# Invesco Asia Trust plc

Half-Yearly Financial Report
For the Six Months to 31 October 2016

## KEY FACTS

Invesco Asia Trust plc (the 'Company') is an investment trust listed on the London Stock Exchange.

### Investment Objective

The Company's objective is to provide long-term capital growth by investing in a diversified portfolio of Asian and Australasian companies. The Company aims to achieve growth in its net asset value (NAV) in excess of the Benchmark Index, the MSCI AC Asia ex Japan Index (total return, in sterling terms).

### Investment Policy

Invesco Asia Trust plc invests primarily in the equity securities of companies listed on the stockmarkets of Asia (ex Japan) including Australasia. It may also invest in unquoted securities up to 10% of the value of the Company's gross assets, and in warrants and options when it is considered the most economical means of achieving exposure to an asset.

The Company is actively managed and the Manager has broad discretion to invest the Company's assets to achieve its investment objective. The Manager seeks to ensure that the portfolio is appropriately diversified having regard to the nature and type of securities (such as performance and liquidity) and the geographic and sector composition of the portfolio.

Full details of the Company's investment limits are on page 6 of the 2016 annual financial report.

### Performance Statistics

The Benchmark Index of the Company is the MSCI AC Asia ex Japan Index (total return, in sterling terms).

Terms marked † are defined in the Glossary of Terms on page 65 of the 2016 annual financial report.

| | SIX MONTHS ENDED 31 OCT 2016 | | |
|---|---|---|---|
| **Total Return Statistics**[(1)]**:** | | | |
| – Net asset value† (NAV) | 33.6% | | |
| – Share Price | 37.1% | | |
| – Benchmark index† | 32.1% | | |
| **Capital Statistics** | AT 31 OCT 2016 | AT 30 APR 2016 | % CHANGE |
| Net assets (£'000) | 230,966 | 180,108 | 28.2 |
| Gearing†: | | | |
| – gross | 1.1% | 3.1% | |
| – net | 0.7% | 1.7% | |
| NAV† | 276.0p | 210.7p | 31.0 |
| Share price | 246.5p | 183.0p | 34.7 |
| Benchmark index[(1)] | 444.3 | 343.0 | 29.5 |
| Discount† per ordinary share: | | | |
| – cum income | 10.7% | 13.1% | |
| – ex income | 9.5% | 11.7% | |
| Average discount over the six months/year (ex income) | 10.7% | 9.7% | |

(1) Source: Thomson Reuters Datastream.

## INTERIM MANAGEMENT REPORT INCORPORATING THE CHAIRMAN'S STATEMENT

### Chairman's Statement

**Performance**

The six months to 31 October 2016 have seen a notable rise in Asian equity markets, particularly in sterling terms. The Company's NAV (total return) grew by 33.6% during the period under review, outperforming the benchmark index, the MSCI AC Asia ex Japan Index which rose by 32.1%. The Company's share price increased by 34.7% (from 183p to 246.5p).

**Discount Control**

The Board considers it desirable that, in normal market conditions, the Company's shares should trade at a price which, on average, represents a discount of less than 10% to NAV excluding income. Over the period, both the Company's performance and discount have compared very favourably to its peer group with our discount narrowing from 11.7% to 9.5%. However, average discounts have increased in the sector so that the average discount for the Company was 10.7% over the period. As at the date of this report, this continues to be the case. The most recent figures show that the discount has increased to 12.1%, and the average discount for the year to date is 10.8%

At its 2016 Annual General Meeting, the Company renewed its authority to purchase its own shares. During the period 1,768,310 shares were bought back at an average price of 204p per share, of which 542,817 shares were placed in Treasury and the remainder were cancelled. This enhanced the NAV by £421,000 or 0.22%. At the period end the share capital consisted of 87,514,122 ordinary shares including 3,820,041 shares held in treasury.

**Dividend**

For the six months to 31 October 2016, the revenue per ordinary share was 3.6p (2015: 2.5p). As has been the case in previous years the Board does not intend to pay an interim dividend. At the last AGM held on 4 August 2016, a final dividend of 3.65p per share was approved and paid to shareholders on 12 August 2016.

**Borrowings**

The Manager has the freedom to borrow within a range set by the Board within the overall limit of the Company's investment policy which permits gross gearing of up to 25% of net assets. The Board has set a working range of up to 15% of net assets. In practice, borrowings in the period have been minimal so that net gearing was generally less than 1%. At 31 October 2016, the net gearing was 0.7% and at the date of this report the Company was not geared.

