

# Invesco Perpetual Enhanced Income Limited

## Half-Yearly Financial Report for the Six Months to 31 March 2016

### KEY FACTS

Invesco Perpetual Enhanced Income Limited is a closed-end investment company with limited liability incorporated in Jersey. The Company's ordinary shares are listed on the London Stock Exchange.

#### Investment Objective of the Company

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 Company generally employs gearing in its Investment Policy.

Full details of the Company's Investment Policy (incorporating the Company's investment objective, investment policy and risk and investment limits) can be found on pages 9 and 10 of the Company's 2015 annual financial report.

### Performance Statistics

	AT 31 MAR 2016	AT 30 SEPT 2015	% CHANGE
Shareholders' funds (£'000)	85,320 <sup>(1)</sup>	84,322 <sup>(1)</sup>	+1.2 <sup>(1)</sup>
Net asset value per ordinary share	68.8p	68.7p	+0.1
Share price	70.5p	69.8p	+1.0
Premium per ordinary share	2.5%	1.6%	
Gross borrowing	28%	39%	
Net borrowing	20%	33%	
	SIX MONTHS ENDED 31 MAR 2016	SIX MONTHS ENDED 31 MAR 2015	YEAR ENDED 30 SEPT 2015
<b>Total Return</b>			
3 month LIBOR rate	+0.6%	+0.6%	+0.6%
Net asset value	+3.8%	+7.9%	+1.5%
Share price <sup>(2)</sup>	+4.7%	+8.8%	+0.2%
<b>Revenue</b>			
Net revenue return (£'000)	2,835	2,792	5,753
Revenue return per ordinary share	2.3p	2.4p	4.9p
<b>Dividends per ordinary share:</b>			
– first interim	1.25p	1.25p	1.25p
– second interim	1.25p	1.25p	1.25p
– third interim	—	—	1.25p
– fourth interim	—	—	1.25p
<b>Total</b>	<b>2.50p</b>	<b>2.50p</b>	<b>5.00p</b>

(1) Reflects 1,300,000 ordinary shares issued in the period.

(2) Source: Thomson Reuters Datastream.

### INTERIM MANAGEMENT REPORT INCORPORATING THE CHAIRMAN'S STATEMENT

#### CHAIRMAN'S STATEMENT

For the six months under review your Company has delivered a total return NAV of +3.8%. As a result of significant market volatility, nearly all of this return came from revenue, with only 0.1% from capital appreciation. However, this compares very favourably with the 3 month LIBOR return of +0.6%. For the same period, the Company's share price rose by 4.7% on a total return basis and the share price premium to NAV increased from 1.6% to 2.5%. At the time of writing, the premium now stands at 3.8%. The sustained premium illustrates the re-rating of the Company's shares over the last two years and confirms the continuing demand by investors for the investment policy being delivered by the Company.

As in the previous six months, the Board welcomes a number of new shareholders, both through financial advisers and by direct investment. In response to this sustained demand, the Company has issued 1.3 million new ordinary shares in the period at an average price of 71.51p per share, and a further 3.2 million since the period end – these in total represent 3.5% of the issued share capital. The new shares have all been issued at a premium to the prevailing NAV at the point of issue, ensuring that the NAV of existing shareholders is enhanced.

As you will read in their report which follows, your portfolio managers believe that many areas of the high yield market remain quite fully valued and that the periods of high volatility experienced during the last few months are likely to continue during the remainder of the year. However, the strong demand for income remains and the European Central Bank's announcement in March of this year that it would cut interest rates and begin purchasing corporate bonds as part of its

quantitative easing programme was well received by the market and is supportive of the high yield sector.

There has been no material change in portfolio strategy, although the level of net borrowing has been reduced from 33% as at 30 September 2015 to 20% as at 31 March 2016, reflecting the portfolio managers' overall defensive stance. Your portfolio managers continue to seek to add exposure where good opportunities are identified in the areas of the market which they believe can offer attractive yields – in what remains a very low-yield environment – whilst prudently balancing risk and reward to ensure the protection of your capital. Your Board fully endorses this approach.

#### Portfolio Management Arrangements

I am pleased to advise you that with effect from 16 May 2016, Rhys Davies has been promoted to portfolio manager to co-manage the Company's portfolio alongside Paul Read and Paul Causer.

#### Donald Adamson

Chairman

### PORTFOLIO MANAGERS' REPORT

#### Market Background

The six months to the 31 March 2016 was a volatile period for high yield bond markets. The market's initial positive sentiment turned negative during December and the early weeks of the New Year before becoming positive again through to the end of March. The actions and words of the European Central Bank (ECB) were instrumental in driving the changes in sentiment.

During October and November high yield bond markets bounced back strongly from their September lows. Data from Merrill Lynch showed the European high yield bond market had, what was at the time, its best monthly return since 2012 during October. Helping to fuel this rally were a number of statements from ECB officials that gave the impression the ECB would, at its December meeting, substantially increase the amount of monetary stimulus it was providing the Eurozone economy. The limited package subsequently announced failed to meet the market's expectations and high yield bonds, along with other 'risk assets', sold off.

