

Invesco Perpetual Enhanced Income Limited

Half-Yearly Financial Report for the Six Months to 31 March 2018

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 10 and 11 of the Company's 2017 annual financial report.

Performance Statistics

	AT 31 MAR 2018	AT 30 SEPT 2017	% CHANGE
Shareholders' funds (£'000)	123,611	125,325	-1.4 ⁽¹⁾
Net asset value per ordinary share	74.9p	77.5p	-3.4
Share price ⁽²⁾	79.2p	80.3p	-1.4
Premium per ordinary share	5.7%	3.6%	
Gross borrowing	21%	23%	
Net borrowing	18%	16%	

	SIX MONTHS ENDED 31 MAR 2018	SIX MONTHS ENDED 31 MAR 2017	YEAR ENDED 30 SEPT 2017
Total Return ⁽²⁾			
3 month LIBOR rate	+0.7%	+0.3%	+0.3%
Net asset value*	-0.2%	+5.5%	+10.7%
Share price	+1.8%	+4.9%	+10.5%

*The increase in total return NAV includes a 0.2% enhancement to NAV generated by the issue of ordinary shares at a premium during the six month period.

Revenue

	3,873	3,126	6,484
Net revenue return (£'000)			
Revenue return per ordinary share	2.4p	2.3p	4.5p
Dividends per ordinary share:			
– first interim	1.25p	1.25p	1.25p
– second interim	1.25p	1.25p	1.25p
– third interim	—	—	1.25p
– fourth interim	—	—	1.25p
Total	2.50p	2.50p	5.00p

(1) reflects 3,227,852 ordinary shares issued in the period.

(2) Source: Thomson Reuters.

INTERIM MANAGEMENT REPORT INCORPORATING THE CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Results for the six months to 31st March 2018

For the six months under review, the Company has delivered a total net asset value return of -0.2%. This compares to 3 month LIBOR of +0.7%. The share price premium increased from 3.6% to 5.7% primarily reflecting the value placed by the market on the income stream available from the Company. This secondary market demand allowed the Company to issue 3.2million new shares at a premium and provided a net accrual of value to existing shareholders after costs. This accrual of value is consistent with the approach we have adopted in relation to the issue of new shares since the shares started to trade at a premium. It is not enough for "tap" issuance to be cost neutral, it should be value accretive.

The Managers' Report which follows continues the cautionary tone of much of their recent reporting. High yield bond prices remain elevated and yields correspondingly low. Markets remain vulnerable in the context of potential rate rises from U S and U K Central Banks during 2018. Borrowing at the period end was 21% Gross and 18% Net of cash balances. The Managers continue to seek opportunities capable of generating sustainable yields balanced with minimizing risk to capital.

Termination of Management Agreement

Shareholders will be aware of the announcement released by the Company on 23rd April 2018 stating that Invesco had decided to step down from the management of the Company. The announcement also acknowledged the good service provided to the Company by Invesco over the years.

I would like to take this opportunity to provide some further context around this development and the Board's role in relation to it. It is a key responsibility, indeed, duty of an independent board to keep the commercial terms under which the investment manager is engaged under review to ensure that they fairly reflect current market circumstances and practice. This is precisely what your Board has been doing. Shareholders will also be aware that the Directors together own 1,282,227 shares in the Company providing strong alignment with shareholders' interests generally.

In reviewing the terms of the investment management agreement which were last changed in 2014, the Board has noted the following particular matters:

- The elevated level of the high yield market has created an environment where costs inevitably absorb an increasing proportion of gross returns. The results for this period demonstrate the point. Investment management costs constitute the largest proportion of total costs.
- A detailed review of fee structures for comparable vehicles, supported by our advisers, demonstrated that since 2014 commercial terms for managers have been moving distinctly to favour shareholders more. In addition, performance fees have been eliminated by many investment companies.
- The FCA review of the asset management industry has made it very clear to those charged with the governance of investment vehicles that they must be able to satisfy themselves that investment management fees represent good value for money for investors.

Having taken relevant advice and carried out detailed research, the Board concluded that the current arrangements with Invesco needed to be adjusted. A further point in tackling the Company's cost structure rests on the improvement to dividend cover which cost reductions can be expected to make. This will improve the long term sustainability of the income which can be offered. This point is particularly relevant in that our dividend is not currently fully covered by earnings albeit that the Company has significant levels of revenue reserves.

