfolio managers, Josef Portelli and Lyndon Man. Please see the team structure illustrated below:

Invesco Global Aggregate Bond strategy

Invesco Fixed Income - London



Rob Waldner

Chief Strategist & Head of Global Macro

30 Years Experience



Ray Uy

Head of Global Macro Research & Multi-Sector Port Mgmt

23 Years Experience



Josef Portelli

Portfolio Manager

15 Years Experience



Lyndon Man

Senior Portfolio Manager

15 Years Experience

Responsibilities

- Aggregate performance ownership
- Asset allocation across sectors
- Aggregate risk management

Investment Strategy Team (IST)

Rob Waldner

Chair

Chief Strategist & Head of Global Macro

30 years experience

Greg McGreevey

CEO Invesco

Fixed Income

31 years experience

Michael Hyman

CIO, Global Investment Grade & Emerging Markets

26 years experience

Gareth Isaac

CIO, EMEA

20 years experience

John Anzalone

SPM, Head of Structured Securities Portfolio Mgmt

28 years experience

Tony Wong

Head of Global Research & Liquidity

22 years experience

Joseph Portera

CIO, High Yield & Multi-Sector Credit

36 years experience

Ray Uy

Head of Global Macro Research & Multi-Sector Portfolio Mgmt

23 years experience

Global Resources

Rates

25 Investment professionals

18 years average experience

Credit

90 Investment professionals

16 years average experience

Currency

20 Investment professionals

17 years average experience

Source: Invesco, as of 1 January 2017. Subject to change without notice. Years of experience subject to rounding.

Invesco Global Aggregate Bond strategy

Invesco Fixed Income - London

Assets under management

As at 31 December 2016 assets managed under Invesco Global Aggregate Bond strategy totaled US\$1.6 billion.

Investment philosophy

IFI believes achieving good performance in fixed income markets requires a global team focused on:

- 1) Understanding macro developments to identify market opportunities and direction
- 2) Determining idiosyncratic opportunities available in individual securities
- 3) Combining macro exposures and security selection in a thematically-driven, risk controlled portfolio construction process

Global team with scale and experience

IFI believes that to address the complexity of fixed income markets, it is critical to employ a global team with the scale and experience to distill wide coverage of the world's markets into convicted investment views. It is equally important to have experienced portfolio managers responsible for building portfolios in a highly risk aware portfolio construction process designed to meet client objectives.

Attention to market cycles

IFI believes drivers of fixed income returns can change at different points within a market cycle. At times, market direction may matter more than individual security selection, and vice versa. IFI's organization and processes have been designed to uncover these changing drivers and opportunities throughout market cycles and across global markets.

Fundamental research, integrated into key themes and risk positioning strategy.

IFI believes sound fundamental research is critical for successful long-term investment results. As such, fundamental macro and credit research form the foundation of IFI's investment views. The extensive and focused resources of the team facilitate determination of a broad opportunity set of thoroughly vetted ideas. Investment views are integrated into broad themes to direct individual investments and overarching risk-positioning strategy appropriate for a given environment.

Risk-focused portfolio management

IFI believes clearly articulated objectives and a highly risk-aware portfolio construction process are critical for generating risk-efficient returns. Because individual fixed income securities can have multiple types of risks embedded within them (rates, credit, currency, sector, issuer specific), IFI believes portfolio construction should be done within a risk-controlled framework that clearly identifies desired risk composition and avoids unintended risk exposure. Portfolio managers blend the IFI team's qualitative and quantitative research into optimized risk exposures to meet client objectives. They use a technology platform that integrates trading and portfolio management and allows for a real-time view on risk exposures.

Experience, collaboration and high accountability

IFI has designed its platform and processes to align with its beliefs about fixed income markets. Research capabilities are global, with experienced investment professionals working together to identify opportunities across local markets. The IFI platform offers the coverage necessary to generate a broad range of recommendations appropriate for any given environment. A deliberate focus on collaboration and connectivity across the platform thoroughly vets ideas and distills them into highly convicted recommendations.

Invesco Global Aggregate Bond strategy

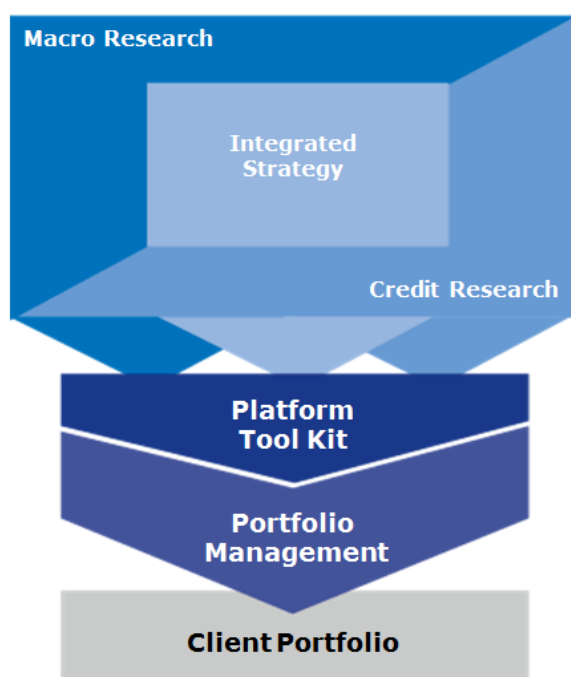
Invesco Fixed Income - London

From this opportunity set, portfolio management teams, who are fully accountable for the performance of client portfolios, work with research and trading professionals to identify the best ideas for each portfolio.

Investment process

The Investment Strategy Team (IST)

The IST has overall responsibility for oversight of the investment research and recommendation process. The IST integrates the views of research and portfolio management teams from across the IFI platform. Experienced and specialized macro and credit research teams use well-defined processes to generate investment recommendations that are derived consistently over time, allowing for comparison and prioritization of views across the platform and targeting repeatable results. The integration of the IST is a differentiating feature of our process that we believe is critical for finding opportunities and achieving the best results for clients.



For illustrative purposes only.