Sentiment was further undermined in early 2016 by uncertainty in the European banking sector. The market had become increasingly concerned about the effect negative interest rates were having on bank profitability, weak earnings at some high profile banks, the asset quality of Italy's banks and a clumsy bail-in of Portuguese bank Novo Banco's senior bond holders. Subordinated bank bonds sold off aggressively as a result. Data from Merrill Lynch shows that contingent convertible bonds (the most junior form of bank debt capital) fell 11% from peak to trough.

The turning point was mid-January by which time European high yield spreads had widened to around 640 basis points (bps) – their highest level since the summer of 2012. Sterling high yield spreads peaked mid-February at just below 600 bps. An expectation of further ECB easing was once again instrumental in turning sentiment. Unlike in December, the ECB's announcement in March exceeded the market's expectations. As well as cutting interest rates, the ECB also announced it would begin purchasing corporate bonds as part of its quantitative easing programme. Additionally, a programme will be launched that will potentially enable banks to borrow at negative interest rates thereby helping to counter concerns about banks' profitability. Corporate bonds rallied strongly in response with most sectors recovering much of their earlier losses. European high yield returns for March beat those of October 2015 and were the highest since 2012.

The announcement of a date for the UK's referendum on membership of the European Union added to uncertainty in the sterling market. However, the effect was more pronounced in the currency markets. There were also examples of stock specific volatility. One such example was Spanish construction company Abengoa. A decision by the company in November to seek protection from its creditors caused its bonds to sell off sharply.

Reflective of market sentiment European high yield issuance has been markedly lower. Issuance during January and February in particular was a fraction of that issued in 2015. Overall for the period Barclays data shows €22.8 billion issued compared to €41.6 billion for the same period last year.

Data from Merrill Lynch shows that for the six months sterling high yield bonds returned 3.4% while euro high yield bonds returned 3.3%. Sterling financials returned 2.4% while sterling non-financial investment grade returned 4.6%. This compares to a return of 3.8% for Gilts and 3.9% for Bonds.

#### Portfolio Strategy

We used the period of market stress to add select bonds that we thought more attractively priced. As well as adding high yield bonds that we liked we also increased the portfolio's exposure to subordinated bank bonds, non-financial corporate hybrid bonds and subordinated insurance bonds.

In terms of overall positioning we remain defensive. We hold a core of high yield corporate bonds, focused on seasoned issuers that we consider to be default-remote. In addition we hold significant exposure to subordinated bank debt. In our view, the creditworthiness of the banking sector has improved significantly following regulatory and structural reforms and these bonds offer an attractive balance of risk and return.

We also have a sizeable allocation to non-financial hybrid bonds across sectors including telecoms and utilities. We believe the subordination risk of these more junior debt instruments is attractive in the context of these companies' relatively strong balance sheets. Many of the securities we hold are in high yielding investment grade names. We are holding a relatively high level of cash, affording us some protection from weaker markets and also positioning us to take advantage of more difficult market conditions such as we have seen in the past six months.

Despite the volatility the Company's NAV ended the six month period at 68.8p, a minor increase from the 30 September 2015 NAV of 68.7p. The premium increased over this time with the share price rising 1% from 69.8p to 70.5p. The total value of the fund rose from £84.3 million to £85.3 million. The Company entered the period with gross borrowings of 39%. This was reduced to 28% by the 31 March 2016. Taking into account our cash position, net borrowing fell from 33% to 20% by 31 March 2016.

## Outlook

Following the recovery we have seen from January and February, many areas of the high yield bond market are again, in our view, quite fully valued. On the other hand, the demand for income continues to be a powerful driver of returns and the additional measures announced by the ECB are likely to provide further support to the sector. On balance we think it prudent to maintain our defensive approach. There will, we expect, be further bouts of volatility through 2016. Our defensive stance should help mitigate the effect of such periods whilst also potentially providing the opportunity to add further exposure at attractive levels. Our focus remains on providing a good level of income by concentrating on issuers we see as default-remote and on bonds where we think the balance of reward to risk remains relatively attractive.