The Board and the Management Engagement Committee sought to reach a suitable accommodation with Invesco which we believed would reflect current market conditions. Despite detailed efforts by the Board and its advisers over an extended period, it was not possible to reach a satisfactory agreement and Invesco decided to step down and have subsequently declined an invitation to participate in the investment manager replacement process described below. Invesco will continue to manage the portfolio until a replacement is appointed under the 12 month notice period provided under the existing agreement.

Investment Manager Recruitment Process

The Board and its advisers believe that improved terms from suitably qualified managers will be available in the market. JP Morgan Cazenove has been retained to co-ordinate this process and I am able to confirm that in addition to the planned approaches being made to a number of leading bond managers, significant unsolicited interest from a variety of experienced bond managers has already been expressed and will be considered as part of the detailed process being carried out.

Board Composition

Had negotiations with Invesco, which commenced in November of last year, been successfully concluded it would have been my intention to retire from the Board. However, given the difficulties experienced I have remained as Chairman in order to see this very important matter completed in the interests of all shareholders. In any event, I will stand down on or before the next Annual General Meeting of the Company.

Outlook

The market outlook is as earlier described. The Board is optimistic that with the recruitment of a high quality and experienced bond manager and a lower cost structure, the prospects for the future will be significantly improved with enhanced dividend cover and higher net returns for any given level of portfolio return.

Donald Adamson

Chairman

21 May 2018

PORTFOLIO MANAGERS' REPORT

Market Background

For bond markets the six months to the 31 March 2018 can be viewed as two distinct periods. In the last three months of 2017, markets were relatively quiet, with bond yields little changed. Volatility then increased during the first three months of 2018 amid concerns about higher interest rates.

Over the six months, the yield to maturity of the European currency high yield bond market as a whole rose 32 basis points (bps), ending March 2018 at 3.86%. Meanwhile the premium European high yield companies needed to pay to borrow over underlying government bonds (the credit spread) increased 50bps to 327bps. In the US, the yield increased 60bps to 6.56% with credit spreads rising 12bps to 372bps.

Among the key drivers of bond market returns during this period were US tax reforms and central bank activity.

The US government approved plans for tax reform in December 2017, with the cuts coming into effect in January 2018. The cuts helped fuel a wave of positive sentiment, with high yield bonds among the markets that rallied strongly in response. Sentiment in the high yield market was dented in February as rising government bond yields and questions over the sustainability of corporate earnings growth helped to spark a sharp rise in equity volatility.

Fears of tighter monetary conditions were given further weight in March 2018 when the US Federal Reserve hiked the Fed Funds rate for the sixth time in this cycle. The hike took

the upper bound of the rate to 1.75% and at the time of writing, the Fed is expected to raise the Fed Funds rate another three times this year.

In November, the Bank of England reversed its post-Brexit cut in UK Bank Rate, returning the rate back to 0.5%. It remained at this level for the rest of the period. However, the Bank of England's Monetary Policy Committee was split 7-2 over whether to raise UK interest rates at its March meeting. While the majority were in favour of holding, the two dissenters wanted to hike the rate immediately because of what they saw as increased inflationary pressures. This increased market expectations that the rate will be hiked further in May.

After the increased levels of high yield bond issuance during 2017, the more challenging backdrop so far in 2018 has seen supply in the European high yield bond market fall. Data from Barclays shows that in the first quarter, there was €18.1bn of new supply, which is down 30% compared to the same period in 2017.

According to rating agency Moody's, default rates are forecast to remain low. Moody's predict that the US default rate will fall to 2.4% in 2018 and the European rate to just 1.2%.

Portfolio Strategy

The overall shape of our portfolio has not changed greatly. The core is made up of a selection of high yield bonds from seasoned issuers that we believe have a relatively low risk of default. These tend to be companies with balance sheets that are better equipped to cope with periods of weaker earnings. We have much less enthusiasm for highly leveraged companies in sectors dependent on the economic cycle. That is not to say that we will not invest in these areas; rather that we demand a much higher level of income to compensate for the additional risk such companies pose.

Our largest sector allocation remains financials, most notably subordinated bank capital. These are bonds that we think continue to provide a relatively attractive level of income relative to the risk. Banks have taken significant steps over the past few years to raise capital and to improve their balance sheets. Elsewhere, we also see some opportunities in corporate hybrids. These instruments are issued by companies across sectors and they can provide a nice balance between higher yield (due to their subordinate position in the capital structure) and the relative security of the stronger balance sheets of these issuers.

Over the period under review, the Company's NAV fell from 77.5p to 74.9p, a fall of 3.4%. The NAV total return was -0.2%. The portfolio entered the period with gross borrowing of 23%. This had been reduced to 21% by 31 March 2018.