**Board Appointment**

In the period, the Nomination Committee reviewed the composition and succession planning of the Board. As a result, the committee recommended a new director be appointed to compliment the current Board members. An external facilitator was used to conduct the search and consequently Fleur Meijs was appointed on 7 December 2016. Ms Meijs is a qualified accountant and former financial services partner at PricewaterhouseCoopers LLP and brings a wealth of experience to the Board.

**Outlook**

Over recent years, Asian equity markets have had to contend with declining economic growth in the region. This is partly due to weak export demand which is not expected to strengthen to any great extent as long as global growth remains subdued. It also reflects the re-orientation of China's economy away from investment as the primary driver of its GDP growth. We wait to see what mix of policies the Trump administration pursues and hope that pragmatism will prevail over protectionist policies. In China, there is some concern that economic stability has been accompanied by a rise in credit growth. It is our view that the economy can manage high debt levels for some years to come as long as this debt continues to be funded by domestic savings.

Meanwhile, India still offers some real growth prospects, despite the fact that a recovery in its GDP growth has been slow to materialise. The Modi government is making progress by implementing measures to tackle barriers that have inhibited India's natural growth drivers. As is typical with India, the market can at times be negatively impacted by reforms in the short term, and this can provide opportunities to increase exposure at more attractive valuation levels.

All these factors are more fully described in the Portfolio Manager's Report. Against this backdrop, the earnings environment seems to be gradually bottoming out. Asian equity markets are trading at mid-range valuation levels and this is probably fair given we expect high single-digit earnings growth for 2017. As such your portfolio manager and the Board believe that this is a region where it is possible to make money through judicious stock selection. There remain plenty of stocks with attractive growth prospects whose valuation multiples are offering good entry points for long term investors.

**Carol Ferguson**
*Chairman* 13 December 2016

## Portfolio Manager's Report

### Market Review

Asian equity markets, as measured by the MSCI AC Asia ex Japan Index (total return), rose by 32.1% over the six month period to 31 October 2016 in sterling terms. Positive investor sentiment was driven by easing concerns about China's economy, the improving outlook for corporate earnings and expectations that interest rates will remain at low levels for longer. Furthermore, investment returns for UK investors were also aided by sterling's depreciation relative to Asian currencies after the unexpected Brexit vote.

China's equity markets rose in the period helped by a stabilisation in economic data, better-than-expected results in the first half of 2016 and fading concerns over a renminbi devaluation. Robust consumption was evident in a strong pick-up in car and residential house sales, while there were signs that overcapacity issues were being addressed with a continued slowdown in manufacturing and mining investment. However, economic stabilisation has been accompanied by continued high levels of credit growth which could limit the magnitude of an economic recovery.

Elsewhere, the market in India was among the best performers aided by the ruling Bharatiya Janata Party's performance in local government elections and progress on its reform agenda. The approval of the Bankruptcy Code was perceived to be a significant step forward, particularly in clearing the way for genuine progress on cleaning up bank balance sheets. Furthermore, the Goods and Services Tax constitutional amendment bill was passed in Parliament, which is expected to widen the tax net and boost productivity. These positive structural changes will take time to impact the economy. In the meantime, India's economic recovery remains slow and this was reflected in generally weak corporate results.

Turning to other markets, Indonesia also performed well. Valuations benefited from the passing of a tax amnesty law which is expected to narrow the state's budget deficit as policymakers step up infrastructure spending. Meanwhile, the Bank of Indonesia cut its policy rate to stimulate corporate investment and consumer spending. Finally, South Korean equities ended the period higher despite weak quarterly corporate results. In June, the central bank cut interest rates and the government announced a large fiscal stimulus in support of growth.