Our investment process builds on key components

- Fundamentally-based macro and credit research generate investable views, themes and input for strategy
- Integrated strategy determines views on market direction, risk positioning, and asset allocation
- Portfolio managers utilize platform views (the tool kit) for client portfolios
- Risk management is integrated throughout our process

The output of the IST includes:

- Strategic view of the macro and credit environment for a 12-18 month horizon
- Key themes and risks that are likely to drive market performance
- Tactical (3-month, revisited monthly or more often as needed) views on overall risk positioning, the allocation of risk across rates, currencies and credit sectors, and recommended positioning within these areas, expressed as a model portfolio
- Tactical (3-month, revisited monthly or more often as needed) asset allocation views of credit, including 3-month expected returns

We record and communicate this output transparently and share it broadly to all investment professionals across our platform.

Invesco Global Aggregate Bond strategy

Invesco Fixed Income - London

IST Membership and Composition

The composition of the team includes many of IFI's most senior and experienced investment professionals, including those who lead research and portfolio management teams. We detail the IST membership in the table below.

IFI Investment Strategy Team			
Name	Title	Industry Experience (Years)	Years with Invesco
Rob Waldner	Chief Strategist, Head of Global Macro, IST Chair	30	3
Greg McGreevey	IFI CEO	30	5
Ray Uy	Head of Macro Research	23	4
Tony Wong	Head of Global Credit Research & Liquidity	22	20
Michael Hyman	CIO, Global Investment Grade & Emerging Markets	26	3
Joe Portera	Head of Global High Income	36	4
John Anzalone	Head of Structured Securities Portfolio Management	28	14
Gareth Isaac	CIO EMEA	19	0

Source: Invesco, as at 31 December 2016. Years subject to rounding.

This composition, coupled with additional investment professionals who participate in weekly IST meetings, ensures that macro and credit sector points of view are integrated into the IST's outlook and recommendations. Further, this composition ensures portfolio management – the primary consumer of IST positioning calls – is an integral participant in the IST process.

IST Output and Implementation in Portfolios

Portfolio managers use the recommendations from the IST to guide portfolio construction in accordance with client guidelines and performance and risk objectives. Portfolio managers have discretion in their use of these recommendations; however, they may not go against the directional recommendations of the IST. Ultimate accountability and responsibility for performance and risk positioning lie with portfolio managers.

Portfolio managers participate in periodic portfolio review meetings where portfolio performance attribution and forward looking risk positioning are reviewed relative to the model portfolio, asset allocation, and other platform recommendations. Participants in portfolio reviews include portfolio managers, Rob Waldner – Chief Strategist, Greg McGreevey – IFI CEO, the head of the relevant portfolio management team and representatives from Invesco's independent fixed income risk function.

Research

The portfolio managers conduct their own research whilst working closely with the IST and IFI analysts to form their investment opinion. It is the portfolio manager's responsibility to leverage the interconnected global team to drive value and, with the fully informed

Invesco Global Aggregate Bond strategy

Invesco Fixed Income - London

perspective from IFI's macro views, the portfolio manager provides his input for further analysis.

Macro Research

Summary

IFI's Global Macro team's process is designed to generate actionable recommendations for duration, yield curve, and currency positioning across major countries and regions of the world. The framework also provides the basis for assessing credit and economic cycles across countries and regions. The team's conclusions establish the macro economic backdrop for credit research, asset allocation and overall risk positioning.

The process begins with an assessment of structural and cyclical growth and inflation factors for G18 countries (G20 less Saudi Arabia and Argentina) and the relevant authorities' likely monetary, fiscal, and regulatory policy responses. They have a proprietary quantitative framework that establishes the baseline for this work. They then assess the appropriateness of the policy responses to determine a country or region's financial conditions and economic regime. They determine if the economy is in early stage expansion, late stage expansion, contraction, or recession. Our assessments of where economies reside within their economic and policy cycles, coupled with our assessments of valuation drive our positioning recommendations.

IFI use a systematic and disciplined approach in monitoring countries' economic data – that is, they follow and document key elements of their analysis consistently and transparently in an effort to ensure our process is repeatable. IFI's quantitative framework provides the foundation, and individuals with specific research responsibility, assigned by country or region, provide qualitative input on policy maker and political developments.

The Global Macro team's investment professionals present their analysis and conclusions for discussion at weekly rates and currency meetings. The team leverages quantitative tools to aid in the analysis, but investment recommendations are determined using the team's expertise and qualitative judgment. Research recommendations use an A through E scale where A is most attractive and E is least attractive. Views are documented and communicated electronically for efficient ease of access for consuming portfolio managers and other investment professionals.

Detailed Macro Approach

Structural Analysis

The Global Macro team applies a quantitative framework in conducting structural analysis to define an economy's output potential (real GDP potential). For major countries and/or regions, they define:

- 1) Labour pool (working age population)
- 2) Labour utilization (% of population that wants to work)
- 3) Productivity (output per unit of labour)
- 4) Catalysts for change in any of these factors

The team combines these to determine an economy's long-term growth potential.

Cyclical Analysis

The team assesses the rate at which an economy is currently growing using two approaches:

Invesco Global Aggregate Bond strategy

Invesco Fixed Income - London

- 1) They monitor G18 countries using 6 consistent factors in order determine their growth rates. This consistent approach allows us to conduct cross-sectional and relative value analysis across these countries' fundamental factors.
- 2) They conduct granular analysis using 25 factors (6 common and 19 unique to each country) in order to assess the rate at which a country is growing at the moment. This is our "Nowcasting" estimate.

Using these two assessments, they then make a determination about how fast a country is currently growing relative to its potential growth in order to understand the level and prospective change in its output gap.

Policy Response Analysis

The team determines what the policy response – monetary, fiscal, and regulatory – is likely to be given their assessment of current growth relative to structural potential as well as what the drivers of growth and inflation are - for example, they determine if growth and inflation drivers are domestic or globally driven. If current growth is greater than potential, current policy is accommodative and likely to be tightened. Conversely, if current growth is less than potential, current policy is restrictive and thus likely to be eased. Their expected policy response is determined qualitatively, integrating our macro team members' collective expertise and analysis of the political economy combined with quantitative valuation tools including our growth and Nowcasting models.

