

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take, you are recommended to immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised pursuant to the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of your Shares in Invesco Leveraged High Yield Fund Limited (the “Company”), you should pass this document, together with the accompanying Form of Proxy, as soon as possible, to the purchaser or transferee or to the person through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Invesco Leveraged High Yield Fund Limited

(Incorporated with limited liability in Jersey with registered number 75059)

Recommended proposals for an amendment to the Company’s investment policy

and

change of name

and

Notice of Extraordinary General Meeting

Panmure Gordon, which is authorised and regulated by the Financial Conduct Authority, is acting for the Company and for no-one else in connection with the matters set out in this document and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Panmure Gordon or for affording advice in relation to the contents of this document or any matters referred to herein. Panmure Gordon has given and not withdrawn its written consent to the inclusion in the circular of references to its name in the form and context in which they appear.

Notice of an Extraordinary General Meeting of the Company to be held at the Company’s registered office, Ordnance House, 31 Pier Road, St. Helier, Jersey JE4 8PW on 11 November 2013 at 10.30 a.m. or any adjournment thereof is set out at the end of this document. Shareholders are requested to return the enclosed Form of Proxy. To be valid, the enclosed Form of Proxy must be completed and returned in accordance with the instructions printed thereon so as to be received as soon as possible by Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, but in any event no later than 48 hours before the appointed time for the Extraordinary General Meeting.

PART 1

LETTER FROM THE CHAIRMAN OF THE COMPANY

Invesco Leveraged High Yield Fund Limited

(Incorporated with limited liability in Jersey with registered number 75059)

Directors

Donald Adamson (*Chairman*)
Michael Lombardi
Gordon Neilly
Clive Spears
Peter Yates

Registered Office

Ordnance House
31 Pier Road
St Helier
Jersey JE4 8PW

23 October 2013

Dear Shareholder

**Proposed amendment to the Company's investment policy
and
proposed change of name**

Introduction

The Company is seeking shareholder approval for the amendment of the Company's investment policy and for the change to the Company's name consistent with the investment policy amendment (together the "**Proposals**").

The purpose of amending the investment policy is to reduce the maximum limit to the Company's net borrowings to 50 per cent. of shareholders' funds. The Board believes that this amendment will result in an investment policy which presents greater clarity to investors and a significantly lower level of perceived leverage risk, without any adverse impact on investment performance. In coming to this conclusion, the Board have had regard to the fact that in practice the Company's actual net borrowings since December 2008 (measured at each month-end) has averaged 39 per cent. and not exceeded 55 per cent.

I am writing to give you further background to and details of the Proposals and to seek the approval of Shareholders. Shareholder approval is required under the Listing Rules of the UK Listing Authority to implement a material change to the Company's investment policy and such approval is being sought pursuant to resolution 1 to be proposed at the Extraordinary General Meeting. The proposed change of name requires Shareholder approval under Jersey companies' law and the Company's Articles. Notice of the Extraordinary General Meeting, to be held on 11 November 2013, at which such approval will be sought, is set out at the end of this document.

The Board, which has been advised by Panmure Gordon, considers that the Proposals and the Resolutions to be proposed at the Extraordinary General Meeting are in the best interests of the Company and its Shareholders as a whole. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting.

Amendment to the investment policy

Currently, the Company's investment policy provides for the same limit on borrowings as is specified in the Company's Articles. In addition, guidance is provided by the Board on expected borrowings levels. Such guidance was recently articulated in the Company's interim management statement to 31 December 2012, published on 30 January 2013, saying that, while gearing levels may change from time to time in accordance with the Manager's assessment of risk and reward, the Directors expect to maintain gearing levels such that net borrowings will typically represent between 0 per cent. and 100 per cent. of shareholders' funds.

Your Board, while keen to permit the Company to continue to benefit from the attractive opportunity presented by repo financing, has now concluded that it is appropriate to introduce a stricter limit on the maximum borrowings able to be employed by the Company within the Company's formal investment policy. It is proposed to set this limit such that the Company's net borrowings should not exceed 50 per cent. of shareholders' funds.