Outlook

Overall we remain cautious; despite rising over the past six months, bond yields remain low in historical terms and continue to price in little room for disappointment in terms of earnings and economic data. In our view, this means the market remains vulnerable to correction. By identifying and understanding the credit risks within companies, we aim to identify those bonds that are being appropriately priced and those that are not. This should mean we will be well placed to exploit any opportunities such a correction might present.

Paul Read/Paul Causer/Rhys Davies

Portfolio Managers

21 May 2018

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 13 to 16 of the Company's 2017 annual financial report, which is available on the Company's section of the Manager's website at: www.invescopperpetual.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 remuneration. 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 Guidance 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

21 May 2018

BOND RATING ANALYSIS

AT 31 MARCH 2018

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

The definitions of these ratings are set out on page 68 of the 2017 annual financial report.

Rating	31 MAR 2018		30 SEPT 2017	
	% OF PORTFOLIO	CUMULATIVE TOTAL %	% OF PORTFOLIO	CUMULATIVE TOTAL %
Investment Grade:				
AAA	—	—	1.8	1.8
A	1.1	1.1	1.0	2.8
BBB+	2.7	3.8	3.3	6.1
BBB	4.6	8.4	4.8	10.9
BBB-	8.9	17.3	8.9	19.8
Non-investment Grade:				
BB+	13.5	30.8	15.7	35.5
BB	5.9	36.7	5.9	41.4
BB-	15.8	52.5	11.4	52.8
B+	7.3	59.8	11.5	64.3
B	12.0	71.8	11.9	76.2
B-	7.3	79.1	5.6	81.8
CCC+	—	79.1	1.6	83.4
CCC	1.7	80.8	0.5	83.9
D	—	80.8	0.2	84.1
NR (including equities and warrants)	19.2	100.0	15.9	100.0
	100.0		100.0	