Macro Positioning

The team's macro positioning decisions are determined at weekly macro team meetings where dialogue, challenge and debate are encouraged. Global Macro team members provide qualitative perspectives in a focused and fact-based discussion to ratify or refute the conclusions from quantitative analysis. Team country experts define prospective outcomes on policy given our analysis of policymakers' incentives and politics. The analysis is applied across two objectives:

- 1) Defining the current economic regime: Their ability to forecast/evaluate policy relative to current growth and inflation helps them navigate the transition across economic regimes.
- 2) Rates and currency positioning: Their regime analysis maps directly into expectations for both the direction and relative value of the universe of markets they cover.

They assess the intrinsic value of bond yields and currencies and compare this intrinsic value to current market pricing in order to identify trade opportunities. Their "rates" trades identify opportunities for directional, valuation or curve positioning views of a government bond market or markets. For currency trades, we identify trades that provide opportunities for carry, valuation changes, directional movement, momentum, or insurance ("risk off") positioning.

Communication

The team's conclusions are recorded in consistent language on an A through E scale (A is most attractive, E is least attractive) and in a model portfolio that identifies optimized risk positioning. Recommendations are recorded in published minutes and on their global communication platform where they can be accessed by all investment professionals.

Invesco Global Aggregate Bond strategy

Invesco Fixed Income - London

The Macro Research Component

Econometric Assessment

Regime & Policy
Determination

Thematic &
Opportunistic
Ideas

Seasoned Macro Team

- Our deep and experienced team integrates local market knowledge with a global approach
- Country-specific, learning-based quantitative modeling is employed in a framework allowing easy comparison across markets
- Seasoned local experts utilize detailed country analysis and quantitative results to generate rates and currency positioning
- Our platform communicates decisions broadly in a standardized format

For illustrative purpose only.

Credit Research

Credit research is conducted by credit research analysts who are functionalized by asset class, but also integrated as a global research team in order to provide consistency of approach and output.

IFI's specialized credit research teams' processes aim to generate actionable investment recommendations for portfolio managers. IFI target a consistent approach across all their specialized research teams, recognizing, however, that each asset class may require nuanced analysis. Recommendations are crafted using a "score card approach"; that is, they look at specific factors consistently over time in an effort to produce thorough and repeatable recommendations. To capture the information advantages of their global multi-asset class footprint, IFI share and cross-examine views across geographies, industries, asset classes, and capital structure, leveraging their analysts' insights. Research recommendations are documented transparently, so portfolio managers across the global platform can compare opportunities within and across asset classes. IFI's credit research is a critical component of their efforts to produce strong results for clients.

- Fundamental credit research is a foundational element of IFI's broad capabilities
- IFI have a rich legacy of research in their people, process, and platform
- IFI's credit research team is well-resourced and experienced
- IFI review ideas across their teams to leverage their analysis
- IFI distil their ideas into investable credit trends, themes and ideas to drive performance

Credit Research Process

IFI's credit research provides a starting point for determining investable ideas for client portfolios. All public credit research teams share a common approach. Analysts review the fundamental credit quality of an issuer and assign an **Issuer Fundamental Rating** (AAA, AA, A, BBB, BB, B, CCC, D) and an assessment of **Credit Trend** (Improving, Stable, Deteriorating over the next 12-18 months) for what is typically a senior unsecured

Invesco Global Aggregate Bond strategy

Invesco Fixed Income - London

security of that issuer. The Issuer Fundamental Rating assesses the creditworthiness and default risk of a particular issuer using financial metrics that are used platform-wide as well as both qualitative and quantitative factors that have particular importance for a given asset class or sector. For example, for high yield issuers, an assessment of asset coverage and debt service-ability (as measured by free cash flow to debt) are integral to the analysis. For emerging market issuers, corporate governance factors are essential. For municipal issuers, analysis of a state or municipality's demography and tax policy are important.

The Credit Research Component



For illustrative purposes only.

Rigorous Credit Analysis

- IFI's research teams are well-resourced and consistently apply a systematic global framework
- Macro research views provide a consistent starting point
- Standardised decisions and regular forums provide comparability across geography, asset classes, industries and quality
- PMs & analysts synthesise research into thematic ideas and high-conviction security selection

Analysts may also provide a **Security Fundamental Rating** for securities of an issuer that may differ from the proxy security used for the Issuer Fundamental Rating. These differences may be due to seniority, domicile, structure, or liquidity or any other factor that impacts that security's credit worthiness. For example, different ratings might result for senior and subordinated holding company and operating company debt of the same issuer.

Coverage

IFI's combined public credit research team covers more than 3,500 issuers across the short term, investment grade, high yield, emerging market and municipal markets. Analysts have responsibility for following the creditworthiness and risk profiles of issuers and securities in designated areas of coverage whether owned or not. For all but short term (US 2a7 money market eligible) investments, the documentation of this analysis differs across three defined tiers of issuers. Tier 1 issuers are large current holdings and/or those that are of significant size in the market or benchmarks. Tier 2 issuers are current holdings, but of smaller size than Tier 1, and/or are of less significance to the market or benchmarks. Those in Tier 3 are not held currently and are of limited significance to the market and benchmarks. Inclusion in these tiers is fluid as opportunities arise and wane, and the tiers facilitate prioritization for those areas that are most relevant for client portfolios. The analysis of Tiers 1 and 2 receive the greatest documentation and communication on the platform. Global Liquidity research analysts who have responsibility for US 2a7 money market eligible instruments provide issuer recommendations for an approved list.

Invesco Global Aggregate Bond strategy

Invesco Fixed Income - London

Valuation Assessment

For the investment grade, high yield, and emerging market sectors, analysts provide additional ratings incorporating views on the market opportunity for particular securities. The **Price Target** identifies the direction and magnitude of the opportunity. The **Allocation Rating** (A-E scale, with A most attractive and E least attractive) identifies whether the analyst rates the security a buy, hold, or sell. The Allocation Rating aggregates all the objective and subjective views of fundamentals and valuation, the risk of the view, and the conviction level of the recommendation. Analysts are responsible for adjusting these assessments as these elements change. Any changes are documented and communicated across the platform.