In reaching their conclusion the Board has been mindful in particular of the following:

- (i) while there is a perception that high leverage contributed to the difficulties experienced in 2008 by the Company, since December 2008, a period in which the Company's performance has been satisfactory, actual net gearing (measured at each month-end) has averaged 39 per cent. and not exceeded 55 per cent.;
- (ii) the introduction of the lower borrowing limit should not adversely affect the ability of the Company to pay dividends at the current rate and will continue to allow the Manager adequate flexibility to manage the assets efficiently. According to the unaudited half-yearly financial report as at 31 March 2013 the Company had revenue reserves of £12.7 million, sufficient to cover 2.3 years at the current level of annual dividends;
- (iii) concerns have been expressed that potential investors are wary of investing in the Shares because the existing maximum exposes the Company to material potential leverage risk; and
- (iv) reducing the perceived level of potential leverage risk may over time help to improve the rating of the Shares in the market. This in turn would improve the potential to grow the Company by equity issuance, subject always to market conditions, thereby reducing the total expense ratio and improving liquidity.

The proposed new investment policy is set out in Part 2 of this document, on pages 5 and 6, with the proposed amendments shown by blacklining.

If the resolution is passed, Shareholders' prior approval by ordinary resolution would be required for any material future changes to the investment policy including the maximum borrowing limit.

Change of Name

It has generally been believed up to now that inclusion of the word "leveraged" in the Company's name was appropriate in view of its potentially high level of gearing. The adoption of a lower maximum borrowing limit calls into question the appropriateness of continuing to include the word "leveraged" in the name. Accordingly, and to take this opportunity to bring the Company's name into line with the Manager's trading name, it is proposed, subject to Shareholder approval, to change the Company's name to "Invesco Perpetual Enhanced Income Limited".

This change of name will only become effective if the resolution amending the investment policy is approved at the Extraordinary General Meeting.

Extraordinary General Meeting

The amendment to the Investment Policy is subject to Shareholder approval. A notice convening an Extraordinary General Meeting of the Company, which is to be held at 10.30 a.m. on 11 November 2013, is set out at the end of this document. At this Extraordinary General Meeting, an ordinary resolution (which requires a majority of those Shareholders voting to vote in favour in order to be passed) will be proposed to sanction the change in investment policy and a special resolution (which requires a two-thirds majority of those Shareholders voting to vote in favour in order to be passed) will be proposed to effect the change of name.

Invesco Perpetual has indicated to the Board that it intends to vote in favour of the Resolutions in respect of its holding of Shares amounting to 29.9 per cent. of the Company's issued Share capital.

Action to be taken

Whether or not you intend to be present at the Extraordinary General Meeting, Shareholders are requested to complete and return the accompanying Form of Proxy in accordance with the instructions

printed thereon, so as to be received as soon as possible, and in any event no later than 10.30 a.m. on 9 November 2013. The completion and return of the Form of Proxy will not preclude you from attending the meeting and voting in person should you so wish.

Recommendation

The Board, which has been advised by Panmure Gordon, considers that the Proposals and the Resolutions to be proposed at the Extraordinary General Meeting are in the best interests of the Company and its Shareholders as a whole. In providing its advice to the Board, Panmure Gordon has taken into account the Board's commercial assessment of the Proposals.

Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting.

The Directors intend to vote in favour, or procure the vote in favour, of the Resolutions at the Extraordinary General Meeting in respect of their beneficial holdings of Shares which, in aggregate, amount to 905,972 Shares representing approximately 0.8 per cent. of the Company's issued Share capital.

Yours faithfully

Donald Adamson
Chairman

PART 2

INVESTMENT POLICY

Assuming that the Resolutions are passed at the Extraordinary General Meeting, the Company's new investment policy will be as follows (with the proposed changes described in Part 1 indicated by blacklining):

Investment Policy

The Company's Investment Policy comprises its investment objective, investment policy and risk and investment limits and is designed so as to provide shareholders with information on the policies that the Company will follow relating to asset allocation, risk diversification and gearing, including maximum exposures.

The Manager monitors the investment portfolio on an ongoing basis to ensure adherence to the Company's Investment Policy.