INVESTMENT PORTFOLIO

AT 31 MARCH 2018

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
Euro				
Origin Energy	7.875% 16 Jun 2017	Ba2/BB	3,112	2.1
UniCredit International Bank	8.125% FRN Perpetual	B1/BB-	2,925	2.0
Intesa Sanpaolo	8.375% FRN Perpetual	Ba3/BB-	970	1.7
	7% Perpetual	Ba3/BB-	858	
	7.75% Perpetual	Ba3/BB-	524	
	6% 04 Apr 2013	NR/BBB-	2,043	
Achmea	5.25% 17 Mar 2015	Ba1/BB+	1,999	1.4
Telecom Italia	FRN 30 Nov 2023	B2/B+	1,525	1.0
Picard	4.75% 15 Apr 2026 (SNR)	NR/NR	1,503	1.0
Coty	FRN 15 Jul 2020 (SNR)	B2/B	1,406	1.0
Vougeot Bidco	5.869% Var Perpetual	Ba1/BB+	954	0.8
Solvay Finance	5.118% Perpetual	Ba1/BB+	292	
Maxeda DIY	6.125% 15 Jul 2022 (SNR)	B2/B-	1,124	0.8
Paprec	7.375% 01 Apr 2023 (SNR)	B2/B-	647	0.8
	5.25% 01 Apr 2022 (SNR)	B1/B+	458	
	FRN 01 May 2023	B3/B-	462	
Burger King France	8% 15 Dec 2022 (SNR)	NR/CCC	375	0.8
	6% 01 May 2024 (SNR)	B3/B-	222	
	FRN 15 Nov 2023 (SNR)	B2/B	975	
Takko	5.375% 15 Jun 2023 (SNR)	B3/B	951	0.7
Platin 1426	6.5% FRN Perpetual	B2/NR	926	0.6
Banco Sabadell	8.25% 30 May 2021 (SNR)	B3/B	456	0.6
Mercury Bondco	7.125% 30 May 2021 (SNR)	B3/B	452	
La Financiere Atalian	4% 15 May 2024 (SNR)	B2/B+	892	0.6
Royal Bank of Scotland	FRN 14 Jun 2022	Ba1/BB+	872	0.6
CNP Assurances	FRN Perpetual	NA/NR	798	0.5
Spectrum Brands	4% 01 Oct 2026 (SNR)	B2/BB-	733	0.5
Quintiles IMS	3.25% 15 Mar 2025 (SNR)	Ba3/BB+	702	0.5
HEMA	8.5% 15 Jan 2023 (SNR)	Caa2/CCC	691	0.5
UBS	5.75% FRN Perpetual	NR/BB+	633	0.4
PrestigeBidCo	6.25% 15 Dec 2023 (SNR)	B2/B	559	0.4
Loxam SAS	6% 15 Apr 2025 (SNR)	NR/B	401	0.3
BNP Paribas Fortis	Cnv FRN Perpetual	Ba3/BB+	397	0.3
Caixabank	6.75% FRN Perpetual	B1/BB-	396	0.3
CGG	Common stock	NR/NR	361	0.2
Almaviva The Italian Inn	7.25% 15 Oct 2022	B2/B+	357	0.2
CBR Fashion Finance	5.125% 01 Oct 2022 (SNR)	B2/B	296	0.2
Aviva	6.125% FRN 05 Jul 2013	A3/BBB	253	0.2
ASR Nederland	4.625% Cnv FRN Perpetual	NR/BB	181	0.1
Lloyds Bank	6.375% FRN Perpetual	Baa3/BB-	152	0.1
			33,833	23.3
Sterling				
Virgin Media Finance	5.125% 15 Jan 2025 (SNR)	Ba3/BB-	1,847	2.0
	7.0% 15 Apr 2023 (SNR)	B2/B	1,037	
NWEN Finance	5.875% 21 Jun 2021 (SNR)	NR/BB+	2,617	1.8
Premier Foods Finance	6.5% 15 Mar 2021 (SNR)	B2/B	2,016	1.8
	FRN 15 Jul 2022 (SNR)	B2/B	596	
Enterprise Inns	6.375% 15 Feb 2022 (SNR)	NR/BB-	2,186	1.8
	6.5% 06 Dec 2018 (SNR)	NR/BB-	406	
Enel	7.75% 10 Sep 2015	Ba1/BBB-	1,629	1.7
	6.625% 15 Sep 2016	Ba1/BBB-	858	
NGG Finance	5.625% FRN 18 Jun 2013	Baa3/BBB	2,446	1.7
TVL Finance	FRN 15 May 2023 (SNR)	B3/B-	1,553	1.6
	8.5% 15 May 2023 (SNR)	B3/B-	685	
