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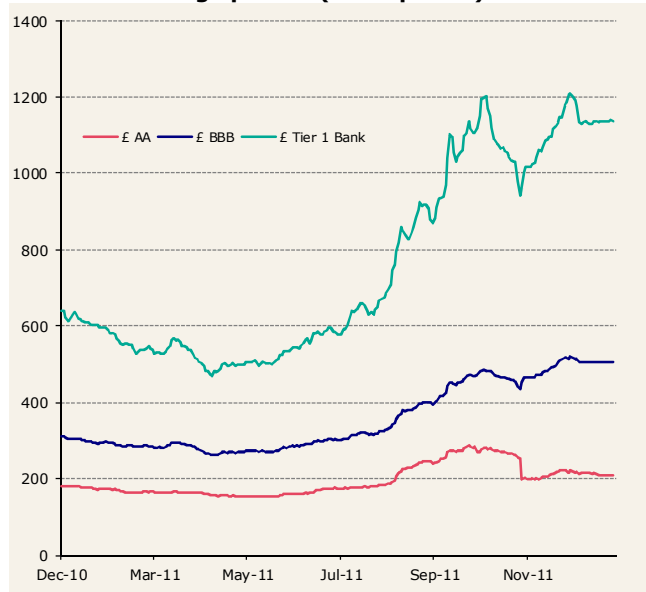
Market and economic comment

The corporate bond market achieved positive returns for the final three months of the year, recovering ground after a negative third quarter. Within the period, there continued to be bouts of market volatility and investor risk aversion, which has been a key-note of 2011, saw government bonds perform strongly again.

The eurozone crisis remained an important driver of sentiment throughout the period. Credit markets rallied in anticipation of the heads of government agreeing a large support package for the sovereign debt of member states at their summit in late October. With disappointment at the limited results of this meeting, spreads widened sharply in November, particularly in high yield and subordinated bank debt. But these sectors then led a rally into the end of the year. This improvement was mainly in reaction to measures announced by the European Central Bank early in December. The bank cut its headline interest rate and also extended its refinancing operations considerably by offering three year loans at reduced interest rates and with relaxed collateral requirements. This new facility was tapped at the earliest opportunity by a very large number of banks. While there are serious problems in the eurozone sovereign debt markets, this move has increased confidence in the funding stability of the European banking system, something that has been a source of concern for investors for several quarters.

According to data from Merrill Lynch, sterling investment grade corporate bonds had a total return of 3.2% for the quarter. Subordinated bank debt outperformed, with sterling Tier 1 returning 5.9%. This total return was boosted by the high level of yield on these securities entering this period. European high yield bonds returned 4.0% in local currency terms but euro weakness reduced their sterling return to 1.3%. Gilts returned 5.5% as investors continued to value this perceived safe haven.

Selected sterling spreads (basis points)



Source: Bloomberg LP, 31/12/10 to 30/12/11

The strength of the risk aversion trend in 2011 is reflected in the annual returns across the fixed interest universe. Gilts had a total return of 16.9% for the year while investment grade corporates returned 5.9%. Within the corporate bond market, consumer-related bonds performed relatively well while financials were weaker. Senior bank debt returned 5.2% but Tier 1 subordinated bank debt returned -4.9%, weakness concentrated in the third quarter. European high yield returned -4.7% (in sterling terms). The outperformance of more interest-rate sensitive sectors like Gilts and the highest quality corporates also reflected falling growth forecasts through the year and the growing expectation that interest rates will remain low for an extended period.

Portfolio performance

The fund returned 1.7% in the fourth quarter, underperforming the sector average, which rose by 2.3%. This placed it in the fourth quartile of its peer group, the IMA £ Corporate Bond sector. The fund's low duration depressed relative performance in this period. It was also a negative factor in performance over 2011 as a whole, along with the fund's exposure to bank capital and to high yield bonds.

Performance (% growth)			
	Fund	Sector	Quartile
YTD	-1.6	3.8	4
2010	7.0	6.9	3
2009	23.0	14.3	1
2008	-8.5	-10.3	2
2007	19	-0.7	1
2006	16	-0.7	1

3 months	1.7	2.3	4
6 months	-5.2	1.1	4
1 year	-1.6	3.8	4
3 years	29.5	26.9	2
5 years	20.6	13.1	2
10 years	63.9	41.3	1

For source and basis of this data, see Important information overleaf.

Standardised rolling 12-month performance (% growth)					
	31/12/06	31/12/07	31/12/08	31/12/09	31/12/10
Fund	18	-8.5	23.0	7.0	-1.6

Past performance is not a guide to future returns. This information is updated on a calendar quarterly basis. Up-to-date information is available on our website www.invescopetual.co.uk

For source and basis of this data, see Important information overleaf.

Yield (%)			
	31/12/2011	30/09/2011	Difference
Running Yield	5.6%	5.7%	-0.1%
Redemption Yield	5.2%	5.2%	0.0%
Distribution Yield	5.7%	5.8%	-0.1%
Underlying Yield	5.7%	5.8%	-0.1%

For explanation of yields see Important information overleaf.