Investment Objective

The Company's principal objective is to provide shareholders with a high level of income whilst seeking to maximise total return through investing in a diversified portfolio of high yielding corporate and Government bonds. The Company may also invest in equities and other instruments that the Manager considers appropriate.

The Company seeks to balance the attraction of high yield securities with the need for protection of capital and to manage volatility. The Manager generally employs ~~leverage~~gearing in its Investment Policy.

Investment Policy and Risk

The investment portfolio is constructed in order to gain exposure to attractive ideas within the investment parameters of the investment portfolio and to express the Company's views on fixed interest markets. The investment process comprises three key elements which drive portfolio construction – macroeconomic analysis, credit analysis and value assessment. The Manager aims to control stock-specific risk by ensuring that the investment portfolio is appropriately diversified. In-depth, continual analysis of the fundamentals of all holdings gives the Manager an understanding of the financial risks associated with any particular stock.

The Company may enter into derivative transactions (including, but not limited to, options, futures and contracts for difference, credit derivatives and interest rate swaps) periodically for the purposes of efficient portfolio management. Derivative transactions may only be entered into if they are compatible with the Company's Investment Policy and fall within the limits determined by the Board from time to time. The Company will not enter into derivative transactions for speculative purposes.

For the purposes of efficient portfolio management, which may include the reduction of risk, reduction of cost, and the enhancement of capital or income, including transactions designed to hedge all or part of the investment portfolio, to replicate or gain synthetic exposure to a particular investment position where this can be done more effectively through the use of derivatives than through investment in physical securities, or to transfer risk or obtain protection from a particular type of risk which might attach to portfolio investments, the Company may enter into a derivative transaction provided the maximum exposure (including any initial outlay in respect of the transaction) to which the Company is committed by virtue of the transaction, when aggregated with all other outstanding derivative positions, is covered by the Company's net assets.

The Company may enter into stock lending, repurchase and/or reverse repurchase agreements for the purpose of efficient portfolio management. The Manager may also invest in money market instruments and currencies.

The principal component of the Company's borrowings is repo financing. Under the repo financing, the Company sells fixed interest securities held by it to a counterparty for consideration that is less than such assets' market value and agrees to repurchase on a fixed date the same assets for a fixed price above the consideration received by it on the sale. The difference in these two amounts equates to the cost (effectively interest) of the repo financing.

Investment Limits

The Board has prescribed limits on the Investment Policy, among which are the following:

- investments in equities are restricted to no more than 20 per cent. of the Company's portfolio;
- no single investment (bond or equity) may exceed 10 per cent. of gross assets;
- no more than 5 per cent. of gross assets may be exposed to unquoted investments;
- no more than 15 per cent. of the Company's total assets will be invested in other investment companies (including investment trusts); and
- repo financing and other borrowings gearing may be used to raise exposure to bonds and equities, and may not exceed an amount equal to twice shareholders' funds after such adjustments, exclusions and deductions as are specified in the Articles. Net borrowings (comprising aggregate borrowings less cash) may not, at the time of drawdown, exceed 50 per cent. of shareholders' funds (as determined under the Company's normal accounting policies).

PART 3

DEFINITIONS

The following definitions apply throughout this document unless the context otherwise requires:

“Articles”	the Articles of Association of the Company
“Board” or “Directors”	the board of directors of the Company
“Company”	Invesco Leveraged High Yield Fund Limited
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company to be held at 10.30 a.m. on 11 November 2013, or any adjournment thereof
“Form of Proxy”	the form of proxy to be used by Shareholders in connection with the EGM which accompanies this document
“Manager”	Invesco Asset Management Limited
“Net Asset Value”	the total value of the Company’s assets less its liabilities as determined in accordance with the accounting principles adopted by the Directors
“net borrowings”	aggregate borrowings less cash
“Notice”	the notice of the EGM set out at the end of this document
“Panmure Gordon”	Panmure Gordon (UK) Limited
“Proposals”	the proposals to amend the Company’s investment policy and to effect a change of name as described in this document
“Resolutions”	the resolutions to be proposed at the EGM as set out in the Notice
“Shareholder(s)”	Holder(s) of Shares
“shareholders’ funds”	the balance sheet value of Shareholders’ interest in the Company, which amounts to the same as the Net Asset Value
“Shares”	ordinary shares of 5p in the capital of the Company