Stonegate	FRN 15 Mar 2022 (SNR)	B2/B-	1,341	1.4
	4.875% 15 Mar 2022 (SNR)	B2/B-	798	
Arqiva Broadcast Finance	9.5% 31 Mar 2020	B3/NR	2,101	1.4
Standard Chartered	5.125% 06 Jun 2013	Baa1/BBB-	2,045	1.4
Virgin Money	8.75% Perpetual	NA/NR	2,008	1.4
Electricite De France	6% Perpetual	Baa3/BB	1,352	1.3
	5.875% Perpetual	Baa3/BB	605	
Matalan Finance	6.75% 31 Jan 2023 (SNR)	B2/B-	1,030	1.2
	9.5% 31 Jan 2024 (SNR)	Caa2/CCC	731	
Balfour Beatty	10.75p Cnv Preference	NA/NR	1,739	1.2
Shop Direct Funding	7.75% 15 Nov 2022 (SNR)	B2/NR	1,728	1.2
Société Générale	8.875% FRN Perpetual	Ba2/BB+	1,718	1.2
Aviva	6.125% Perpetual	A3/BBB	1,648	1.1
Pension Insurance	8% 23 Nov 2026	NR/NR	1,593	1.1
ELM	6.3024% FRN Perpetual	A3/A	1,558	1.1
Drax Finco	4.25% 01 May 2022 (SNR)	NR/BB+	929	1.0
	FRN 01 May 2022	NR/BB+	629	
Wagamama Finance	4.125% 01 Jul 2022 (SNR)	B2/B	1,444	1.0
Iron Mountain	3.875% 15 Nov 2025	Ba3/BB-	1,399	1.0
Orange	5.875% Perpetual	Baa3/BBB-	1,232	0.8
Ocado	4% 15 Jun 2024 (SNR)	Ba3/NR	1,191	0.8
Deutsche Bank	7.125% Perpetual	B1/B+	1,184	0.8
Partnership Assurance	9.5% 24 Mar 2025	NA/NR	1,125	0.8
Lloyds Bank	7% Var Perpetual	Baa3/BB-	1,120	0.8
Time Warner Cable	5.25% 15 Jul 2012	Ba1/BBB-	1,106	0.8
Bracken Midco One	10.5% 15 Nov 2021	NR/B+	1,025	0.7
William Hill	4.875% 07 Sep 2023 (SNR)	Ba1/BB+	1,001	0.7
Barclays	7.875% Var Perpetual	Ba2/B+	967	0.7
Pizza Express	6.625% 01 Aug 2021	B2/B-	931	0.6
Scottish Widows	5.5% 16 Jun 2023	Baa1/BBB+	883	0.6
Koninklijke KPN	6.875% FRN 14 Mar 2013	Ba2/BB	852	0.6
Sainsbury's Bank	6% FRN 23 Nov 2027	NA/NR	838	0.6
Bupa Finance	5% 08 Dec 2026	Baa2/NR	791	0.5
OneSavings Bank	9.125% FRN Perpetual	NA/NR	745	0.5
RAC Bond	4.87% Var 06 May 2016 (SNR)	NR/BBB-	738	0.5
Miller Homes	FRN 15 Oct 2023 (SNR)	NR/BB-	541	
	5.5% 15 Oct 2023 (SNR)	NR/BB-	190	0.5
	6.375% 15 Nov 2024 (SUB NTS)	B3/B+	714	
AMC Entertainment	9% 26 Oct 2026	NA/NR	640	0.4
JRP Group	6.5% 01 Jul 2022 (SNR)	Caa1/CCC	607	0.4
New Look	5.2% 05 Mar 2017	Ba1/BB+	573	0.4
Tesco	5.453% FRN Perpetual	Baa1/BBB+	541	0.4
AXA	5.875% 15 Jul 2022 (SNR)	B1/NR	533	0.4
Thames Water	5% 30 April 2023 (SNR)	Ba3/NR	520	0.4
Anglian Water	6.461% FRN Perpetual	NR/BB	513	0.4
HBOS	8.5925% FRN Perpetual	B1/BB-	509	0.4
UniCredit International Bank	6.375% 15 Feb 2025 (SNR)	B3/B	461	0.3
Pinnacle Bidco	6.5% Var Perpetual	NA/NR	442	0.3
J Sainsbury	5.5% 04 Dec 2012	Baa1/BBB+	393	0.3
Standard Life	7.75% 15 Aug 2021 (SNR)	WR/B-	371	0.2
Cognita Financing	8% 30 Oct 2025	NA/NR	301	0.2
Rothsay Life	12% FRN 08 May 2025	NA/NR	113	0.1
CIS General Insurance				
			67,963	46.8