This analysis and these ratings form the starting point for inclusion of these ideas in portfolios. Once analysts have assessed issuers and assigned ratings on securities, various forums exist for examination and comparison of views with other analysts and portfolio managers:

- **Industry Team:** Eight teams comprised of analysts with common industry coverage (consumer, energy, financials, health care, industrials, municipals, real estate, telecom/media/technology) from various asset classes and geographies rotate through a regular meeting with representatives of portfolio management teams, facilitating use of ideas from all asset classes in portfolios across the platform, not just in the respective single asset class portfolios.
- **Credit Sector Teams:** Formal and informal dialogue occurs among analysts and portfolio managers within asset classes to provide direction and identify opportunities for client portfolios. Individual asset class teams compile scorecards of fundamental, valuation and technical factors and provide an assessment of the return opportunity for the particular asset class.
- **Credit Strategy Team:** This team is led by the Head of Global High Income, the Head of Investment Grade Credit, and the Head of Global Credit Research. It includes analysts from various geographies, asset classes, and industries. This team aggregates the fundamental, valuation, and technical factors and the return forecasts provided by each asset class, prioritizing opportunities. They also assemble key credit related themes that are likely to drive returns. These themes result from the interaction of investors across the platform. Examples include macro related views (e.g. weakness in China is likely to result in weak commodity prices), supply and demand related ideas (e.g., merger and acquisition activity is likely to result in expanded supply in investment grade bonds; foreign demand is likely to support interest in the long end of the credit curve), industry related views (e.g. the regulatory environment will reduce leverage in the financial sector). The output of the Credit Strategy Team is documented and communicated electronically. It is also presented to the Investment Strategy Team at the credit focused meeting that occurs during the second week of the month.
- **Sector Forum:** All investment professionals are invited to attend the monthly Sector Forum where a summary of the Macro Team's views are presented and all asset class specific credit teams present their outlooks in a quarterly rotation.

Benefits to platform and client portfolios

IFI's credit research teams cover a vast array of geographies, asset classes, industries and issuers. Assessing opportunities and communicating those opportunities in a useful and efficient format for the benefit of client portfolios is a complex task. IFI's centralized research effort allows harnessing information advantages from IFI's multi-asset global footprint in a way that fosters consistency, transparency, comparability, and repeatability of outcomes. IFI's culture and process promote interaction and communication formally and informally across and within specific research teams and with portfolio management

Invesco Global Aggregate Bond strategy

Invesco Fixed Income - London

teams. Finally, IFI's structure provides embedded back-up coverage across industries and regions, allowing the business to minimize key-person risk and ensure required coverage.

Portfolio construction – buy / sell discipline

Portfolio managers are accountable and responsible for meeting portfolio risk and return objectives whilst adhering to guidelines. In doing so, portfolio manager's focus on strategy, implementation and risk management:

- **Strategy;** Using the broad set of ideas generated by the IFI platform, portfolio managers identify relevant investments to achieve portfolio objectives
- **Implementation;** Through understanding market conditions and portfolio characteristics the portfolio manager implements the appropriate level of risk positioning
- **Risk Management;** By undertaking a continual assessment of the portfolio's risks, portfolio manager's aim to ensure the portfolio is optimally and appropriately positioned given their outlook and the views of the IFI platform

Strategy

The portfolio is actively managed and focuses on delivering attractive risk adjusted returns through the implementation of strategic investment themes. Portfolio managers have the output of the IFI platform at their disposal in order to identify the most appropriate investment themes for the portfolio. These themes are designed to capture market direction as well as isolate relative value opportunities within bond markets globally through recognising what are believed to be the key macro drivers going forward. Themes are constructed using security selection in order to best represent the view and capture the highest risk adjusted returns within the guidelines of the strategy.

Predominantly the themes target:

- Spread
- Duration
- Inflation
- Currency

Tactical opportunities are also targeted as a source of alpha and are considered to be more short term in nature and nuanced when compared with the strategic themes mentioned above. These include:

- Emerging Markets
- High Yield

Implementation

Ensuring the efficient implementation of investment themes is a key element of the portfolio manager's responsibilities. In order to achieve this they are able to draw on their knowledge of market conditions through the analysis of key indicators, which include:

- Liquidity
- Flows
- Issuance
- Seasonality
- Sentiment
- Positioning Data

Invesco Global Aggregate Bond strategy

Invesco Fixed Income - London

The assessment of these indicators when combined with the strategy's guidelines allow the portfolio manager to best establish the appropriate timing of implementation as well as security selection, aided by the IFI platform.

In addition to assessing exactly when to implement a theme into the strategy as well as the instruments to use, the portfolio manager must size the theme accordingly to generate the highest risk adjusted returns achievable within the strategy's guidelines. The portfolio managers are benchmark aware and use various risks measures to ensure the balance between risk and reward. Specifically in the management of this strategy, the team use a combination of measures including tracking error, price volatility, interest rate sensitivity and return correlation when constructing themes.

Risk Management

Risk management occurs at every stage of the investment process; whether undertaking a complete assessment of market conditions before implementing a theme or optimising the positioning of the theme through valuation models (i.e. momentum & econometric), units of risk (i.e. tracking error, volatility) and theme characteristics (i.e. interest rate sensitivity measures & return correlation) to achieve the desired level of diversification.

IFI's global portfolio management platform, BRS Aladdin, allows positions to be modelled in portfolios before they are implemented as well as stress testing functionality to aid the assessment of risks. The IFI approach conducts analysis to determine portfolio sensitivity to the movement of a comprehensive set of market factors. Managers calculate "scenario betas" to estimate the portfolio impact of changes in these factors in different market environments. This allows the managers to illustrate the effect of pre-defined shocks on the portfolio over a single trading day. In addition, scenario analysis can be undertaken by the portfolio manager at any time through the BRS Aladdin desktop system to instantly assess how the portfolio would be affected under a wide range of historical and hypothetical stressed market conditions. Lastly, through back-testing models and assumptions the portfolio manager continually re-assesses the strategy & implementation undertaken.