### Portfolio Review

The Company's exposure to a selection of Chinese internet companies has contributed significantly to relative outperformance. In particular NetEase, the second largest holding in the portfolio, enjoyed strong share price gains on earnings upgrades stemming from its continued success in launching new mobile games in China. Consequently, we decided to take some profits by trimming the holding, reflecting the large size of the position in the portfolio. However, the shares remain reasonably valued, in our view, given NetEase's track record of strong execution in a fast-growing industry and the pipeline of new games to be launched in 2017. Other shareholdings in the Chinese internet sector had mixed results over the period. Baidu's shares fell after an incident involving healthcare-related ads on the search engine's results. New search-advertising rules have negatively impacted Baidu's earnings so far this year, but we believe there is unlikely to be any long-term impact on its business prospects. China's leading internet media company, Tencent, rose strongly over the past six months and made a positive contribution to portfolio performance although it detracted from relative performance due to the portfolio being mildly underweight relative to the index. Tencent derives the majority of its earnings from online games so, in combination with NetEase, the Company has a significant exposure to this area. We also believe Tencent can continue to diversify as the company successfully sells more services to its large user-base of the Chinese social networking app, WeChat, and capitalises on the advertising opportunities.

Our exposure to Indian equities was a key contributor to returns. For example the Indian agrochemical company, UPL, a long term holding in the portfolio, has continued its strong run of performance. Given the quality and diversity of UPL's branded generic business, we have always felt that the company has been unfairly saddled with a valuation more akin to a commodity chemical business. An examination of UPL's historical financials indicates a business of steady growth and stable profitability despite fluctuations in weather and commodity prices. The company has managed to iron out these risks by successfully diversifying its product and geographical mix. Also in India, our holding in Adani Ports, the developer and operator of India's fastest-growing port, added value due to a pick-up in cargo volumes after last year's slowdown. It also responded positively to the management's commitment to reducing working capital. We believe this business will benefit from sustained economic growth in India.

Amongst holdings in the small and mid-cap space, Minth, a Chinese auto-parts manufacturer, added notable value on stronger than expected sales growth both in China and export markets. Importantly, the company also demonstrated margin expansion as its investments in Europe and the US are beginning to bear fruit and it successfully takes market share in higher margin products such as aluminium trims. This led to a re-rating of the shares.

Conversely, having been a strong performer in recent years, the holding in Korea Electric Power has lagged the broader market's rise. The concerns revolve around the recovery in coal prices, a major cost for the company, and the possibility that the government will cut electricity tariffs for some residential users. However, we believe that the market is overestimating the impact of tariff cuts which would likely have a marginal effect on profitability and underappreciating the government's incentive to encourage investment and dividends by ensuring that the company generates acceptable returns. We also believe that the large increase in the international coal price will be unsustainable.

Finally, a large detractor was EVA Precision Industrial Holdings, a small cap manufacturer of high-quality moulds and parts for photocopiers used mostly by Japanese office equipment companies. The company's share price suffered as some of its clients have delayed the launches of new products due to weak end-market demand, which led to sluggish sales growth. However, we remain positive on the outlook for the company over the medium term. We believe that the company will begin to show improved earnings momentum as it brings on its first plant in Vietnam and its new investments in the auto sector begin to bear fruit. At current prices, EVA is offering a free cash flow yield in the high teens making it one of the most undervalued stocks in the portfolio.

#### *What is the outlook for Asian economies and markets in 2017?*

Economic growth is likely to remain anaemic for a number of reasons. Export growth, a key driver of growth at the margin is not expected to improve much as global growth is unlikely to rise significantly. It remains to be seen what mix of policies the President-elect Trump administration pursues. While tax cuts and infrastructure spend would be positive, protectionist policies would clearly be negative for Asian export growth. We can only hope that Mr Trump can be persuaded that protectionist policies would also be bad for US growth. Domestic consumption is expected to remain robust in China and increase in India once the impact of rupee demonetisation washes through. However, it will likely continue to be subdued elsewhere – in particular, the debt overhang in South Korea, Malaysia and Thailand renders it difficult for these countries to stimulate consumption significantly. The outlook for investment spending is mixed across the region. China's determination to meet its 6.5% growth target and maintain stability ahead of the important politburo transition in 2017 is likely to lead to continued high infrastructure investment. Elsewhere it seems unlikely that private sector capex will spearhead a revival in investment. In India and the ASEAN economies, government spending is likely to increase but not to levels which would result in a growth boom.

Asian corporate earnings growth has been sluggish in the past three years reflecting a weaker growth environment. However, we also believe that market expectations of future growth are now much more realistic than before. The fact that the earnings revision ratio has turned up in recent months supports this view. We currently expect high single-digit earnings growth for 2017.

Turning to valuations, the region trades at 13x 2017 price to earnings and 1.5x price to book. This places Asia in the middle of its range of the last five years. This is probably fair given the improvement in earnings momentum going into next year. It realistically requires earnings to surprise further on the upside to see additional sustained progress for markets. However, one of the major attractions of the region at these levels is that it remains at a large discount to developed markets.