Bonds and Equity Investments continued

ISSUER	ISSUE	RATING	MARKET VALUE £'000	AT £'000	% OF PORTFOLIO
US Dollar					
BBVA	9% Perpetual	NR/NR	2,150		1.5
SFR	7.375% 01 May 2026 (SNR)	B1/B+	2,106		1.5
TimeWarner	4.65% 01 Jun 2044	Baa2/BBB	2,045		1.4
J. C. Penney	8.125% 01 Oct 2019 (SNR)	B3/B	907		
	8.625% 15 Mar 2025 (SNR)	B2/B	713		1.3
	6.375% 15 Oct 2036 (SNR)	B3/B	270		
Stora Enso	7.25% 15 Apr 2036	Ba1/BB+	1,737		1.2
XPO Logistics	6.5% 15 Jun 2022 (SNR)	B1/BB-	1,475		1.1
	6.125% 01 Sep 2023	B1/BB-	88		
Celanese	4.625% 15 Nov 2022	Baa3/BBB-	1,486		1.0
Fiat Chrysler Automobiles	4.5% 15 Apr 2020	Ba3/BB+	1,434		1.0
Catlin Insurance	7.249% FRN Perpetual	NA/BBB+	1,419		1.0
Altice	6.625% 15 Feb 2023	B1/BB-	847		
	7.5% 15 May 2026	B1/BB-	442		0.9
HSBC	6.375% Cnv Perpetual	Baa3/NR	1,271		0.9
Wind Tre Spa	5% 20 Jan 2026 (SNR)	B1/BB-	1,087		0.8
Ziggo Bond Finance	5.875% 15 Jan 2025	B3/B	1,081		0.7
Beazley	5.875% 04 Nov 2026	NR/NR	1,073		0.7
Softbank	4.75% 19 Sep 2024 (SNR)	Ba1/BB+	1,067		0.7
Banco Santander	6.375% Var Perpetual	Ba1/NR	1,013		0.7
Algeco Scotsman	8% 15 Feb 2023 (SNR)	B2/B-	940		0.6
Royal Bank of Scotland	8% Cnv FRN Perpetual	Ba3/B	389		
	8.625% FRN Perpetual	Ba3/B	341		0.6
	7.5% Cnv FRN Perpetual	Ba3/B	156		
Trinseo	5.375% 01 Sep 2025 (SNR)	B3/BB-	827		0.6
Marfrig	7% 15 Mar 2024	NR/B+	815		0.6
Société Générale	7.875% FRN Perpetual	Ba2/BB+	770		0.5
Hertz	7.625% 01 Jun 2022	B1/BB-	761		0.5
Tesco	6.15% 15 Nov 2037 (SNR)	Ba1/BB+	752		0.5
Diamond 1	5.45% 15 Jun 2023	Baa3/BBB-	740		0.5
Global Ship Lease	9.875% 15 Nov 2022	B3/B	716		0.5
VIVAT	6.25% Perpetual	NR/NR	711		0.5
Iron Mountain	4.875% 15 Sep 2027	Ba3/BB-	701		0.5
Owens-Brockway	5.875% 15 Aug 2023	B1/BB-	680		0.5
Teva Pharmaceutical Finance III	6.75% 01 Mar 2028 (SNR)	Ba2/BB	673		0.5
UBS	6.875% Perpetual	NR/BB	649		0.4
Cott	5.5% 1 Apr 2025	B1/B	620		0.4
Puma International	5% 24 Jan 2026	Ba2/NR	396		
	5.125% 06 Oct 2024 (SNR)	Ba2/NR	220		0.4
BNP Paribas	7.375% Var Perpetual	Ba1/BBB-	597		0.4
Codere Finance 2 (Luxembourg)	7.625% 01 Nov 2021	B2/B	596		0.4
Rothschilds Continuation Finance	FRN Perpetual	NA/NR	591		0.4
Verizon Communications	4.272% 15 Jan 2036	Baa1/BBB+	563		0.4
Standard Chartered	5.7% 26 Mar 2044	Baa1/BBB-	547		0.4
Aker BP	5.875% 31 Mar 2025 (SNR)	Ba2/BB+	542		0.4
Petra Diamonds	7.25% 01 May 2022 (SNR)	B3/B	535		0.4
Constellium	5.75% 15 May 2024	B3/B-	353		
	5.875% 15 Feb 2026	B3/B-	176		0.4
Brink's	4.625% 15 Oct 2027	Ba2/BB	422		0.3
Marb Bondco	6.875% 19 Jan 2025 (SNR)	NR/B+	417		0.3
Chemours	6.625% 15 May 2023 (SNR)	Ba3/BB-	284		
	7% 15 May 2025	Ba3/BB-	93		0.3
AXA	6.463% FRN Perpetual	Baa1/BBB	355		0.2
UniCredit	8% FRN Perpetual	NR/NR	296		0.2
PGH Capital	5.375% 06 Jul 2027	NR/NR	200		0.1
Millicom International Cellular	5.125% 15 Jan 2028	Ba2/NR	197		0.1
CCO Holdings Capital	5% 01 Feb 2028	B1/BB	187		0.1
CGG	FRN 21 Feb 2023	Caa1/NR	175		0.1
Bombardier	7.5% 15 Mar 2025	Caa1/B-	169		0.1
Barclays	7.875% Var Perpetual	Ba2/B+	158		0.1
FAGE International	5.625% 15 Aug 2026 (SNR)	B1/BB-	133		0.1
American Greetings	7.875% 15 Feb 2025 (SNR)	B3/BB-	108		0.1
Lamb Weston	4.625% 01 Nov 2024	Ba3/BB	99		0.1
Peabody Energy	Common stock	NR/NR	17		-
			43,378		29.9
Total investments			145,174		100.0

CONDENSED STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL £'000	SHARE PREMIUM £'000	CAPITAL RESERVE £'000	REVENUE RESERVE £'000	TOTAL £'000
For the six months ended 31 March 2018					
At 1 October 2017	8,088	149,224	(43,919)	11,932	125,325
Total comprehensive income for the period	—	—	(4,028)	3,873	(155)
Net proceeds from issue of shares – note 6	162	2,361	—	—	2,523
Dividends paid – note 5	—	(4)	—	(4,078)	(4,082)
At 31 March 2018	8,250	151,581	(47,947)	11,727	123,611
For the six months ended 31 March 2017					
At 1 October 2016	6,710	129,233	(48,405)	12,426	99,964
Total comprehensive income for the period	—	—	2,378	3,126	5,504
Net proceeds from issue of shares	396	5,653	—	—	6,049
Dividends paid – note 5	—	(5)	—	(3,382)	(3,387)
At 31 March 2017	7,106	134,881	(46,027)	12,170	108,130