**Paul Read/Paul Causer/Rhys Davies**

*Portfolio Managers*

16 May 2016

## PRINCIPAL RISKS AND UNCERTAINTIES

The principal risk factors relating to the Company can be summarised as follows:

- Investment Policy – the adopted investment policy and process may not achieve the Company's published investment objective.
- Market Risk – a fall in the stock markets and/or a prolonged period of decline in the stock markets relative to other forms of investments will affect the performance of the portfolio, as well as the performance of individual portfolio investments.
- Investment Risk – the investment process employed by the Manager is likely to result, from time to time, in a more concentrated portfolio than those of other investment funds.
- Foreign Exchange Risk – the movement of exchange rates may have an unfavourable or favourable impact on returns as the Company holds non-sterling denominated investments and cash.
- Shares – share price is affected by market sentiment, supply and demand for the shares, dividends declared, portfolio performance as well as wider economic factors and changes in the law. The market value of, and the income derived from, the Company's ordinary shares can fluctuate and may go down as well as up.
- Gearing Returns Using Borrowings – net borrowing may not exceed 50% of shareholders' funds. Borrowing levels may change from time to time in accordance with the Manager's assessment of risk and reward. As a consequence, any reduction in the value of the Company's investments may lead to a correspondingly greater percentage reduction in its NAV (which is likely to adversely affect the Company's share price).
- High Yield Corporate Bonds – corporate bonds are subject to credit, liquidity, duration and interest rate risk. Adverse changes in the financial position of the issuer of corporate bonds or in general economic conditions may impair the ability of the issuer to make payments of principal interest or may cause the liquidation or insolvency of the issuer.
- Derivatives – the Company may enter into derivative transactions for the purpose of efficient portfolio management. The Company will not enter into derivative transactions for speculative purposes.
- Reliance on External Service Providers – failure by any service provider to carry out its obligations to the Company could have a materially detrimental impact on the operation of the Company and affect the ability of the Company to successfully pursue its investment policy.
- Regulatory – whilst compliance with rules and regulations is closely monitored, breaches could affect returns to shareholders.

A detailed explanation of these principal risks and uncertainties can be found on pages 12 to 15 of the Company's 2015 annual financial report, which is available on the Company's section of the Manager's website at: [www.invescoperpetual.co.uk/enhancedincome](http://www.invescoperpetual.co.uk/enhancedincome)

In the view of the Board, these principal risks and uncertainties are as much applicable to the remaining six months of the financial year as they were to the six months under review.

## GOING CONCERN

The half-yearly financial report has been prepared on a going concern basis. The Directors consider that this is the appropriate basis as they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In considering this, the Directors took into account the Company's investment objective, risk management policies and capital management policies, the diversified portfolio, the liquidity of the securities which can be used to meet short-term funding commitments, and the ability of the Company to meet all of its liabilities, including its repo financing, and ongoing expenses from its assets.

## RELATED PARTY TRANSACTIONS AND TRANSACTIONS WITH THE MANAGER

Under International Financial Reporting Standards, the Company has identified the Directors as related parties. Transactions with Directors are limited to their fees. Transactions with the Manager comprise management and any performance fees. The basis of these has not changed from that reported in the latest annual financial report.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES in respect of the preparation of the half-yearly financial report

The Directors are responsible for preparing the half-yearly financial report using accounting policies consistent with applicable law and International Financial Reporting Standards.

The Directors confirm that to the best of their knowledge:

- the condensed set of financial statements contained within the half-yearly financial report have been prepared in accordance with the International Accounting Standards 34 'Interim Financial Reporting';
- the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R of the FCA's Disclosure and Transparency Rules; and
- the interim management report includes a fair review of the information required on related party transactions.

The half-yearly financial report has not been audited or reviewed by the Company's auditor.

Signed on behalf of the Board of Directors.

**Donald Adamson**

*Chairman*

16 May 2016

## BOND RATING ANALYSIS AT 31 MARCH 2016

### Standard and Poor's Ratings, investments grade is BBB- and above

The definitions of these ratings are set out on page 64 of the 2015 annual financial report.

Rating	31 MAR 2016		30 SEPT 2015	
	% OF PORTFOLIO	CUMULATIVE TOTAL %	% OF PORTFOLIO	CUMULATIVE TOTAL %
<b>Investment Grade:</b>				
A-	—	—	0.3	0.3
BBB+	4.2	4.2	3.7	4.0
BBB	12.7	16.9	17.3	21.3
BBB-	3.9	20.8	3.8	25.1
<b>Non-Investment Grade:</b>				
BB+	17.0	37.8	15.4	40.5
BB	12.1	49.9	9.8	50.3
BB-	8.1	58.0	9.8	60.1
B+	13.6	71.6	12.9	73.0
B	8.5	80.1	11.1	84.1
B-	3.0	83.1	1.6	85.7
CCC+	3.4	86.5	1.3	87.0
CCC	0.4	86.9	0.2	87.2
NR <sup>(1)</sup>	13.1	100.0	12.8	100.0
	<u>100.0</u>		<u>100.0</u>	

(1) Including any equities, warrants and credit default swaps.

## INVESTMENT PORTFOLIO

AT 31 MARCH 2016

All investments are fixed interest bonds unless otherwise stated; floating rate notes are depicted by FRN.