#### *How are we managing the Company's portfolio against this backdrop?*

One of our focuses is to uncover companies with high quality businesses with reasonable earnings visibility, but where valuations do not reflect this. Some of the best contributors to the Company's performance in recent years, such as NetEase and UPL, have been stocks that fall into this category. As these opportunities are relatively rare, we have also been looking for similar opportunities among small and mid-sized companies which are typically less well researched and frequently trade at discounts to larger companies. For example, we recently introduced a holding in Asaleo Care, a personal care company that competes with Kimberley Clark in Australia. We view this as a steady business with strong free cash generation. A short bout of price discounting led to earnings downgrades and a big fall in the company's share price to an attractive level. At the current level, the stock offers a 10% free cash flow yield. Another example of a new small cap stock is Finetex EnE, a unique Korean company being the only commercial producer globally of nanofiber, a material that is used in a range of different areas including textiles and filtration. Finetex EnE, after several years of providing samples, has finally started receiving commercial orders from Nike. Nike will incorporate nanofiber into a number of its sportwear and footwear products from 2017, as it provides superior waterproofing and breathability as compared to existing technologies.

We also have exposure in the Company to some deep-value opportunities. This is reflected in the fact that the average valuation of the portfolio is below the market average. These stocks are often in more cyclical sectors where the market has become excessively pessimistic about their future business prospects. For example, stocks like POSCO, the Korean steel-maker and CNOOC, the Chinese oil company have been amongst the best performing stocks in the portfolio so far this year. One stock that we have been adding to recently is Hyundai Motor. The preference shares that the Company owns trade on 1.7x EBITDA. We have also identified several companies that trade close to the value of the net cash on their balance sheets, so, in essence, the businesses themselves are available for free.

In China, we remain concerned about the acceleration in credit growth. While the authorities have managed a gradual economic growth slowdown, the high level of GDP growth, between 6-7%, has been fuelled by debt and remains overly reliant on investment. Our view is that China's economy can probably manage high debt levels for some years to come, as long as it is funded by domestic savings and is not dependent on foreign capital. We are watching trends in the banks' loan to deposit ratios as a key way to gauge the economy's vulnerability to a liquidity shock. The Company's holdings in China reflect a preference for exposure to the 'new economy' and favourable structural growth trends in domestic consumption.

We are increasingly positive on the policy direction in India. This has culminated in the recent bold move to demonetise the high denomination bank notes. India has a large cash-based black market and this move will force the cancellation of a significant portion of accumulated wealth in the black market. The intention is that it will encourage Indians to turn to the 'white' economy in future with positive implications for economic growth and tax revenues that the government can in turn spend on much needed infrastructure development. This event is causing some turmoil in the short term but we are viewing weakness in the stock market as a potential opportunity to increase exposure.

In summary, although economic growth may remain subdued in 2017, the earnings environment seems to be gradually bottoming out. We continue to believe that we can make money through judicious stock selection.

**Ian Hargreaves**
*Portfolio Manager* 13 December 2016

## RELATED PARTY TRANSACTIONS

Under United Kingdom Generally Accepted Accounting Practice (UK Accounting Standards and applicable law), the Company has identified the Directors as related parties. No other related parties have been identified. No transactions with related parties have taken place which have materially affected the financial position or the performance of the Company.

## PRINCIPAL RISKS AND UNCERTAINTIES

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

– Investment Objective – there can be no guarantee that the Company will meet its 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 investment will affect the performance of the portfolio;

– Investment Risk – the risk of poor performance of individual investments. This is mitigated by diversification and ongoing monitoring of investment guidelines;

– Foreign Exchange Risk – foreign exchange currency movements will affect the non-sterling assets and liabilities of the Company and could have a detrimental impact on performance;

– Derivatives – derivative returns that do not exactly match the returns of the underlying assets or liabilities being hedged may expose the Company to greater loss than if derivative contracts had not been entered into;

– Ordinary Shares – the market value of the ordinary shares may not reflect their underlying NAV and may trade at a discount to it. The Company has a discount monitoring mechanism to help the management of this;

– Borrowings – the use of borrowings will amplify the effect on shareholders' funds of portfolio gains and losses;

– Reliance on Third Party 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; and

– Regulatory – consequences of a serious breach of regulatory rules could include, but are not limited to, the Company being subject to capital gains on its investments; suspension from the London Stock Exchange; fines; a qualified audit report; reputational problems and a loss of assets through fraud.