CONDENSED BALANCE SHEET

Registered number 75059

	AT 31 MARCH 2018 £'000	AT 30 SEPTEMBER 2017 £'000
Non-current assets		
Investments held at fair value through profit or loss	145,174	149,150
Current assets		
Amounts due from brokers	335	—
Margin held at brokers	85	272
Proceeds due from issue of new shares	—	317
Prepayments and accrued income	2,848	2,285
Derivative financial instruments – unrealised net profit	—	1,112
Cash and cash equivalents	3,585	7,839
	6,853	11,825
Total assets	152,027	160,975
Current liabilities		
Amounts due to brokers	(1,508)	(5,804)
Accruals	(373)	(351)
Performance fee payable – note 3	—	(966)
Derivative financial instruments – unrealised net loss	(203)	—
Securities sold under agreements to repurchase	(26,026)	(28,223)
	(28,110)	(35,344)
Total assets less current liabilities	123,917	125,631
Provision for performance fee – note 3	(306)	(306)
Net assets	123,611	125,325
Issued capital and reserves		
Share capital – note 6	8,250	8,088
Share premium	151,581	149,224
Capital reserve	(47,947)	(43,919)
Revenue reserve	11,727	11,932
Shareholders' funds	123,611	125,325
Net asset value per ordinary share	74.9p	77.5p
Number of 5p ordinary shares in issue at the period end – note 6	164,994,855	161,767,003

CONDENSED STATEMENT OF CASH FLOW

	SIX MONTHS ENDED 31 MARCH 2018 £'000	SIX MONTHS ENDED 31 MARCH 2017 £'000
Cash flow from operating activities		
(Loss)/profit before taxation	(155)	5,557
Taxation	—	(53)
Adjustments for:		
Purchases of investments	(28,084)	(23,496)
Sales of investments	22,109	18,673
	(5,975)	(4,823)
Loss/(profit) on investments	5,320	(3,620)
Exchange differences	196	(321)
Net cash movement from derivative instruments – currency hedges	1,315	(606)
Finance costs	100	130
Increase in receivables	(376)	(931)
Decrease in payables	(941)	(132)
Net cash flows from operating activities after taxation	(516)	(4,799)
Cash flows from financing activities		
Finance costs paid	(103)	(101)
(Decrease)/increase from securities sold under agreements to repurchase	(2,197)	300
Net proceeds from issue of shares	2,840	6,507
Net equity dividends paid – note 5	(4,082)	(3,387)
Net cash (outflow)/inflow from financing activities	(3,542)	3,319
Net decrease in cash and cash equivalents	(4,058)	(1,480)
Exchange differences	(196)	321
Cash and cash equivalents at the beginning of the period	7,839	8,737
Cash and cash equivalents at the end of the period	3,585	7,578
Reconciliation of cash and cash equivalents to the Balance Sheet is as follows:		
Cash held at custodian	2,845	1,578
Short-Term Investment Company (Global Series) plc, money market fund	740	6,000
Cash and cash equivalents	3,585	7,578
Cash flow from operating activities includes:		
Dividends received	90	95
Interest received	3,765	2,948
Changes in liabilities arising from financing activities:		
Opening securities sold under agreements to repurchase (Decrease)/increase in the securities sold under agreements to repurchase	28,223	25,171
	(2,197)	300
Closing securities sold under agreements to repurchase	26,026	25,471

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	SIX MONTHS TO 31 MARCH 2018			SIX MONTHS TO 31 MARCH 2017		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
(Loss)/profit on investments at fair value	—	(5,320)	(5,320)	—	3,620	3,620
Exchange differences	—	592	592	—	(214)	(214)
Profit/(loss) on derivative instruments – currency hedges	—	1,030	1,030	—	(252)	(252)
Income – note 2	4,421	—	4,421	3,656	—	3,656
	4,421	(3,698)	723	3,656	3,154	6,810
Investment management fee – note 3	(279)	(279)	(558)	(237)	(237)	(474)
Performance fee – note 3	—	—	—	—	(474)	(474)
Other expenses	(219)	(1)	(220)	(175)	—	(175)
Profit/(loss) before finance costs and taxation	3,923	(3,978)	(55)	3,244	2,443	5,687
Finance costs	(50)	(50)	(100)	(65)	(65)	(130)
Profit/(loss) before taxation	3,873	(4,028)	(155)	3,179	2,378	5,557
Taxation – note 4	—	—	—	(53)	—	(53)
Profit/(loss) after taxation	3,873	(4,028)	(155)	3,126	2,378	5,504
Return per ordinary share	2.4p	(2.5)p	(0.1)p	2.3p	1.7p	4.0p
Weighted average number of shares in issue			164,274,819			137,423,242

