

## Distribution Fund

August 2010 (covering the month of July 2010)

Key facts <sup>1</sup>	
S&P Fund Management Rating	'AA'
OBSR Fund Rating	'AAA'
Citywire Fund Manager Rating (Woodford)	'A'
Fund launch date	26 January 2004
Share types	Accumulation and Income
Fund size	£1,012.43m
Mid price:	
Accumulation shares	£0.76
Income shares	£0.55
Running yield <sup>3</sup>	6.50%
Redemption yield <sup>3</sup>	4.94%
Distribution yield <sup>3</sup>	6.58%
Underlying yield <sup>3</sup>	5.20%
Income distribution date	Each month end
Accounting period ends	30 April 31 October
Available within an ISA?	Yes

Top 10 holdings <sup>1</sup>	%
Sold Long Gilt Future	3.6
AstraZeneca	3.1
Sold Bund Future	3.1
GlaxoSmithKline	2.5
British American Tobacco	2.0
Reynolds American	1.8
LBG Capital 1, 11.04% £ Bonds 19/3/2020	1.7
Vodafone	1.7
National Grid	1.6
BG	1.4
<b>Total</b>	<b>22.5</b>
<b>Total number of holdings:</b>	<b>369</b>



**Fund Management:** Paul Causer, Paul Read & Neil Woodford

### Regional commentary

Both equity and corporate bond markets improved in July. Fixed interest markets welcomed the results of the European bank stress tests which showed that only seven of the 91 banks tested failed. All the major European banking names passed; those that did not were either already failed institutions or the weaker banks in Spain and Greece. Corporate bonds saw positive returns, with subordinated bank debt leading the way following the positive outcome of the stress tests. According to data from Merrill Lynch, sterling BBB rated spreads decreased by 23bps while sterling tier 1 bank spreads narrowed by 60bps and euro tier 1 by 228bps. High yield also saw healthy returns fuelled by a sharp rise in issuance. Equity markets were supported by a combination of positive earnings, a number of takeover offers and stronger than expected second quarter UK GDP data. The minutes of July's MPC meeting showed that the Committee voted 7-1 to keep policy unchanged with Andrew Sentance again dissenting, preferring an increase of 25bps.

### Fund strategy

In credit markets, we continue to favour higher yielding investment-grade bonds and better quality high-yield issuers. Despite having rallied considerably from their lows, we believe that sections of the corporate bond market remain attractively valued, particularly in respect of banks and other financials. We continue to avoid bank equities, apart from where we received a small position in Lloyds as part of a bond conversion. The fund's equity component remains focused on companies with sound balance sheets and strong cashflow generation, which support progressive dividend growth. At the current time, many of these stocks trade at significant discounts to the market. Specifically, we hold positions in companies within the tobacco, utility and pharmaceutical sectors where we see excellent long-term value. In addition, many of these companies also have a large percentage of overseas earnings which limits their dependence on the UK economy.

### Investment objective

The Invesco Perpetual Distribution Fund aims to achieve a balance of income and capital growth through a portfolio of primarily UK equity and fixed interest securities. In pursuing this objective, the fund managers may include investments that they consider appropriate, which include transferable securities, money market instruments, warrants, collective investment schemes, deposits and other permitted investments and transactions as detailed in Appendix 2 of the most recent Full Prospectus.

### ICVC Investment Series

The Distribution Fund is a sub-fund of the Invesco Perpetual Fixed Interest Investment Series, which is a UK authorised investment company with variable capital (ICVC).

Performance profile <sup>2</sup>								% growth	
	3 months	6 months	1 year	3 years	5 years	ACR	10 years	ACR	
Fund	-0.1	5.0	20.6	14.2	32.9	5.9	N/A	N/A	
IMA Sector	-1.7	3.3	12.8	0.2	13.2	2.5	N/A	N/A	

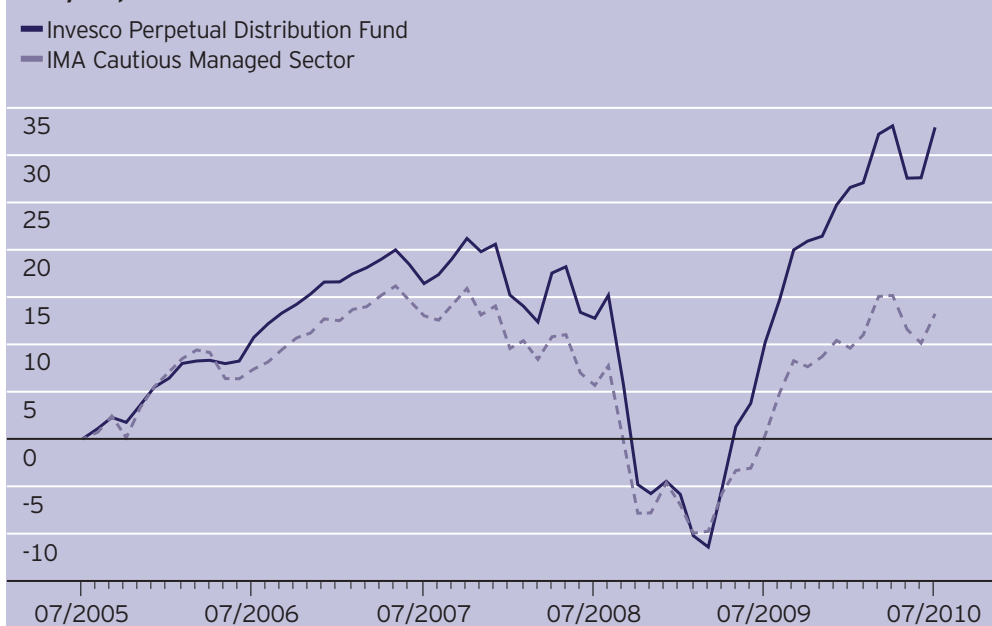
Standardised rolling 12-month performance <sup>2</sup>						% growth	
	30.6.05	30.6.06	30.6.07	30.6.08	30.6.09	30.6.09	30.6.09
Fund	9.2	9.5	-4.3	-8.5	23.0		