### Bonds and Equity Investments

ISSUER	ISSUE	RATING	MARKET VALUE £'000	AT % OF PORTFOLIO
<b>Euro</b>				
UniCredit International Bank	8.125% FRN Perpetual	B1/B+	2,581	2.6
Santos Finance	8.25% FRN 22 Sep 2070	NR/BB+	2,181	2.2
Rexam	6.75% FRN 29 Jun 2067	Ba2/BB	1,897	1.9
Obrascon Huarte Lain	5.5% 15 Mar 2023 (SNR)	B2/NR	1,714	1.7
Achmea	6% 04 Apr 2043	NR/BBB	1,676	1.7
Telecom Italia	5.25% 17 Mar 2055	Ba1/BB+	1,624	1.6
Intesa Sanpaolo	8.375% FRN Perpetual	Ba3/B+	887	1.5
	7% Perpetual	Ba3/B+	676	
Solvay Finance	5.869% Var Perpetual	Ba1/BB	740	
	4.199% Perpetual	Ba1/BB	536	
	5.118% Perpetual	Ba1/BB	241	1.5
Origin Energy	7.875% 16 Jun 2071	Ba2/BB	1,503	1.5
Vougeot Bidco	FRN 15 Jul 2020 (SNR)	B2/B	1,266	1.2
Telefonica Europe	7.625% Perpetual	Ba1/BB+	1,231	1.2
ECO-BAT Finance	7.75% 15 Feb 2017	B3/CCC+	1,165	1.2
Paprec	7.375% 01 Apr 2023	B2/B-	509	0.9
	5.25% 01 Apr 2022	B1/B+	393	
	9% 15 Oct 2018	B3/NR	891	
Algeco Scotsman Global Finance	5.75% Perpetual	Baa3/BB+	845	0.8
Iberdrola International	6.625% 15 Nov 2020	B2/B+	767	0.8
Rapid	6.625% 15 Nov 2020	B2/B+	767	0.8
Constellium	4.625% 15 May 2021	Caa1/CCC+	438	
	7% 15 Jan 2023 (SNR)	Caa1/CCC+	324	
Galapagos	FRN 15 Jun 2021	B1/B	742	0.7
Picard	FRN 01 Aug 2019	B1/BB-	697	0.7
VRX Escrow	5.375% 15 Mar 2020	B2/B-	689	0.7
Royal Bank of Scotland	FRN 14 Jun 2022	Ba2/BB+	679	0.7
Enel	5% Var 15 Jan 2075	Ba1/BB+	587	0.6
UBS	5.75% Var Perpetual	NR/BB	518	0.5
Trinseo	6.375% 01 May 2022	B3/NR	460	0.4
Synlab Bondco	6.25% 01 Jul 2022 (SNR)	B2/B+	418	0.4
Gamenet	7.25% 01 Aug 2018 (SNR)	B2/B	401	0.4
Mercury Bondco	8.25% 30 May 2021 (SNR)	B3/B	399	0.4
Darling Global Finance	4.75% 30 May 2022 (SNR)	Ba3/BB+	396	0.4
Wind Acquisition Finance	4% 15 Jul 2020 (SNR)	Ba3/BB	391	0.4
CNP Assurances	FRN Perpetual	NR/NR	388	0.4
Kerneos	FRN 01 Mar 2021	B2/B+	387	0.4
Rexel	3.25% 15 Jun 2022	Ba3/BB	318	0.3
Sisal	7.25% 30 Sep 2017	B1/B	313	0.3
BNP Paribas Fortis	Cnv FRN Perpetual	Ba3/BB+	262	0.3
Delta Lloyd	9% FRN 29 Aug 2042	NR/BBB	228	0.2
Aviva	6.125% FRN 05 Jul 2043	Baa1/BBB	212	0.2
Kerling	10.625% 01 Feb 2017 (SNR)	Caa1/B-	200	0.2
Paternoster	8.5% 15 Feb 2023 (SNR)	Caa1/CCC+	189	0.2
KraussMaffei	8.75% 15 Dec 2020	B1/B	163	0.1
Lloyds Bank	6.375% Perpetual	NR/BB-	123	0.1
Manutencoop Facility Management	8.5% 01 Aug 2020	B3/B-	75	—
			33,320	33.0
<b>Sterling</b>				
Enterprise Inns	6.5% 06 Dec 2018 (SNR)	NR/BB-	2,625	2.6
NWEN Finance	5.875% 21 Jun 2021 (SNR)	NR/BB+	2,507	2.5
Enel	7.75% 10 Sep 2075	Ba1/BB+	1,543	2.3
	6.625% 15 Sep 2076	Ba1/BB+	776	
NGG Finance	5.625% FRN 18 Jun 2073	Baa3/BBB	2,276	2.3
Premier Foods Finance	6.5% 15 Mar 2021 (SNR)	B2/B	2,080	2.0
Twinkle Pizza	6.625% 01 Aug 2021	B2/B	2,038	2.0
Iron Mountain	6.125% 15 Sep 2022	Ba3/B+	1,975	2.0
Electricite De France	6% Perpetual	Baa1/BBB	1,181	1.7
	5.875% Perpetual	Baa1/BBB	509	
Standard Chartered	5.125% 06 Jun 2034	A3/BBB-	1,683	1.7
Aviva	6.125% Perpetual	Baa1/BBB	1,518	1.5
Arqiva Broadcast Finance	9.5% 31 Mar 2020	B3/NR	1,501	1.5
Jaguar Land Rover	3.875% 01 Mar 2023	Ba2/BB	1,489	1.4
Virgin Media Finance	5.125% 15 Jan 2025 (SNR)	Ba3/BB-	1,267	1.2
Orange	5.875% Var 29 Dec 2019	Baa3/BBB-	1,127	1.1
Telefonica Europe	6.75% Perpetual	Ba1/BB+	1,109	1.1
Société Générale	8.875% FRN Perpetual	Ba2/BB+	1,063	1.0
AA Bond Co	5.5% Var 31 Jul 2043 (SNR)	NR/BB-	1,059	1.0
Lloyds Bank	7% Var Perpetual	NR/BB-	1,018	1.0
Moy Park	6.25% 29 May 2021	B1/BB	1,017	0.9
Deutsche Bank	7.125% Perpetual	Ba3/B+	948	0.9
Time Warner Cable	5.25% 15 Jul 2042	Baa2/BBB	920	0.9
Stretford 79	6.25% 15 Jul 2021 (SNR)	B2/B+	888	0.9
Koninklijke KPN	6.875% FRN 14 Mar 2073	Ba2/BB	817	0.8
Scottish Widows	5.5% 16 Jun 2023	Baa1/BBB+	814	0.8
BHP Billiton	6.5% Var 22 Oct 2077	Baa2/BBB+	808	0.8
Barclays	7.875% Var Perpetual	Ba2/B+	789	0.8
Wm Morrison Supermarkets	4.75% 04 Jul 2029	Baa3/NR	628	0.6
InterGen Services	7.5% 30 Jun 2021	B1/B+	624	0.6
Wagamama Finance	7.875% 01 Feb 2020 (SNR)	B2/B-	591	0.6
Balfour Beatty	10.75p Convertible Preference	NR/NR	570	0.6