The total column of this statement represents the Company's statement of comprehensive income, prepared in accordance with International Financial Reporting Standards, as adopted by the European Union. The profit after taxation 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 of the Company. No operations were acquired or discounted 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 2017 annual financial report. They have been prepared on an historical cost basis, except for the measurement at fair value of investments and derivatives and in accordance with the applicable International Financial Reporting Standards (IFRS), as adopted by the European Union and, where possible, in accordance with the Statement of Recommended Practice for Financial Statements of Investment Trust Companies and Venture Capital Trusts, issued by the Association of Investment Companies in November 2014, as updated in January 2017.

2. Income

	SIX MONTHS TO 31 MAR 2018 £'000	SIX MONTHS TO 31 MAR 2017 £'000
UK bond interest	1,710	1,319
UK dividends	85	85
Overseas bond interest	2,620	2,242
Overseas dividends	5	10
Deposit interest	1	—
Total	4,421	3,656

3. Management and Performance Fees, 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.

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 2017 annual financial report. No performance fee was earned for the six months ended 31 March 2018. (2017: £474,000). The deferred performance fee arising for the year ended 30 September 2017 of £306,000 is shown as a provision.

4. Taxation

The Company is subject to Jersey income tax at the rate of 0% (2017: 0%). The overseas tax charge consists of irrecoverable withholding tax.

5. Dividends Paid

	SIX MONTHS TO 31 MAR 2018 £'000	SIX MONTHS TO 31 MAR 2017 £'000
Fourth interim of 1.25p	2,028	1,686
First interim of 1.25p	2,054	1,701
Total paid	4,082	3,387

The first interim for the quarter ended 31 December 2017 was paid on 31 January 2018 to Shareholders on the register on 05 January 2018. The second interim for the quarter ended 31 March 2018 was paid on 30 April 2018 to Shareholders on the register on 06 April 2018.

6. Movements in Share Capital

	SIX MONTHS TO 31 MAR 2018	YEAR TO 30 SEPT 2017
Share Capital:		
Brought forward	£8,088,000	£6,710,000
New shares issued in the period	£162,000	£1,378,000
Carried forward	£8,250,000	£8,088,000
Number of 5p ordinary shares:		
Brought forward	161,767,003	134,196,779
New shares issued in the period	3,227,852	27,570,224
Carried forward	164,994,855	161,767,003

The average price of the shares issued was 79.32p (2017: 78.81p).

No shares have been issued subsequent to the period end.

7. Classification under Fair Value Hierarchy

Note 19 of the 2017 annual financial report sets out the basis of classification as set out by IFRS '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 2018		AT 30 SEPT 2017	
	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	—	143,057	—	147,326
Equities – convertible preference shares and common stock	378	1,739	14	1,810
Derivative financial instruments:				
currency hedges	—	—	—	1,112
Total for financial assets	378	144,796	14	150,248

At 31 March 2018 financial liabilities designated at fair value though profit or loss consisted of currency hedges totalling £203,000 (30 September 2017: none) as level 2 items.

8. Post Balance Sheet Events

On 23 April 2018, the Company announced that Invesco Fund Managers Limited had resigned. Further details are contained in the Chairman's Statement. The Company will incur additional costs arising from the move of manager. No amounts have been included in the results to 31 March 2018.

9. 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 2017 and 2018 have not been audited. The figures and financial information for the year ended 30 September 2017 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

21 May 2018

DIRECTORS AND ADVISERS

Directors

Donald Adamson (Chairman)
Richard Williams (Chairman of the Management Engagement Committee)
Peter Yates (Chairman of the Audit Committee)
Michael Lombardi
Clive Spears

Alternative Investment Fund Manager (Manager)

Invesco Fund Managers Limited
Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire RG9 1HH
☎ 01491 417000
🌐 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

JP Morgan Cazenove
25 Bank Street
London E14 5JP

Registrar

Link Market Services (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 (0)371 664 0300. Calls from outside the UK will be charged at the applicable international rate.

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

🌐 www.signalshares.com

Invesco Client Services

Invesco has a Client Services Team available from 8.30am to 6pm, Monday to Friday (excluding Bank Holidays) on: ☎ 0800 085 8677
🌐 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. 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 Fund Managers Limited

Invesco Fund Managers Limited is a wholly owned subsidiary of Invesco Limited and is authorised and regulated by the Financial Conduct Authority
Invesco is a business name of Invesco Fund Managers Limited