



Exposure of Invesco Fixed Income Funds to 'PIIGS'

Comment from Invesco Fixed Income

Exposures as at 11 February 2010

This document is for consumer use in Jersey, Guernsey and the UK, and for Professional Client use in Dubai, Jersey, Guernsey, Isle of Man and the UK. The document is for update purposes only, is not a promotional material and does not constitute an offer.

In this comment, we outline the exposure (sovereign and corporate) of Invesco Fixed Income-managed funds on the Global Product Range. Specifically, this includes the following funds:

- Invesco Absolute Return Bond Fund
- Invesco Bond Fund
- Invesco Euro Inflation-Linked Bond Fund
- Invesco European Bond Fund
- Invesco Global Investment Grade Corporate Bond Fund
- Invesco UK Investment Grade Bond Fund

Our outlook for the "PIIGS" remains neutral in Greece, Ireland, Italy and Portugal and underweighted in Spain. The outcome for spreads is now very much at the mercy of the politicians and their plans to back-stop Greece. Although it is difficult to see the 'core' European economies assume PIIGS debt, there have been clear statements of solidarity to support Greece. While real actions remain unclear, the policy risk of taking positions in the PIIGS is very high. For this reason, we are closer to neutral with a short in Spain, which is trading at a tight spread to German bunds, in our view. From a currency perspective, we are currently negative the Euro versus both the US dollar and the Japanese Yen.

We currently have zero exposure in Portugal, Italy, Ireland, Greece and Spain government bonds in the **Invesco Absolute Return Bond Fund**. The fund adopts a highly diversified approach to generating alpha and pursues a broad palette of potential exposures, which equates to a highly controlled level of exposure to any one investment or theme. Positions are only invested where we have an active view – neutral views mean zero weights. The fund had holdings in corporate bonds from issuers in PIIGS amounting to 1.0% of its total assets. In the **Invesco Bond Fund**, we are currently underweight Italy and Spain versus the benchmark while the fund has no exposure to Portugal, Greece or Ireland. Fund exposure to Italy sovereign debt stands at 6.7%, equivalent to a 1.4% underweight versus index. In Spain, our government exposure is minimal at just 0.1% of total assets, significantly below the 3.4% held by the benchmark. Corporate exposure in PIIGS amounts to just 0.76% of fund assets.

The **Invesco European Bond Fund** maintains a large underweight position in the "PIIGS". Collectively, the fund is 11.2% underweight this group of countries compared to the fund's benchmark. At the individual country level, the fund holds no positions in government debt issued by Portugal, Ireland and Spain. Absolute exposure to Greece is just 2.2% which represents a neutral weighting to the benchmark. In Italian government bonds, the portfolio maintains a large underweight versus benchmark. Its 5.0% absolute weighting was 5.4% lower than the exposure in the index. From a corporate bond standpoint, our PIIGS exposure in this fund was also low, totalling 1.9% of assets.

We hold positions in Italy and Greece in the **Invesco Euro Inflation-Linked Bond Fund**. The governments of Spain, Portugal and Ireland do not currently issue inflation-linked securities. Indeed, only France, Germany, Greece and Italy are active in this asset class. Absolute weighting in Italy in the Fund is 21.4% against a benchmark weighting of 28.9%. In duration terms, our exposure is flat to benchmark. Absolute exposure to Greek inflation-linked bonds is 5.0% in the fund. This is an off-benchmark position due to Greece falling out of the index following its recent credit rating downgrade. It is worth stating that the bulk of the spread widening in these issues occurred while Greece was still a benchmark constituent in November and December. As a result, the impact has



Exposure of Invesco Fixed Income Funds to 'PIIGS'

Comment from Invesco Fixed Income

Exposures as at 11 February 2010

already been reflected in the price and performance of both fund and benchmark. Nevertheless, we continue to monitor closely this position with a view to slowly reducing exposure. This fund has no corporate inflation-linked holdings exposure in these countries.

With respect to corporate bond exposure, our funds have relatively limited exposure to the Portuguese, Italian, Irish and Greek economies and as a result, the current situation has had a negligible impact on the pricing of credit exposures with our funds. Our outlook for the corporate bonds we hold and our credit investment strategy remains broadly unaffected by current events. The **Invesco Global Investment Grade Corporate Bond Fund** has exposure to corporate issuers from the affected economies versus benchmark but has no holdings in sovereign debt. Its absolute weighting stands at 7.6%. In relative terms, this exposure is 4.2% above the benchmark weight and 0.45 years longer in duration terms. All securities held have at least an A- rating. In the **Invesco UK Investment Grade Bond Fund**, overall exposure to corporate names from the affected group of countries is 5.9% or 3.8% overweight versus index. In addition, this fund holds no sovereign debt from these countries.

