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# Q&A - Prospectus Changes

## Invesco Pan European High Income Fund

## Invesco Euro Corporate Bond Fund

December 2017

### Why is Invesco issuing shareholder mailings to existing investors of the Invesco Euro Corporate Bond Fund and the Invesco Pan European High Income Fund on 12 December 2017?

This is being done in order to inform existing shareholders about upcoming changes to the prospectus wording with a 2-3 month notice period.

### When will the prospectus changes become effective?

The prospectus changes will become effective on 8 March 2018.

### Does this mean that the funds' investment process will be implemented in a different way from 8 March 2018?

The changes are not intended to materially impact the way either funds are being managed nor their respective risk profiles. The changes are being made to provide greater flexibility in the implementation of the investment strategy and allow the funds to use derivatives for investment purposes along with bringing the objective language in line with Invesco's standard prospectus wording.

### Why are the changes being made?

The changes are being made to provide greater flexibility in the implementation of the investment strategy as well as clarifying existing wording.

### Invesco Pan European High Income Fund

#### Exactly what changes are being made to the Invesco Pan European High Income Fund?

The objective language is being amended as below:

- 1) It is being clarified that the fund aims to achieve a high level of income together with long-term capital growth by investing primarily in European securities;
- 2) The definition of European is being changed to include securities issued by European governments and any debt denominated in a European currency. Therefore, the fund is able to invest in government debt securities as part of the 70% primary allocation;
- 3) The requirement for the fund to invest more than 50% of its NAV in European debt securities has been amended to at least 50% of its NAV in debt securities;
- 4) The fund will now be permitted to use derivatives for investment purposes.

#### Are the changes likely to result in an increase in the risk profile or positioning of the Fund?

The messaging, look and feel of the portfolio is not expected to change materially and by association it is not expected that the changes will result in a material increase in the risk profile.

#### Can we see a table with the changes?

Yes. Please see below.

	Old	New	Change/Comment
<b>Objective</b>	Long-term total return growth from an actively managed, diversified portfolio investing primarily in higher yielding European debt and, to a lesser extent equities	A high level of income together with long-term capital growth	Simplification of message and moving the investment objective to its own section
<b>Primary bucket</b>	70% in European Securities, with a minimum of 50% in European debt	70% in European Securities, with a minimum of 50% in debt securities	Primary change here is that we have changed the 50% European debt requirement to 50% debt, while maintaining the 70% in European securities

<b>Definition of European Securities</b>	European securities are to be understood to be those of companies having their registered office in a European country or in other countries but carrying out their business activities predominantly in Europe or holding companies investing predominantly in equities of companies having their registered office in a European country.	European securities are to be understood to be those issued by European governments or companies or any debt denominated in a European currency. European companies are those with their registered office in a European country, or carrying out business activities predominantly in Europe, or holding companies, the interests of which are predominantly invested in companies with their registered office in a European country.	We have included European Govt debt in the definition of European Securities. In addition, we have included debt securities issued by non-European issuers but denominated in a European currency in the definition.
<b>30% bucket</b>	Up to 30% of the net asset value of the Fund may be invested in aggregate in cash and cash equivalents, money market instruments, equity and equity related securities issued by companies or other entities not meeting the above requirements or in debt securities (including convertible bonds) of issuers worldwide.	Up to 30% of the net asset value of the Fund may be invested in aggregate in cash, cash equivalents, money market instruments, equity and equity-related securities issued by companies or other entities not meeting the above requirements or in convertible debt of issuers worldwide.	No change, slight change in terminology for consistency purposes.
<b>Derivative use</b>	<p>Derivatives may be used for efficient portfolio management, including credit default swaps as protection purchaser and seller.</p> <p>The Fund may also, from time to time, sell interest rate futures in order to reduce participation in the bond markets or to produce gains for the Fund in falling bond markets.</p> <p>The Fund may enter into financial derivative instruments for efficient portfolio management and hedging purposes only (please refer to the "Investment Policy" above for further details on the use of derivatives).</p>	<p>The Fund's use of derivatives may include derivatives on credit, rates, equities and currencies and may be used to achieve both long and short positions, which overall will not result in the Fund being directionally short or short any asset class.</p> <p>The Fund may enter into financial derivative instruments for efficient portfolio management, hedging purposes and for investment purposes (please refer to the "Investment Policy" above for further details on the use of derivatives for investment purposes).</p> <p>The expected proportion of the NAV of the Fund subject to total return swaps is 0%. Under normal circumstances, the maximum proportion of the NAV of the Fund subject to total return swaps is 30%.</p>	Enhancement to allow use for investment purposes. The paragraph on Total Return Swaps has been added as a result of regulation called SFTR (Securities Financial Transactions Regulation)

#### Numerical example

	Old	New	Comment
<b>European Securities</b>	>70%	>70%	Slight change to definition
<b>Debt</b>	>50% in European debt	>50% in debt	While there is a change to the debt allocation requirement the fund still needs to maintain 70% in European securities so it will stay true to mandate. The current issue was that if the Fund has 29% in European equities it would still require the fund to hold an additional 50% in European debt, meaning 79% in practice in European securities. While this is not ordinarily an issue as the Fund should and will continue to have a European focus the change does provide some additional flexibility into the future. It is not expected that the change will alter how and to what extent the fund accesses the equity market.
<b>Cash, Cash equivalents and other securities</b>	0-30%	0-30%	No change

## Invesco Euro Corporate Bond Fund

### Exactly what changes are being made to the Invesco Euro Corporate Bond Fund?

The objective language is being amended as below:

- 1) "Two thirds" is being replaced by "primarily" (defined as 70% of the NAV of the Invesco Euro Corporate Bond Fund). Up to "one third" will be replaced by "30%";
- 2) The messaging is being simplified and the primary investment universe is being changed to debt securities denominated in Euro issued by corporate issuers from investment grade fixed and floating rate bonds and other debt securities;

- 3) The fund continues to be restricted from investing no more than 30% of its NAV in non-investment grade debt and therefore remains an investment grade-focused strategy but is permitted additional flexibility in its ability to retain cash;
- 4) The fund will now be permitted to use derivatives for investment purposes.