**Bonds and Equity Investments continued**

ISSUER	ISSUE	RATING	MARKET VALUE AT £'000	% OF PORTFOLIO
<b>Sterling</b>				
Odeon & UCI Finco	9% 01 Aug 2018	B3/CCC+	516	0.5
Legal & General	6.385% FRN Perpetual	Baa2/BBB+	508	0.5
Thames Water	5.875% 15 Jul 2022 (SNR)	B1/NR	507	0.5
UniCredit International Bank	8.5925% FRN Perpetual	B1/B+	504	0.5
Anglian Water	5% 30 April 2023 (SNR)	Ba3/NR	501	0.5
AXA	5.453% FRN Perpetual	Baa1/BBB	488	0.5
Premier Farnell	89.2p Convertible Preference	NR/NR	474	0.5
Boparan Finance	5.5% 15 Jul 2021	B2/B+	463	0.5
J Sainsbury	6.5% Var Perpetual	NR/NR	423	0.4
Tesco	5.2% 05 Mar 2057	Ba1/BB+	383	0.4
Cognita Financing	7.75% 15 Aug 2021 (SNR)	B2/B	359	0.4
Standard Life	5.5% 04 Dec 2042	Baa2/BBB	359	0.4
Gala Finance	8.875% 01 Sep 2018	Ba3/B+	298	0.3
Rothesay Life	8% 30 Oct 2025	NR/NR	255	0.3
Care UK Health and Social Care	FRN 15 Jan 2020	Caa2/CCC	212	0.2
Entertainment One	6.875% 15 Dec 2022 (SNR)	B1/B+	189	0.2
CIS General Insurance	12% FRN 08 May 2025	NR/NR	97	0.1
			46,294	45.8
<b>US Dollar</b>				
TimeWarner	4.65% 01 Jun 2044	Baa2/BBB	3,383	3.3
General Motors	Wts 10 Jul 2019	NR/NR	2,849	2.8
Stora Enso	7.25% 15 Apr 2036	Ba2/BB	1,433	1.4
Celanese	4.625% 15 Nov 2022	Ba2/BB+	1,391	1.4
Catlin Insurance	7.249% FRN Perpetual	NR/BBB+	963	1.0
Banco Santander	6.375% Var Perpetual	Ba1/NR	880	0.9
Constellium	8% 15 Jan 2023	Caa1/CCC+	591	0.8
	5.75% 15 May 2024	Caa1/CCC+	248	
Greenko	8% 01 Aug 2019	NR/B+	674	0.7
Owens- Brockway	5.875% 15 Aug 2023	B1/BB-	667	0.7
XPO Logistics	6.5% 15 Jun 2022 (SNR)	B2/B-	656	0.6
Chemours	6.625% 15 May 2023 (SNR)	B1/BB-	491	0.6
	7% 15 May 2025 (SNR)	B1/BB-	136	
Standard Chartered	5.7% 26 Mar 2044	A3/BBB-	606	0.6
Jaguar Land Rover	3.5% 15 Mar 2020 (SNR)	Ba2/BB	597	0.6
UBS	6.875% Var Perpetual	NR/BB	582	0.6
Verizon Communications	4.272% 15 Jan 2036	Baa1/BBB+	568	0.6
BNP Paribas	7.375% Var Perpetual	Ba1/BBB-	518	0.5
BHP Billiton	6.75% FRN 19 Oct 2075	Baa2/BBB+	494	0.5
ESAL	6.25% 05 Feb 2023 (SNR)	NR/BB+	485	0.5
Royal Bank Of Scotland	8% FRN Perpetual	NR/B	332	0.5
	7.5% Cnv FRN Perpetual	NR/B	135	
BBVA	9% Perpetual	NR/NR	428	0.4
Altice	6.625% 15 Feb 2023	B1/BB-	139	0.4
	7.75% 15 May 2020	B3/B	135	
	7.625% 15 Feb 2025 (SNR)	B3/B	133	
VRX Escrow	5.375% 15 Mar 2020	B3/B-	377	0.4
Fiat Chrysler Automobiles	4.5% 15 Apr 2020	B2/BB	353	0.3
Bombardier	7.5% 15 Mar 2025	B2/B	286	0.3
Rothschild's Continuation Finance	FRN Perpetual	NR/NR	278	0.3
UniCredit	8% FRN Perpetual	NR/NR	219	0.2
CGG Veritas	6.5% 01 Jun 2021 (SNR)	Caa2/CCC	197	0.2
HSBC	6.375% Cnv Perpetual	Baa3/NR	168	0.1
Abengoa	7.75% 01 Feb 2020 (SNR)	Ca/CCC-	29	—
Peabody Energy	4.75% Cnv 15 Dec 2066	Caa3/CCC	3	—
Motors Liquidation	8.375% 15 Jul 2033	NR/NR	—	—
			21,424	21.2
<b>Total investments</b>			101,038	100.0

