

## **Open letter to shareholders in Invesco Perpetual Enhanced Income Limited**

Following recent commentary around our decision to resign as manager of Invesco Perpetual Enhanced Income Ltd (IPE) and the subsequent requisition notice, we thought it would be helpful to provide shareholders with an explanation of our position. This is the first public statement we have made.

Having managed the company since 2001, we did not take the decision to resign lightly.

We have always enjoyed managing the portfolio and its closed-ended structure, combined with an ability to employ up to 50% leverage, made it unique in our range. The assets we manage have grown significantly over the last twenty years but IPE has always been important to us and it has benefitted from a lot of management time, including board meetings and shareholder engagement. It has also benefitted from our large and growing team of investment professionals and from the talent that we have been able to attract.

### **Our track record**

We are proud of the trust's long-term track record (standard performance data is provided below) – particularly over the period since the 2008 rights issue – and the attractive level of income that it has generated for investors in a low yield environment: the share price (after fees) has returned over 108% across the last ten years. Indeed, the long-standing shareholding in IPE by several Invesco-managed funds (investors may remember that Invesco-managed funds supported the rights issue) is one of the best investments we have made on behalf of clients. We would note that the Board was happy to have our funds as a supportive and longstanding shareholder. If our clients' shareholding has been a cause for concern for the Board, it is not one they have previously raised. Indeed, the Board encouraged us to vote our clients' shares and was happy to continue to issue shares at a premium.

### **Our reasons for resigning**

Our decision to resign was not about fees. In fact, and as disclosed by the Board on 29 May, prior to our resignation we had already agreed to cancel the performance fee and to reduce the annual management fee. We reiterated this agreement when we resigned.

Of course, we were in favour of keeping the performance fee. We thought it made sense for the trust due to the complexity of managing leverage and targeting an above-market dividend yield. The performance fee was not structured to be achievable every year. We believe that investors would have taken the fee structure into account when buying shares. Feedback we have received from many shareholders over the last weeks has confirmed this. Furthermore, the performance fee was supported for many years by the Board and the most recent fee arrangements were devised by the Board in 2014.

Our decision to resign was due to the breakdown of our relationship, as Manager, with the Board and our concerns about Board governance. The manner in which the Board engaged with Invesco in the fee negotiations was, in our opinion, overly aggressive, culminating in the issuance of a 48 hour

ultimatum, served to us on the Monday of Easter week. Subsequent to our agreement to the revised fee structure, there was then an attempt to insert additional, material changes to the investment management agreement that had not previously been discussed. After considerable thought, we decided that this was not a board that we could or should continue to work with and, given that the shares traded at a premium, it was important to resign and make this disagreement public before further issuance took place.

#### Our clients' position as shareholders

We have resigned and we expect to stop managing IPE when a replacement is appointed. Our clients' investment in the company means that we also have a responsibility to protect their interests. Immediately after the announcement of our resignation the share price dropped some 6%, and has continued to fall which we think reflects shareholders' concerns about the future of the company, and represents a loss in shareholder value of close to £12 million.

Following the fall in share price we were approached by a number of third party shareholders, represented by Panmure Gordon, to participate in the requisition notice. This request was submitted to our governance processes and considerable advice was taken before we agreed to participate. We believe that this action gives all shareholders the chance to express their opinion.

Shareholders are now faced with considerable uncertainty around who will ultimately manage their funds. While we are in situ we continue to manage the portfolio with the care and attention we have always shown. Investors will need clarity. In investing our clients' funds we backed the structure and, of course, the manager. Will the new manager be able to achieve the same type of long term performance, maintain the dividend, manage the leveraged structure and restore the premium? Or, does the Board want to take the fund in a new direction at this time?

In recent weeks we have been in contact with many investors and we remain happy to discuss this matter with them at any time.

Paul Read and Paul Causer

#### **For more information please contact:**

Jane Bland  
Invesco Perpetual  
01491 417188

[Jane\\_bland@invescoperpetual.co.uk](mailto:Jane_bland@invescoperpetual.co.uk)

## Invesco Perpetual Enhanced Income Limited - performance

### Ordinary share price and NAV performance (% growth)

	YTD	1 year	3 years	5 years	10 years
Share price	-4.2	4.2	21.0	63.8	108.8
Net Asset Value	-0.8	4.8	23.3	45.2	102.2
IA High Yield	-0.9	1.6	8.7	17.4	64.2
IA Strategic Bond	-0.3	2.9	12.0	20.8	78.0

### Standardised rolling 12-month performance (% growth)

	12m to 30.4.14	12m to 30.4.15	12m to 30.4.16	12m to 30.4.17	12m to 30.4.18
Share price	25.3	8.0	-0.6	16.8	4.2
Net Asset Value	8.8	8.3	0.5	17.1	4.8

### Calendar year performance

	2013	2014	2015	2016	2017
Share price	20.6	15.3	0.0	20.1	11.4

Past performance is not a guide to future returns. Ordinary share price performance figures have been calculated using daily closing prices with dividends reinvested. NAV performance figures have been calculated using daily NAV with dividends reinvested. The NAV used includes current period revenue and values debt at fair. All performance figures are in sterling as at 30 April 2018 except where otherwise stated. Standardised past performance figures are updated on a quarterly basis. Source: Morningstar.

### Notes on performance:

These performance data are net of fees.

The NAV returns are the returns of the investment portfolio, managed by Invesco Perpetual on behalf of the Company.