Important Information

This document is for consumer use in Jersey, Guernsey and the UK, and for Professional Client use in Dubai, Jersey, Guernsey, Isle of Man and the UK. The document is for update purposes only, is not a promotional material and does not constitute an offer.

Data as at 11 February 2010, unless otherwise stated.

The value of investments and income will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the amount invested. Holdings may change without notice. All opinions and forecasts expressed are those of the investment team and are subject to change without notice.

The Invesco Absolute Return Bond Fund, Invesco European Bond Fund, Invesco Euro Inflation Linked Bond Fund, Invesco Global Investment Grade Corporate Bond Fund and Invesco UK Investment Grade Bond Fund are sub-fund of the Invesco Funds, SICAV organized in Luxembourg and authorized by the Commission de Surveillance du Secteur Financier.

The Invesco Bond Fund is a sub-fund of the Invesco Funds Series 2, unit trust organized in Ireland and authorized by the Irish Financial Services Regulatory Authority (the "Financial Regulator").

The funds mentioned above are authorized and/or registered for public distribution, as follows:

The Invesco Absolute Return Bond Fund is registered in Jersey, Guernsey and the UK.

The Invesco Bond Fund is registered in Jersey, Guernsey and the UK.

The Invesco European Bond Fund is registered in Jersey, Guernsey and the UK.

The Invesco Euro Inflation Linked Bond Fund is registered in Jersey, Guernsey and the UK.

The Invesco Global Investment Grade Corporate Bond Fund is registered in Jersey and the UK.

The Invesco UK Investment Grade Bond Fund is registered in Jersey, Guernsey and the UK.

Fund risks are detailed in the funds' Simplified Prospectuses.



Exposure of Invesco Fixed Income Funds to 'PIIGS'

Comment from Invesco Fixed Income

Exposures as at 11 February 2010

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

The distribution and the offering of the funds in certain jurisdictions may be restricted by law. Persons into whose possession this document may come are required to inform themselves about and to comply with any relevant restrictions. This does not constitute an offer or solicitation by anyone in any jurisdiction in which such an offer is not authorised or to any person to whom it is unlawful to make such an offer or solicitation. Persons interested in acquiring the funds should inform themselves as to (i) the legal requirements in the countries of their nationality, residence, ordinary residence or domicile; (ii) any foreign exchange controls; and (iii) any relevant tax consequences.

The funds are not registered under any US securities law, and may not be offered or sold in the USA, its territories or possessions, nor to any US persons. The funds are not offered for sale in any jurisdiction in which the funds are not authorised to be publicly sold. The funds are available only in jurisdictions where their promotion and sale are permitted.

For the purposes of UK law, funds are recognised schemes under section 264 of the Financial Services & Markets Act 2000. The protections provided by the UK regulatory system, for the protection of retail clients, do not apply to offshore investments. Compensation under the UK's Financial Services Compensation Scheme will not be available and UK cancellation rights do not apply.

Please refer to the latest Full Prospectus, the relevant Simplified Prospectus, any local Addendum, as well as the latest annual and semi annual reports for more information on the funds. Further information is available from the contact details below.

Jersey and Guernsey: This document is issued in Jersey and Guernsey by Invesco International Limited, 2nd Floor, Orviss House, 17a Queen Street, St Helier, Jersey, JE2 4WD. Regulated by the Jersey Financial Services Commission.

Isle of Man: This document is issued in the Isle of Man by Invesco Global Asset Management Limited, George's Quay House, 43 Townsend Street, Dublin 2, Ireland, which is regulated in Ireland by the Financial Regulator.

UK: This document is issued in the UK by Invesco Global Investment Funds Limited. Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire RG9 1HH, UK. Authorised and regulated by the Financial Services Authority.

Dubai: This document is issued in Dubai by Invesco Asset Management Limited which is regulated by the Dubai Financial Services Authority. Invesco Asset Management Limited, PO Box 506599, Building 5, Level 6, The Gate Precinct, Dubai, United Arab Emirates.