A detailed explanation of these principal risks and uncertainties can be found on pages 9 to 10 of the Company's 2016 annual financial report, which is available on the Company's section of the Manager's website www.invescoperpetual.co.uk/invescoasia.

The Audit Committee is undertaking an in depth review of the risks and uncertainties of the Company. Although this may result in some changes, in the view of the Board the principal risks and uncertainties as set out in the 2016 annual financial report applied for this period and continue to apply to the remaining six months of the financial year.

## GOING CONCERN

The financial statements have been prepared on a going concern basis. The Directors consider 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, being at least 12 months after the approval of this half-yearly financial report. In considering this, the Directors took into account the diversified portfolio of readily realisable securities which can be used to meet short-term funding commitments, the ability of the Company to meet all of its liabilities and ongoing expenses from its assets, and revenue forecasts.

## DIRECTORS' RESPONSIBILITY STATEMENT

### 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 UK Accounting 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 FRC's FRS 104 Interim Financial Reporting;

– the interim management report includes a fair review of the information required by 4.2.7R and 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.

**Carol Ferguson**
*Chairman* 13 December 2016

## TWENTY-FIVE LARGEST HOLDINGS AT 31 OCTOBER 2016

*Ordinary shares unless otherwise stated*

*The industry group is based on MSCI and Standard & Poor's Global Industry Classification Standard.*

| COMPANY | INDUSTRY GROUP | COUNTRY | MARKET VALUE £'000 | % OF PORTFOLIO |
|---|---|---|---|---|
| Samsung Electronics – *ordinary shares* | Technology Hardware & Equipment | South Korea | 8,479 | 6.7 |
| – *preference shares* | | | 7,043 | |
| NetEase – *ADR* | Software & Services | China | 9,918 | 4.3 |
| UPL | Materials | India | 9,501 | 4.1 |
| China Mobile[R] | Telecommunication Services | China | 9,091 | 3.9 |
| Taiwan Semiconductor Manufacturing | Semiconductors & Semiconductor Equipment | Taiwan | 8,316 | 3.6 |
| HDFC Bank | Banks | India | 8,145 | 3.5 |
| Baidu – *ADR* | Software & Services | China | 7,718 | 3.3 |
| AIA | Insurance | Hong Kong | 7,271 | 3.1 |
| CK Hutchison | Capital Goods | Hong Kong | 7,172 | 3.1 |
| Minth | Automobiles & Components | China | 7,133 | 3.1 |
| Hyundai Motor - preference shares | Automobiles & Components | South Korea | 6,618 | 2.8 |
| China Life Insurance – *Taiwan* | Insurance | Taiwan | 5,391 | 2.3 |
| United Overseas Bank | Banks | Singapore | 5,143 | 2.2 |
| Korea Electric Power Corporation | Utilities | South Korea | 4,944 | 2.1 |
| Samsonite International | Consumer Durables & Apparel | Hong Kong | 4,728 | 2.0 |
| Tencent | Software & Services | Hong Kong | 4,555 | 2.0 |
| POSCO | Materials | South Korea | 4,552 | 2.0 |
| Hon Hai Precision Industry | Technology Hardware & Equipment | Taiwan | 4,313 | 1.9 |
| Hyundai Mobis | Automobiles & Components | South Korea | 4,294 | 1.9 |
| HSBC | Banks | Hong Kong | 4,253 | 1.8 |
| Adani Ports & Special Economic Zone | Transportation | India | 4,206 | 1.8 |
| ASUSTeK Computer | Technology Hardware & Equipment | Taiwan | 4,032 | 1.7 |
| Cheung Kong Property | Real Estate | Hong Kong | 3,973 | 1.7 |
| Shinhan Financial | Banks | South Korea | 3,932 | 1.7 |
| Telekomunikasi Indonesia | Telecommunication Services | Indonesia | 3,894 | 1.7 |
| | | | 158,615 | 68.3 |
| Other investments | | | 73,871 | 31.7 |
| Total investments | | | 232,486 | 100.0 |

ADR: American Depositary Receipts – are certificates that represent shares in the relevant stock and are issued by a US bank. They are denominated and pay dividends in US dollars.