Strategy and outlook

We believe that we are at or near the end of a long bull market in core government bonds and from here we find it hard to see much value in this part of the market. Investment at current levels is likely to result in negative real returns over the next few years. We think that financials, subordinated bank debt in particular, present a real opportunity, even allowing for the high levels of volatility we have seen in this sector. Many financials are priced at levels similar to those of 2009. But banks have embarked on a multi-year process of deleveraging and balance sheet strengthening, and we believe that the changing regulatory environment will be a strong support for this trend. There has been significant improvement already and we expect this to continue. Although prices in the wider corporate market are not as low as in 2008-9, we still think that there are many areas of value.

We have made purchases across our favoured areas of the market in the last quarter. These have included financials and bonds where we believed prices had moved away from fundamental value during periods of market volatility. We have purchased holdings in banks and also utilities and telecoms based in peripheral eurozone markets. We have funded these purchases through sales of government bonds and through trimming other corporate holdings where we felt there was less value.

Portfolio breakdown (%)			
	31/12/2011	30/09/2011	Difference
Corporate Bonds	96.3	96.7	-0.4
Bank & Building Society	39.3	40.3	-1.0
Utilities	10.5	8.4	2.1
Insurance	7.6	7.0	0.6
Financial	5.3	5.3	0.0
Telecom	4.5	3.9	0.6
Transport	4.0	4.0	0.0
Retail	3.7	5.4	-1.7
Services	2.5	2.5	0.0
Manufacturing	1.9	1.9	0.0
Property	1.9	1.8	0.1
Food	1.6	1.6	0.0
Tobacco	1.5	1.5	0.0
Autos	1.5	1.4	0.1
Beverages	1.4	2.8	-1.4
Media	1.1	1.3	-0.2
Other	8.0	7.8	0.2
Government Bonds	0.8	1.9	-1.1
UK Government	0.0	0.6	-0.6
Foreign Government	0.8	1.3	-0.5
Futures, options, CDS	-0.9	-0.8	-0.1
Cash	3.8	2.2	1.6

Rating breakdown (%)*

	30/09/2011	30/09/2011	Difference
AAA	4.1	5.2	-1.1
AA	4.3	4.5	-0.2
A	17.5	16.9	0.6
BBB	55.1	56.1	-1.0
BB	10.8	9.1	1.7
B	1.1	0.9	0.2
CCC & below	1.8	1.8	0.0
No n-rated (investment grade)	1.1	2.6	-1.5
No n-rated (high yields)	0.2	0.3	-0.1
Cash and Other	4.0	2.6	1.4

We think that fixed interest markets will continue to be sensitive to developments in the eurozone crisis and will continue to see bouts of volatility. The actions taken by the European authorities to date amount to a substantial package of support for eurozone member states and the European banking system and we believe that there is a huge commitment to supporting the single currency project. However, the process remains prone to political risk and there is still uncertainty and disagreement over how to tackle the debt problems afflicting some member states. Signs of weakening growth in recent months will add to the challenges facing the eurozone economies.

Growth remains weak in the UK too, where persistent high unemployment and low earnings growth are depressing consumption. Although headline inflation in the UK remains well above the 2% target rate of the Bank of England's Monetary Policy Committee, we do not expect that there will be substantial interest rate rises in the next year. The committee's belief that inflationary pressures will reduce in 2012 appears to be supported by recent data. If inflation continues to moderate, it is possible that we will see the bank's quantitative easing process further extended.

The eurozone crisis and global growth prospects may well continue to dominate headlines and be an important element of market sentiment. We believe there are excellent opportunities in the market where prices and yields have been moved away from fundamental value by these macro themes.

Investment team

Paul Causer: After graduating in Economics from the London School of Economics in 1983, Paul began his career with Asahi Bank in research, before moving to the bank's Treasury department. In 1990 he was given responsibility for managing the bank's multi-currency investment portfolio. Paul joined Invesco Perpetual (formerly Perpetual) in 1994.



Paul Read: Paul graduated in Economics and History from the University of Toronto in 1984 and has an MBA from INSEAD. He began his career with UBS (Securities) Ltd, moving to Merrill Lynch International in 1986. Paul initially worked on

bond sales, before moving on to debt trading and working as a director of fixed income trading in Tokyo. Paul joined Invesco Perpetual (formerly Perpetual) in 1995.



Fund Update

Invesco Perpetual Corporate Bond Fund

January 2012 (covering the three months ending 31 December 2011)

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Important information

All data is as at 31/12/11, sourced from Invesco Perpetual unless otherwise stated. Fund and sector average performance data is source: Lipper, mid-to-mid (excluding initial (sales) charge), GB£, with net income reinvested. The sector is IMA UK Corporate Bond.

The value of investments and any income will fluctuate (this may partly be the result of exchange-rate fluctuations) and investors may not get back the full amount invested.

Past performance is not a guide to future returns.

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

Where securities are mentioned in this document they do not necessarily represent a specific portfolio holding and do not constitute a recommendation to purchase or sell.

The securities that the fund invests in may not always make interest and other payments nor is the solvency of the issuers guaranteed. Market conditions, such as a decrease in market liquidity, may mean that it is not easy to buy or sell securities. These risks increase where the fund invests in high yield bonds and where we use derivatives.

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 are shown net of all fund charges and 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.

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 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 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). For this fund the distribution yield is the same as the underlying yield.

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.

For further information on our funds, please refer to the Simplified Prospectus (to be superseded by the Key Investor Information Document on the 20th of February 2012) or other material at: www.invescoperpetual.co.uk

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