**Past performance is not a guide to future returns.** The standardised past performance information is updated on a quarterly basis. Should you require up-to-date past performance information this is available on our website [www.invesco-perpetual.co.uk](http://www.invesco-perpetual.co.uk) or by contacting us. 'No Trail' shares and gross shares are available for this fund.

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### Five year performance<sup>2</sup>



**Past performance is not a guide to future returns.** The chart shown above should be viewed in conjunction with the 'Standardised rolling 12-month performance' table overleaf.

Breakdown by credit rating <sup>1</sup>	%
Fixed interest:	
AA	0.8
A	4.5
BBB	15.2
BB	18.2
B	16.9
CCC	1.7
CC	0.4
C	1.0
Non-Rated (Investment Grade)	2.7
Non-Rated (High Yield)	4.8
Credit Default Swaps	-0.1
Futures	-0.1
Others:	
Equities	30.0
Cash	4.0
<b>Total</b>	<b>100</b>

Breakdown by asset type <sup>1</sup>	%
Fixed Interest	66.0
Equities	30.0
Cash	4.0
<b>Total</b>	<b>100</b>

### Important information

<sup>1</sup> All fund portfolio figures within this leaflet are as at 30 July 2010 (source: Invesco Perpetual). S&P Fund Rating as at 30 July 2010, Copyright© 2010 Standard & Poor's, a Division of The McGraw-Hill Companies, Inc. All rights reserved.

<sup>2</sup> Performance figures are shown in sterling on a mid-to-mid basis, inclusive of net reinvested income and net of the annual management charge and all other fund expenses to 30 July 2010. The figures do not reflect the initial (sales) charge paid by individual investors. Graph figures are as at the end of the relevant month unless otherwise stated. Standardised past performance figures are as at 30 June 2010. (Source: Lipper)

<sup>3</sup> The yields shown are expressed as % per annum of current NAV of the fund. They are estimates for the next 12 months, assuming that the fund's portfolio remains unchanged and there are no defaults or deferrals of coupon payments or capital repayments. They are not guaranteed. They do not reflect the initial (sales) charge of the fund. Investors may be subject to tax on distributions. Cash income is estimated coupons from bonds and, where applicable, estimated dividends from equities.

### Important information

The running yield estimates expected cash income into the fund from coupons of current bond holdings and, where applicable, dividends from current equity holdings. The running yield for this fund is net of all fund charges except AMC, which is charged to capital. The redemption yield estimates the annualised total return: in addition to expected cash income, it includes the amortised annual value of unrealised capital gains/losses of current bond holdings, calculated with reference to their current market price and expected redemption value. The redemption yield is net of all fund charges. The distribution yield estimates the cash distribution to the shareholders: in addition to expected cash income, it includes the amortised annual value of unrealised capital gains/losses of current bond holdings, calculated with reference to their historic purchase price and expected redemption value (known as 'effective yield from purchase price' method). The distribution yield for this fund is net of all fund charges except AMC, which is charged to capital. The underlying yield is calculated in the same way as the distribution yield, but is always net of all charges. The underlying yield for this fund is, therefore, lower than the distribution yield by the amount of the AMC. Where, in the Manager's judgement, there is significant uncertainty that a bond holding will be redeemed at par, the amortised capital component for that holding is retained in the fund's capital and not distributed. This has the effect of reducing the estimated redemption, distribution and underlying yields and the actual distribution rate.

The value of investments and any income will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the full amount invested. Past performance is not a guide to future returns. The fund invests in bonds and other fixed income securities that are subject to the risk that issuers do not make payments on such securities. The fund may be adversely affected by a decrease in market liquidity which may impair the fund's ability to acquire or to dispose of securities at their intrinsic value. The fund may invest in high-yield bonds which are regarded as being more speculative (than investment-grade bonds) as to the issuer's ability to make payments of principal and interest. Where Invesco Perpetual has expressed views and opinions, these may change.

Please refer to the latest Full Prospectus, Simplified Prospectuses and ISA Key Features, and latest Annual or Interim Short Reports for more information on our funds. Further information on our products is available using the contact details shown.

Invesco Perpetual's ISAs are managed by Invesco Asset Management Limited.

Telephone calls may be recorded.

### Contact information

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Invesco Perpetual is a business name of Invesco Fund Managers Limited and Invesco Asset Management Limited.

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