Rob Waldner, Head of Global Macro and Chief Strategist and Ray Uy, Head of Global Macro Research & Multi-Sector Portfolio Management, are responsible for the managerial oversight of how the investment themes are working in each portfolio and to what extent the portfolio is within its risk budget.

Sell Discipline

Once a security is included in a portfolio, analysts continue to monitor the issuer and security's fundamentals, valuation, and supply/demand dynamics relative to other securities. Portfolio managers may sell securities for the following reasons:

- 1) **Valuation.** Analysts identify price targets and review levels as part of their recommendation. As these target/review valuation levels are achieved, analysts review investments to determine if action is required.
- 2) **Fundamentals.** Analysts conduct ongoing fundamental analysis of issuers and securities. Deterioration in fundamentals may precipitate a sale of securities.
- 3) **Relative Value.** Research teams work with portfolio managers continuously to assess the relative value of existing and potential holdings. Should a potential opportunity offer better relative value than an existing holding, portfolio managers may sell the existing holding.
- 4) **Asset Allocation, Macro and Risk Characteristics.** In constructing portfolios, portfolio managers establish desired asset allocation, risk and macro positioning characteristics including, for example, sector, duration or other thematic positioning. As their outlook changes, portfolio managers may reassess portfolio holdings to achieve new positioning targets for the entire portfolio. A sale of securities could result.

Invesco Global Aggregate Bond strategy

Invesco Fixed Income - London

Risk management

Invesco employs a multi-faceted approach to oversight and risk management that is deeply embedded in the firm's culture, organisational governance and business structure. 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. These investment teams' processes are bolstered and overseen by multi-dimensional independent controls.

Invesco's GPMR team is an independent function consisting of over 90 professionals providing comprehensive, detailed sources of information and analysis that will help Invesco better understand investment performance, quality, and risk. This team provides regular reviews of the performance and risk attributes of the various investment team disciplines to senior leadership.

With regards to firm-level risk management, Invesco'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.

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 regulatory requirements. The Invesco Compliance group (Compliance) 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 leadership regularly or as necessary.

The table overleaf visually presents how investment teams' processes are bolstered and overseen by multi-dimensional independent controls.

These controls include:

- The GPMR team (consisting of over 90 professionals), an independent group responsible for analysing performance and activities, as well as position and risk, in the context of investment process and philosophy, market environment and client expectations.
- Invesco's senior leadership oversight, comprised of:
 - Reporting lines running from investment team CIOs who have day-to-day responsibility for investment team risk controls up to the Invesco Senior Managing Director having management responsibility for the investment team.
 - Quarterly and monthly reviews, performed based upon investment performance and risk analytics of each investment discipline produced by the GPMR team. These reviews are conducted by the CEO and those Senior Managing Directors who oversee the investment teams.
 - Review of operational controls and related corporate exposures by the Invesco Corporate Risk Management Committee.

Invesco Global Aggregate Bond strategy

Invesco Fixed Income - London

- Regular review of investment matters by the Invesco Board of Directors and independent Fund Boards, 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'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.

Risk Oversight and Governance	Board of Directors and Fund Boards			
	Executive Management Team			
Risk Management Facilitation	Risk Areas of Focus	<ul style="list-style-type: none">▪ Investment▪ Credit/Asset/Liability	<ul style="list-style-type: none">▪ Financial▪ Operational	<ul style="list-style-type: none">▪ Business
		Global Performance Measurement and Risk <ul style="list-style-type: none">▪ Facilitates investment oversight function▪ Independently reviews investment execution and process application▪ Monitors consistency of investment results with mandates, market environments, client and CIO expectations▪ 90+ professionals	Corporate Risk Management Committee <ul style="list-style-type: none">▪ Timely and consistent identification, evaluation and mitigation of operational and business risk▪ Senior executives from all major business functions including:<ul style="list-style-type: none">– Investment management/trading– Product management– Administration (information technology, investment operations, human resources, procurement)– Portfolio operations– Legal and compliance– Finance and internal audit– Strategy	
Risk Management Embedded in the Business	Investment Risk Management Managing our core risks through the investment centers			
	Business/Operational Risk Management Managing all other risks in the business			
Internal Control	Compliance and Internal Audit Facilitate and monitor internal control at all levels			

For illustrative purposes only.