**CONDENSED STATEMENT OF CHANGES IN EQUITY**

	SHARE CAPITAL £'000	SHARE PREMIUM £'000	CAPITAL RESERVE £'000	REVENUE RESERVE £'000	TOTAL £'000
<b>For the six months ended 31 March 2016</b>					
At 1 October 2015	6,137	121,542	(56,246)	12,889	84,322
Total comprehensive income for the period	—	—	323	2,835	3,158
Net proceeds from issue of shares	65	854	—	—	919
Dividends paid – note 5	—	(2)	—	(3,077)	(3,079)
<b>At 31 March 2016</b>	<b>6,202</b>	<b>122,394</b>	<b>(55,923)</b>	<b>12,647</b>	<b>85,320</b>
<b>For the six months ended 31 March 2015</b>					
At 1 October 2014	5,618	114,390	(51,367)	12,932	81,573
Total comprehensive income for the period	—	—	3,677	2,792	6,469
Net proceeds from issue of shares	311	4,335	—	—	4,646
Dividends paid – note 5	—	—	—	(2,865)	(2,865)
Unclaimed dividends – note 5	—	—	—	1	1
<b>At 31 March 2015</b>	<b>5,929</b>	<b>118,725</b>	<b>(47,690)</b>	<b>12,860</b>	<b>89,824</b>

## CONDENSED BALANCE SHEET

Registered number 75059

	AT 31 MARCH 2016 £'000	AT 30 SEPTEMBER 2015 £'000
<b>Non-current assets</b>		
Investments held at fair value	101,038	105,118
<b>Current assets</b>		
Amounts due from brokers	—	5,613
Margin held at brokers	161	348
Prepayments and accrued income	2,123	1,766
Cash and cash equivalents	6,946	4,631
	9,230	12,358
<b>Current liabilities</b>		
Amounts due to brokers	(395)	—
Accruals	(274)	(293)
Derivative financial instruments – unrealised loss	(493)	(207)
Securities sold under agreements to repurchase	(23,786)	(32,654)
	(24,948)	(33,154)
<b>Net current liabilities</b>	(15,718)	(20,796)
<b>Total net assets</b>	85,320	84,322
<b>Issued capital and reserves attributable to equity holders</b>		
Share capital – note 6	6,202	6,137
Share premium	122,394	121,542
Capital reserve	(55,923)	(56,246)
Revenue reserve	12,647	12,889
<b>Shareholders' funds</b>	85,320	84,322
<b>Net asset value per ordinary share</b>	68.8p	68.7p
<b>Number of 5p ordinary shares in issue at the period end – note 6</b>	124,046,779	122,746,779