PART 3

NOTICE OF EXTRAORDINARY GENERAL MEETING

Invesco Leveraged High Yield Fund Limited

(Incorporated with limited liability in Jersey with registered number 75059)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Invesco Leveraged High Yield Fund Limited (the “**Company**”) will be held at the Company’s registered office, Ordnance House, 31 Pier Road, St. Helier, Jersey JE4 8PW on 11 November 2013 at 10.30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions, of which Resolution 1 will be proposed as an ordinary resolution and Resolution 2 will be proposed as a special resolution.

Resolution 1 – Ordinary Resolution

THAT the proposed amended investment policy of the Company as described in Parts 1 and 2 of the circular to Shareholders dated 23 October 2013 of which this notice forms part (the “**Circular**”) be adopted as the investment policy of the Company with immediate effect.

Resolution 2 – Special Resolution

THAT, conditional on the passing of Resolution 1, the registered name of the Company be changed to Invesco Perpetual Enhanced Income Limited and that the Memorandum of Association of the Company be amended accordingly and filed with the Registrar of Companies.

By order of the Board
23 October 2013

Registered Office
Ordnance House
31 Pier Road
St. Helier
Jersey JE4 8PW

Notes:

1. A form of appointment of proxy accompanies this circular and Notice of EGM. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend, speak and vote in his stead. Where more than one proxy is appointed, each proxy must be appointed to exercise the rights attached to a different share or shares. A proxy need not be a member of the Company. In order to be valid an appointment of proxy must be returned, duly executed and completed, by one of the following methods:
 - via Capita Registrars website www.capitashareportal.com; or
 - in hard copy form by post, by courier or by hand to Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU; or
 - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out belowand in each case to be received by 10.30 a.m. on 9 November 2013.

The appointment of a proxy (whether by completion of a form of appointment of proxy or other instrument appointing a proxy or any CREST Proxy Instruction) does not prevent a member from attending and voting at the EGM.

2. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a ‘CREST Proxy Instruction’) must be properly authenticated in accordance with Euroclear UK & Ireland Limited’s specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer’s agent (ID RA10) by the latest time for receipt of proxy appointments specified in this document. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer’s agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies through CREST should be communicated to the appointee through other means. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the

Uncertificated Securities Regulations 2001. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take or, if the CREST member is a CREST Personal Member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s), such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning the practical limitations of the CREST system and timings.

3. A person entered on the Register of Members at close of business 48 hours before the time of the EGM ('a member') is entitled to attend and vote at the EGM pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001. Any changes to the Register of Members after such time and date shall be disregarded in determining the rights of any person to attend and/or vote at the EGM. If the EGM is adjourned, entitlement to attend and vote at the adjourned meeting, and the number of votes which may be cast thereat, will be determined by reference to the Company's Register of Members 48 hours before the time fixed for the adjourned meeting.
4. The schedule of matters for the Board and the terms of Reference of the Audit and Management Engagement Committees will be available at the EGM for at least 15 minutes prior to and during the EGM.
5. A copy of the Articles of Association is available for inspection at the Registered Office of the Company during normal business hours on any business day (excluding public holidays) until the close of the EGM and will also be available at the EGM for at least 15 minutes prior to and during the EGM.
6. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
7. Any member attending the EGM has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the EGM but no such answer need be given if (a) to do so would interfere unduly with the preparation of the EGM or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the EGM that the question be answered.
8. You may not use any electronic address (any address or number used for the purposes of sending or receiving documents or information by electronic means) provided in this Notice (or in any related documents including the proxy form) to communicate with the Company for any purposes other than those expressly stated.
9. As at 22 October 2013 (being the last practicable day prior to the publication of this Notice) the Company's issued share capital consisted of 111,292,526 ordinary shares of 5p each carrying one vote each.
10. A copy of the Notice as well as various other documents relating to the Company can be found at www.invescoperpetual.co.uk/investmenttrusts