Invesco Global Aggregate Bond strategy

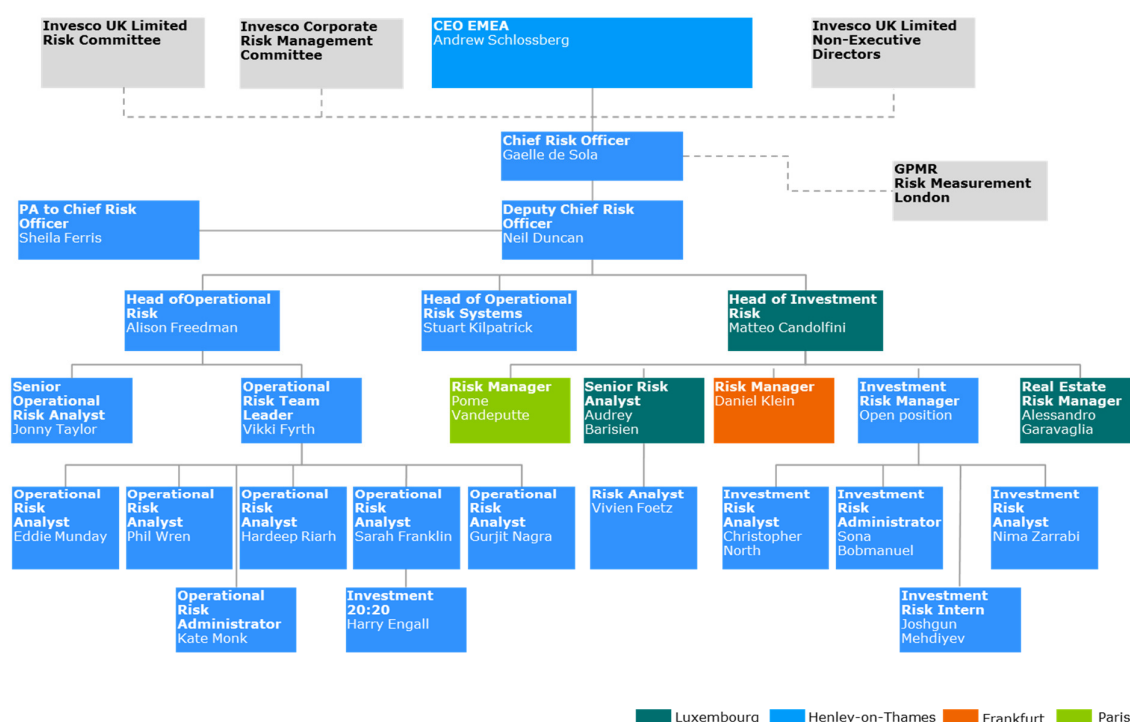
Invesco Fixed Income - London

Invesco's Independent Risk Function (IRF) in EMEA

Independent Risk Function (IRF) in Europe, the Middle East and Africa (EMEA)

Gaelle de Sola, Chief Risk Officer for EMEA, leads the IRF 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 market, liquidity and counterparty risk) for the firm's UK and European (France, Ireland and Luxembourg) domiciled UCITS funds, Alternative Investment Funds (AIFs) and other relevant portfolios.

Gaelle reports directly to Andrew Schlossberg CEO of Invesco EMEA, Senior Managing Director of Invesco and Head of Invesco's EMEA region. The chart below illustrates the framework in which the IRF functions:



Source: Invesco as at 4 January 2017.

The IRF is an independent assurance function for Invesco UK Limited¹, and respectively all Invesco entities within EMEA. Its aim is to support and facilitate directors, senior management and the business in assessing, managing, monitoring and reporting all of Invesco's risks in EMEA. Risks that are assessed by the business or the senior management team to be inadequately managed, outside of Invesco's policies and procedures, risk appetite, best practice and regulatory requirements, are reported together with recommended actions for their risk reduction within the Invesco tolerance level. The IRF has a duty to highlight where risks may be inadequately or incorrectly assessed to the Invesco UK Limited Board to ensure appropriate attention is paid to these risks.

¹ Invesco UK Limited is the parent company of Invesco Asset Management Limited and Invesco Fund Managers Limited.

Invesco Global Aggregate Bond strategy

Invesco Fixed Income - London

The role of the IRF is to undertake independent risk controlling duties at both a company and fund level. The tasks and duties of the IRF encompass different areas that include the oversight of implemented actions, strategies and processes aimed to comply with regulatory requirements for internal audit, compliance, risk management and risk reporting. The IRF ensures relevant techniques for risk measurement and reviews regularly the adequacy of existing methods. Furthermore, the IRF is in charge of coordinating the execution of identification, evaluation and quantification of risks.

The activities of the two teams within the IRF are as follows:

Operational risk

- Facilitate and coordinate the quarterly risk self-assessment (RSA) process and independently challenge the RSAs completed by each business function
- Active management and administration of the risk management module of B Wise, the system used to record incidents and risks
- Provide operational risk information for capital requirements directive purposes e.g. for the ICAAP (Internal Capital Adequacy Assessment Process), including quantified aggregated inherent impact exposures and viable stress-test scenarios
- End-to-end management of the incident reporting module of B Wise including independently following up on and ensuring effective mitigation of incidents logged by the business and investigation of systemic and thematic issues

Investment risk

- Independently monitor, quantify and assess all investment-related risks within and across products during the new product development phase and within the life of a product
- Monitoring of portfolio risk limits (regulatory and internal) with application of the escalation process
- Communicate/heighten awareness and escalate investment-related risks, on an ad hoc basis as warranted, through regular 'risk challenge' sessions with fund managers
- Derivatives risk management oversight
- Oversight of risk systems, models and analytics

The IRF is also responsible for setting up adequate risk management policies to reflect processes and guidelines in place to ensure they are in line with regulatory standards across EMEA as well as best practices and oversee their implementation.

Additionally, the IRF is in charge of risk reports for senior management and boards and communication on risk-related matters to internal and external stakeholders.

The IRF collaborates closely with other risk experts within the firm, in particular the GPMR team, an independent function consisting of over 90 professionals. GPMR is responsible for analysing performance and activities, as well as position and risk, in the context of investment process and philosophy, market environment and client expectations. In particular, in EMEA, the GPMR team focuses on the production of risk metrics, such as the Value-at-Risk (VaR), stress-testing or liquidity risk analysis.

Invesco Global Aggregate Bond strategy

Invesco Fixed Income - London

Investment monitoring

Invesco Fixed Income

Monitoring of investment risk within IFI is facilitated through BlackRock's Aladdin and Bloomberg Barclays POINT. Aladdin is used as IFI's global portfolio management platform. IFI's platform provides transparency and accountability for senior investment professionals to monitor and measure risk. Bloomberg Barclays POINT is employed by GPMR for additional performance and risk purposes.

The investment team principally uses the following sensitivity measures as part of the ongoing risk management process;

- Duration
- Spread duration
- Convexity
- Duration Times Spread (DTS)

At the representative account level, Invesco's Independent Risk Function (IRF) measures sensitivity using a relative Value at Risk approach in context of compliance with regulatory limits.

From a qualitative standpoint, the portfolio manager will meet with senior management on a fortnightly basis to discuss strategy characteristics and positioning in line with the challenge culture within IFI.