## CONDENSED STATEMENT OF CASH FLOW

	SIX MONTHS ENDED 31 MARCH 2016 £'000	SIX MONTHS ENDED 31 MARCH 2015 £'000
<b>Cash flow from operating activities</b>		
Profit before tax	3,196	6,510
Taxation	(38)	(41)
Adjustments for:		
Purchases of investments	(6,293)	(16,462)
Sales of investments	19,032	14,877
	12,739	(1,585)
(Decrease)/increase from securities sold under agreements to repurchase	(8,868)	3,551
Profit on investments	(2,651)	(2,564)
Exchange differences	(239)	(23)
Decrease in derivative financial instruments – currency hedges	286	102
Finance costs	118	156
<b>Operating cash flows before movements in working capital</b>	4,543	6,106
Increase in receivables	(170)	(145)
Decrease in payables	(19)	(979)
<b>Net cash flows from operating activities before and after tax</b>	4,354	4,982
<b>Cash flows from financing activities</b>		
Interest paid	(118)	(144)
Net proceeds from issue of shares	919	4,646
Equity dividends paid – note 5	(3,079)	(2,864)
<b>Net cash used in financing activities</b>	(2,278)	1,638
Net increase in cash and cash equivalents	2,076	6,620
Exchange differences	239	23
Cash and cash equivalents at the beginning of the period	4,631	6,441
<b>Cash and cash equivalents at the end of the period</b>	6,946	13,084

## CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	SIX MONTHS TO 31 MARCH 2016			SIX MONTHS TO 31 MARCH 2015		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Profit on investments at fair value	—	2,651	2,651	—	2,564	2,564
Exchange differences	—	(648)	(648)	—	779	779
(Loss)/profit on derivative instruments – currency hedges	—	(1,418)	(1,418)	—	1,011	1,011
Income – note 4	3,320	—	3,320	3,267	—	3,267
	3,320	585	3,905	3,267	4,354	7,621
Investment management fee – note 2	(203)	(203)	(406)	(200)	(200)	(400)
Performance fee – note 2	—	—	—	—	(399)	(399)
Other expenses	(185)	—	(185)	(156)	—	(156)
<b>Profit before finance costs and taxation</b>	2,932	382	3,314	2,911	3,755	6,666
Finance costs	(59)	(59)	(118)	(78)	(78)	(156)
<b>Profit before taxation</b>	2,873	323	3,196	2,833	3,677	6,510
Tax – note 3	(38)	—	(38)	(41)	—	(41)
<b>Profit after taxation</b>	2,835	323	3,158	2,792	3,677	6,469
<b>Return per ordinary share</b>	2.3p	0.3p	2.6p	2.4p	3.2p	5.6p
<b>Weighted average number of shares in issue</b>			123,485,030			115,671,677

The total column of this statement represents the Company's statement of comprehensive income, prepared in accordance with International Financial Reporting Standards. The profit after tax is the total comprehensive income. The supplementary revenue and capital columns are both prepared in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies. All items in the above statement derive from continuing operations. No operations were acquired or discontinued in the period.



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 1. Basis of Preparation

The condensed financial statements have been prepared using the same accounting policies as those adopted in the 2015 annual financial report. They have been prepared on an historical cost basis, in accordance with the applicable International Financial Reporting Standards and, where possible, in accordance with the Statement of Recommended Practice for Financial Statements of Investment Trust Companies and Venture Capital Trusts.

### 2. Management Fee, Performance Fee and Finance Costs

Investment management fees and finance costs are allocated equally to revenue and capital. The management fee is 1% on the first £80 million of shareholders' funds; 0.7% on the next £70 million; and 0.6% on any excess of shareholders' funds over £150 million (previously: 1% per annum of total shareholders' funds).

The performance fee is allocated wholly to capital and is calculated at 20% of outperformance over a hurdle of LIBOR +1%, stepped and reducing to 10% of outperformance in respect of shareholders' funds in excess of £80 million. Payment of the performance fee is subject to various constraints as defined in the 2015 annual financial report.

### 3. Taxation

The Company is subject to Jersey income tax at the rate of 0% (2015: 0%). The overseas tax charge consists of irrecoverable withholding tax.

### 4. Income

	SIX MONTHS TO 31 MAR 2016	SIX MONTHS TO 31 MAR 2015
UK bond interest	1,390	1,418
UK dividends	38	13
Overseas bond interest	1,883	1,829
Overseas dividends	8	5
Deposit interest	1	2
<b>Total</b>	<b>3,320</b>	<b>3,267</b>

### 5. Dividends Paid

	SIX MONTHS TO 31 MAR 2016 £'000	SIX MONTHS TO 31 MAR 2015 £'000
Fourth interim of 1.25p	1,534	1,405
First interim of 1.25p	1,545	1,460
	3,079	2,865
Unclaimed dividend in respect of prior years	—	(1)
<b>Total paid</b>	<b>3,079</b>	<b>2,864</b>

The first interim for the quarter ended 31 December 2015 was paid on 29 January 2016 to shareholders on the register on 8 January 2016. The second interim for the quarter ended 31 March 2016 was paid on 29 April 2016 to shareholders on the register on 8 April 2016.