### Can we see a table with the changes?

Yes. Please see below.

	Old	New	Change/Comment
<b>Objective</b>	The Fund 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 Fund aims to achieve a combination of income and capital growth over the medium to long-term.	Simplification of the objective and movement of the investment objective to its own individual section.
<b>Primary bucket</b>	<p>The Fund will invest at least two thirds of its net asset value in debt securities or instruments denominated in Euro issued by corporate issuers.</p> <p>The Fund will invest primarily (at least 70% of its net asset value of the Fund) in investment grade (Moody's Baa or higher) fixed and floating rate bonds and other debt securities which, in the opinion of the Investment Manager, have a comparable credit quality issued by corporations in any part of the world or issued or guaranteed by any government, government agency, supranational or public international organisation in any part of the world. The Fund may invest in non-investment grade securities which generally will not exceed 30% of the net asset value of the Fund.</p>	The Fund seeks to achieve its objective by investing primarily (at least 70% of its net asset value of the Fund) in debt securities denominated in Euro issued by corporate issuers. Up to 30% of the net asset value of the Fund may be invested in non-investment grade debt.	<p>The existing policy is unclear with two separate buckets allocated to Euro corporate securities and investment grade securities, one at 2/3rds and the other at 70%. As both are separate requirements in the existing Policy they are both applicable and therefore restrict the team's ability to hold cash in certain situations.</p> <p>For simplicity and consistency with other products we have changed from 2/3rds to 70%.</p> <p>We have maintained the requirement that the Fund can only invest a maximum of 30% in non-Investment Grade debt, despite removing the explicit requirement for 70% of NAV to be held in Investment Grade. We have also provided some additional flexibility, while ensuring that the Fund remains at heart an Investment Grade product.</p>
<b>30% bucket</b>	Up to one third of the net asset value of the Fund may be invested in Non-Euro debt instruments or debt instruments issued by public international debtors.	Up to 30% of the net asset value of the Fund may be invested in aggregate in cash, cash equivalents, money market instruments and debt securities issued by companies or other entities not meeting the above requirements.	Simplification of message and consistent with other strategies. Moved from 1/3 <sup>rd</sup> to 30% in line with the primary/30% allocation model employed widely across the range.

<b>Derivative use</b>	<p>The Fund may use derivatives (including but not limited to futures, forwards, non-deliverable forwards, swaps and complex options structures) for hedging and efficient portfolio management purposes.</p> <p>Such derivatives may also incorporate derivatives on derivatives (i.e. forward dated swaps, swap options). Derivatives and forwards relating to debt instruments may be used for the efficient portfolio management. The aim of any derivative or forward used for such reasons is not to materially alter the risk profile of the Fund, rather their use is to assist the Investment Manager in meeting the investment objectives of the Fund by:</p> <ul style="list-style-type: none"> <li>▪ reducing risk; and/or</li> <li>▪ reducing cost; and/or</li> <li>▪ generating additional income or capital for the Fund at an acceptable level of cost and risk.</li> </ul> <p>The Fund may, from time to time, sell interest rate futures in order to reduce participation in the bond markets or to produce gains for the Fund in falling bond markets.</p> <p>The Fund may also enter into credit default swaps (as both a protection buyer and seller). However, financial derivative instruments will not be extensively used for investment purposes (i.e. entering into financial derivative instruments to achieve the investment objectives).</p> <p>The Fund may enter into financial derivative instruments for efficient portfolio management and hedging purposes only (please refer to the "Investment Policy" above for further details on the use of derivatives).</p>	<p>The Fund's use of derivatives may include derivatives on credit, rates and currencies and may be used to achieve both long and short positions, which overall will not result in the Fund being directionally short or short any asset class.</p> <p>The Fund may enter into financial derivative instruments for efficient portfolio management, hedging purposes and for investment purposes (please refer to the "Investment Policy" above for further details on the use of derivatives for investment purposes).</p> <p>The expected proportion of the NAV of the Fund subject to total return swaps is 0%. Under normal circumstances, the maximum proportion of the NAV of the Fund subject to total return swaps is 30%.</p>	<p>Significant simplification of the message, while also providing for increased derivative powers.</p>
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#### Numerical example

	Old	New	Comment
<b>Euro denominated corporates</b>	>66.66%	>70%	Change from 2/3 <sup>rd</sup> s to 70% to align with other funds
<b>Investment Grade debt</b>	>70%	>40%	While in theory this may look like a significant change in practice it would be expected that the Fund, unless it is not fully invested will remain close to the upper limit described today, not least due to the fact that Non-Investment Grade debt is capped at a maximum of 30%.
<b>Non-IG</b>	<30%	<30%	No change
<b>Cash, Cash equivalents and other securities</b>	0-33.33%	0-30%	Slight change from 1/3 <sup>rd</sup> to 30%

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