IFI also pursues a rigorous process to stress testing centred on regular (fortnightly) portfolio reviews. The BRS Aladdin platform enables extensive analysis of implied shocks on each portfolio. The IFI approach defines 13 diverse market factors against which scenarios betas are calculated to illustrate portfolio sensitivity to pre-defined shock levels reflecting a single trading day movement. Factors against which the portfolio is tested include commodity price shocks, equity market volatility, break even rates, currencies, global rates and a number of fixed income asset classes. These factors are listed below but should not be considered an exhaustive list of factors that can be accommodated:

- Oil
- S&P 500
- CPI 10 Year Break Evens
- VIX
- DXY
- Euro-US Dollar
- Pound Sterling-US Dollar
- Japanese Yen-US Dollar
- Mexican Peso-US Dollar
- 10 Year US Treasury
- Italy Spread Over Germany
- High Yield
- Investment Grade Corporates

BRS Aladdin generates the shocks using a risk model covariance matrix for a single day (using betas of other factors to the tested factor) in order to estimate the profit or loss on the portfolio.

In addition, scenario analysis can be undertaken by the portfolio manager at any time through the BRS Aladdin desktop system to instantly assess how the portfolio would be affected under a wide range of historical and hypothetical stressed market conditions.

Invesco Global Aggregate Bond strategy

Invesco Fixed Income - London

A summary of the main IT systems used by the IRF for risk management oversight is provided below:

Risks covered	IT system	Service provider	Use
Market	RiskMetrics	MSCI	Daily VaR and monthly stress-testing
Liquidity	Liquidity Analyser	RC Banken	Liquidity reports
Counterparty	GPMR internal database	GPMR (Internal)	Concentration exposure
Operational	BWise	NASDAQ OMX	Incident reporting and operational risk management
	Stress Controller	Risk Control	Capital adequacy assessments

Strategy overview

Global Aggregate Bond

Strategy name , manager and objective	Benchmark	Concentration
Invesco Global Aggregate Bond strategy Josef Portelli, Lyndon Man & Rob Waldner The Global Aggregate Bond strategy aims to provide long-term capital growth, together with income. The strategy seeks to achieve its objective by investing primarily in a diversified portfolio of debt securities issued worldwide by governments, supranational bodies, local authorities, national public bodies and corporate issuers. Debt securities may also include Mortgage Backed Securities (MBS) and Asset Backed Securities (ABS). The strategy typically targets 200-250 basis points, gross of fees. This will vary over time and should not be considered an absolute target. In addition, the strategy aims to deliver these returns within an attractive risk-adjusted framework, by targeting an information ratio of 1. The investment team continually reviews the peer group and market conditions to adjust accordingly in order to ensure their active returns remain competitive. Derivatives are used for investment purposes as well as for efficient portfolio management and hedging purposes	Bloomberg Barclays Global Aggregate (USD) Index	Typically 175 to 225 holdings

Please find below Josef Portelli's, Lyndon Man's and Rob Waldner's biographies:

Josef Portelli, CFA

Portfolio Manager

Josef joined Invesco as a portfolio manager with responsibility for running Global fixed income and Euro-denominated absolute return strategies. Previously, Mr. Portelli worked at RBC Investment Management where he was responsible for the global bond strategy for the UK office and ACPI Investment Managers. Mr. Portelli has a degree in Accountancy from the University of Malta and is a CFA Charter holder.

Invesco Global Aggregate Bond strategy

Invesco Fixed Income - London

Lyndon Man, CFA

Senior Portfolio Manager

Lyndon joined Invesco in 2011 and is the principal portfolio manager for Invesco Fixed Income's global Investment Grade credit funds. He manages portfolios with a range of investment strategies, including active alpha and enhanced beta. Prior to Invesco, Lyndon was with the Government of Singapore Investment Corporation (GIC) where he managed multi-asset as well as fixed income portfolios, specializing on relative value in derivatives – linear and option-related, as well as traditional asset allocation strategies.

He began his time at the GIC as a quantitative analyst in 2005, where he led the quantitative platform in the development of pricing models and various quant strategies. Lyndon started off his career at Barclays Capital as a market risk manager in fixed income and emerging markets.

Lyndon achieved a Masters in Chemistry and a BA (Hons) in Physical Science at the University of Oxford in 2001 and 2000 respectively. He is a CFA charterholder.

Rob Waldner, CFA

Chief Strategist and Head of Multi-Sector

Rob Waldner is Chief Strategist and Head of the Multi-Sector team for Invesco Fixed Income. Mr. Waldner is responsible for facilitating the overall macro investment strategy for the fixed income platform and for oversight of the multi-sector portfolio construction process. He joined Invesco in 2013.

Prior to joining Invesco, Mr. Waldner was with Franklin Templeton for 17 years. At Franklin Templeton, he was a senior strategist and senior portfolio manager. Previously, Mr. Waldner was a member of the Macro team at Omega Advisors and a portfolio manager with Glaxo (Bermuda) Ltd. He entered the industry in 1986.

Mr. Waldner earned a BSE degree in civil engineering from Princeton University in 1986. He is also a CFA Charter holder.

Important information

The information contained in this document relating to the composition of the portfolio of any fund 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).

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.

All data is as at 31 December 2016, sourced from Invesco unless otherwise stated.

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

As with all investments there are associated risks. Please obtain and review all relevant materials carefully before investing.

Invesco Perpetual is a business name of Invesco Asset Management Limited, Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire RG9 1HH, UK. Authorised and regulated by the Financial Conduct Authority.

UK1240

Contact information

Christopher Edge

Director of UK Compliance

Telephone +44 (0) 1491 416032

Christopher.Edge@invesco.com

Invesco Asset Management Limited

Perpetual Park

Perpetual Park Drive

Henley-on-Thames

Oxfordshire

RG9 1HH

UK

www.invesco.com

Appendix F

Invesco Perpetual Policy on Corporate Governance and Stewardship



Contents

Page	Section
01	1. Introduction
01	2. Scope
02	3. Responsible voting
02	4. Voting procedures
03	5. Dialogue with companies
03	6. Non-routine resolutions and other topics
04	7. Evaluation of companies' environmental, social and governance arrangements (ESG)
04	8. Disclosure and reporting
05	9. UK Stewardship Code
07	Appendix 1 - Voting on shares listed outside of the UK, Europe and the US

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 shareholder 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 optimise returns to its clients. As a core part of the investment process, IP's fund managers will endeavour to establish a dialogue with company 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 a company needs to grow, about being actively involved in its strategy, when necessary, and helping to ensure that shareholder interests are always at the forefront of management's thoughts.