### 6. Movement in Share Capital

	SIX MONTHS TO 31 MAR 2016	YEAR TO 30 SEPT 2015
Share Capital:		
Brought forward	£6,137,000	£5,618,000
Net share proceeds	£65,000	£519,000
<b>Carried forward</b>	<b>£6,202,000</b>	<b>£6,137,000</b>
Number of 5p ordinary shares:		
Brought forward	122,746,779	112,367,526
Issued in period	1,300,000	10,379,253
<b>Carried forward</b>	<b>124,046,779</b>	<b>122,746,779</b>

The average price of the shares issued in the period was 71.51p (2015: 75.45p).

Subsequent to the period end 3,200,000 shares have been issued at an average price of 70.53p.

### 7. Classification under Fair Value Hierarchy

Note 19 of the 2015 annual financial report sets out the basis of classification as set out by IFRS7 'Financial Instrument Disclosures'.

No Level 3 items have been held during the period or at the period end, and the total (not shown) is therefore the aggregate of Level 1 and Level 2.

	AT 31 MAR 2016		AT 30 SEPT 2015	
	LEVEL 1 £'000	LEVEL 2 £'000	LEVEL 1 £'000	LEVEL 2 £'000
<i>Financial assets designated at fair value through profit or loss:</i>				
Debt securities	—	97,145	—	101,505
Equities	1,044	—	1,041	—
Warrants	2,849	—	2,572	—
<b>Total for financial assets</b>	<b>3,893</b>	<b>97,145</b>	<b>3,613</b>	<b>101,505</b>

	AT 31 MAR 2016		AT 30 SEPT 2015	
	LEVEL 1 £'000	LEVEL 2 £'000	LEVEL 1 £'000	LEVEL 2 £'000
<i>Financial liabilities designated at fair value through profit or loss:</i>				
Derivative financial instruments – currency hedges	—	493	—	207
<b>Total for financial liabilities</b>	<b>—</b>	<b>493</b>	<b>—</b>	<b>207</b>

### 8. Status of Half-yearly Financial Report

The financial information contained in this half-yearly report, which has not been reviewed or audited, does not constitute statutory accounts as defined in Article 104 of Companies (Jersey) Law 1991. The financial information for the half years ended 31 March 2015 and 2016 has not been audited. The figures and financial information for the year ended 30 September 2015 are extracted and abridged from the latest published accounts and do not constitute the statutory accounts for that year.

By order of the Board  
R&H Fund Services (Jersey) Limited  
Company Secretary

16 May 2016

## DIRECTORS AND ADVISERS

### Directors

Donald Adamson (Chairman)  
Peter Yates (Audit Committee and Management Engagement Committee Chairman)  
Michael Lombardi  
Gordon Neilly  
Clive Spears

### Manager and Alternative Investment Fund Manager

Invesco Fund Managers Limited  
Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire RG9 1HH  
☎ 020 3753 1000  
🌐 [www.invescoperpetual.co.uk/investmenttrusts](http://www.invescoperpetual.co.uk/investmenttrusts)

### Company Secretary, Administrator and Registered Office

R&H Fund Services (Jersey) Limited  
PO Box 83, Ordnance House, 31 Pier Road, St Helier, Jersey JE4 8PW  
Company Secretarial Contact: Hilary Jones  
☎ 01534 825323

Registered in Jersey: Number 75059

### Corporate Broker

Panmure Gordon (UK) Limited  
One New Change, London EC4M 9AF

### Registrar

Capita Registrars (Jersey) Limited  
12 Castle Street, St. Helier, Jersey JE2 3RT  
If you hold your shares directly and have any queries you should contact the registrar on:

☎ 0871 664 0300

Calls cost 12p per minute plus your phone company's access charge.

Lines are open from 9am to 5.30pm, Monday to Friday (excluding Bank Holidays).

From outside the UK +44 371 664 0300. Calls from outside the UK will be charged at the applicable international rate.

Shareholders can also access their holding details via Capita's website at:

🌐 [www.capitashareportal.com](http://www.capitashareportal.com)

### Savings Scheme and ISA Administration

For both the Invesco Perpetual Trust Savings Scheme and ISA, contact:

Invesco Perpetual, P.O. Box 11150, Chelmsford CM99 2DL

☎ 0800 085 8677

### Invesco Perpetual Client Services

Invesco Perpetual has an Client Services Team available from 8.30am to 6pm, Monday to Friday (excluding Bank Holidays) on:

☎ 0800 085 8677

🌐 [www.invescoperpetual.co.uk/investmenttrusts](http://www.invescoperpetual.co.uk/investmenttrusts)

Information relating to the Company can be found on the Company's section of the Manager's website, at [www.invescoperpetual.co.uk/enhancedincome](http://www.invescoperpetual.co.uk/enhancedincome). The contents of websites referred to in this document, or accessible from links within those websites, are not incorporated into, nor do they form part of, this half-yearly report.



**Invesco  
Perpetual**

Invesco Fund Managers Limited

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