IP primarily defines stewardship as representing the best interests of clients in its fiduciary role as a discretionary asset manager (not asset owner) and as an institutional shareholder, i.e. an organization which pools large sums of money and invest those sums in securities, real property and other investment assets. This is considered more appropriate than undertaking the stewardship of investee companies, which we believe should always remain the responsibility of the directors and executives of those companies. IP may at times seek to influence strategies of investee companies, where appropriate, on behalf of its clients, but IP will never seek to be involved in the day to day running of any investee companies.

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 Hong Kong & China, IP Japanese Smaller Companies, IP Global Balanced Index, IP Global ex-UK Core Equity Index, IP Global ex-UK Enhanced Index and the IP Balanced Risk 6, 8 and 10 funds.

3. Responsible voting

One important means of putting shareholder responsibility into practice is via the exercising of voting rights. In deciding whether to vote, IP will take into account such factors as the likely impact of voting on management activity, and where expressed, the preference of clients in portfolios managed by them. As a result of these two factors, IP will tend to vote on all UK, European and US shares but to vote on a more selective basis on other shares. (See Appendix I - Voting on shares listed outside of the UK, Europe and the US).

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 clients
- To minimise 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 clients 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 endeavour 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 RiskMetrics Group.

IP will endeavour 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 endeavour, where practicable and in accordance with its investment approach, to enter into a dialogue with companies' management 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 endeavour to cover any matters of particular relevance to investee company 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 review, which can only be achieved through company meetings.

The building of this relationship facilitates frank and open discussion, and on-going 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 investments were based on a joint understanding of where the businesses were going and the ability of the companies' management to execute that plan. Inevitably there are times when IP's views diverge from those of the companies' executives but, where possible, it attempts to work with companies towards a practical solution. However, IP believes that its status as part-owner of companies means that it has both the right and the responsibility to make its views known. The option of selling out of those businesses 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 analysing companies' 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 Investment Management 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 cognisant that disclosure of any meeting specific information may have a detrimental effect in its ability to manage its portfolios and ultimately would not be in the best interests of all clients. 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, it will seek to provide regular illustrations 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, which sets out how it will discharge its stewardship responsibilities, on the 'About us' page on its website:

The following is a summary:

IP primarily defines stewardship as representing the best interests of clients in its fiduciary role as a discretionary asset manager (not asset owner) and as an institutional shareholder, i.e. an organization which pools large sums of money and invest those sums in securities, and other investment assets. This is considered more appropriate than undertaking the stewardship of investee companies, which we believe should always remain the responsibility of the directors and executives of those companies. IP may at times seek to influence strategies of investee companies, where appropriate, on behalf of its clients, but IP will never seek to be involved in the day to day running of any investee companies. As a result, in the interests of the beneficiaries of the assets under its management, IP will engage with investee companies on strategy, share value performance, risk, capital structure, governance, culture, remuneration and other significant matters that may be subject to voting in a general meeting and of proportional interest in terms of value discovery in a business.

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.

This Invesco UK Conflicts of Interest Policy is available on request and covers potential conflicts of interest in relation to stewardship. The Conflicts of Interest Policy defines a conflict of interest as 'a situation where there is a material risk of damage to the interests of a client arising because of the interests of Invesco and our clients differ and any client and those of another client differ.' As UK Stewardship is carried out in our clients' interests, there are limited opportunities for conflicts of interest arising and, where they do, these are managed appropriately.

Principle 3

Institutional investors should monitor their investee companies.

As an active shareholder, IP complies with Principle 3. Through its investment process, fund managers endeavour to establish on a proportionate basis, on-going 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. As part of the engagement process IP fund managers may choose to be made insiders (i.e. to be made privy to material, non-public information) to protect and/or enhance investor value. In such circumstances they will follow IP's regulatory required policy and processes to mitigate against market abuse, principally by systematically blocking any trading in insider securities.

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.

9. The UK Stewardship Code

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 on-going 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 Investment Management 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, there are no conflicts of interest 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 any of the below:

- Stuart Howard - Head of IP Investment Management Operations
- Dan Baker - IP Investment Management Operations Manager
- Charles Henderson - UK Equities Business 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 (together with European and US) 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 effect on its ability to manage its portfolios and ultimately would not be in the best interest of all clients.

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.

IP uses ISS to process its voting decisions and the ABI's IVIS service for research for UK securities. Its instructions to ISS include a default instruction to vote with management, which is used only on the rare occasion when instructions are not successfully transmitted to ISS. IP will also consider the need to attend and vote at general meetings if issues prevent the casting of proxy votes within required time limits.

IP does not enter into stock lending arrangements which might impact the voting process.

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, we will seek to provide illustrations 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.

IP currently does not obtain an independent opinion on its engagement and voting processes as it believes any value for its clients from such an opinion is outweighed by the costs of obtaining such an opinion. There is also no material demand from clients to provide such an independent assurance.

Appendix 1

Voting on shares listed outside of the UK, Europe and the US

When deciding whether to exercise the voting rights attached to its clients' shares listed outside of the UK, Europe and the US, 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 shares listed outside of the UK, Europe and the US 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.

Important information

As at 8 July 2014.

For more information on our funds, please refer to the most up to date relevant fund and share class-specific Key Investor Information Documents, the Supplementary Information Document, the ICVC ISA Key Features and Terms & Conditions, the latest Annual or Interim Short Reports and the latest Prospectus. This information is available using the contact details shown.

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.

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

Invesco Perpetual is a business name of Invesco Asset Management Limited.
Authorised and regulated by the Financial Conduct Authority.

Invesco Asset Management Limited
Registered in England 949417
Registered office Perpetual Park, Perpetual Park Drive, Henley-on-Thames,
Oxfordshire, RG9 1HH, UK.

56413/PDF/080714