R: Red Chip Holdings – holdings in companies incorporated outside the Peoples Republic of China (PRC), listed on the Hong Kong Stock Exchange, and controlled by PRC entities by way of direct or indirect shareholding and/or representation on the board.

## CONDENSED INCOME STATEMENT

| | SIX MONTHS TO 31 OCTOBER 2016 | | | SIX MONTHS TO 31 OCTOBER 2015 | | |
|---|---|---|---|---|---|---|
| | REVENUE RETURN £'000 | CAPITAL RETURN £'000 | TOTAL RETURN £'000 | REVENUE RETURN £'000 | CAPITAL RETURN £'000 | TOTAL RETURN £'000 |
| Gains/(losses) on investments at fair value | — | 55,416 | 55,416 | — | (25,974) | (25,974) |
| Losses on foreign currency revaluation | — | (274) | (274) | — | (82) | (82) |
| Income – note 2 | 3,807 | — | 3,807 | 2,840 | — | 2,840 |
| | 3,807 | 55,142 | 58,949 | 2,840 | (26,056) | (23,216) |
| Investment management fee – note 3 | (205) | (615) | (820) | (163) | (488) | (651) |
| Other expenses | (270) | (1) | (271) | (260) | (3) | (263) |
| **Net return before finance costs and taxation** | 3,332 | 54,526 | 57,858 | 2,417 | (26,547) | (24,130) |
| Finance costs – note 3 | (8) | (24) | (32) | (6) | (18) | (24) |
| **Return on ordinary activities before taxation** | 3,324 | 54,502 | 57,826 | 2,411 | (26,565) | (24,154) |
| Tax on ordinary activities – note 4 | (249) | — | (249) | (218) | — | (218) |
| **Return on ordinary activities after taxation for the financial period** | 3,075 | 54,502 | 57,577 | 2,193 | (26,565) | (24,372) |
| **Return per ordinary share** | | | | | | |
| Basic | 3.6p | 64.6p | 68.2p | 2.5p | (30.4)p | (27.9)p |
| **Weighted average number of ordinary shares in issue** | | | 84,405,678 | | | 87,467,925 |

The total column of this statement represents the Company's profit and loss account prepared in accordance with UK Accounting Standards. The return on ordinary activities after taxation is the total comprehensive income and therefore no additional statement of comprehensive income is presented. The supplementary revenue and capital columns are presented for information purposes 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.

## CONDENSED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | SHARE CAPITAL £'000 | CAPITAL REDEMPTION RESERVE £'000 | SPECIAL RESERVE £'000 | CAPITAL RESERVE £'000 | REVENUE RESERVE £'000 | TOTAL £'000 |
|---|---|---|---|---|---|---|
| **For the six months ended 31 October 2016** | | | | | | |
| At 30 April 2016 | 8,874 | 4,250 | 89,965 | 71,348 | 5,671 | 180,108 |
| Final dividend for 2016 – note 7 | — | — | — | — | (3,086) | (3,086) |
| Net return on ordinary activities | — | — | — | 54,502 | 3,075 | 57,577 |
| Shares bought back and cancelled/held in Treasury | (123) | 123 | (3,633) | — | — | (3,633) |
| At 31 October 2016 | 8,751 | 4,373 | 86,332 | 125,850 | 5,660 | 230,966 |
| **For the six months ended 31 October 2015** | | | | | | |
| At 30 April 2015 | 9,092 | 4,032 | 93,803 | 89,352 | 5,888 | 202,167 |
| Final dividend for 2015 | — | — | — | — | (3,195) | (3,195) |
| Net return on ordinary activities | — | — | — | (26,565) | 2,193 | (24,372) |
| Shares bought back and cancelled | (43) | 43 | (780) | — | — | (780) |
| At 31 October 2015 | 9,049 | 4,075 | 93,023 | 62,787 | 4,886 | 173,820 |

## CONDENSED BALANCE SHEET

***Registered Number 03011768***

| | AT 31 OCTOBER 2016 £'000 | AT 30 APRIL 2016 £'000 |
|---|---|---|
| **Fixed assets** | | |
| Investments held at fair value through profit or loss – note 5 | 232,486 | 183,345 |
| **Current assets** | | |
| Amounts due from brokers | 419 | 74 |
| Tax recoverable | 223 | 142 |
| VAT recoverable | 12 | 20 |
| Prepayments and accrued income | 99 | 142 |
| Cash and cash equivalents | 887 | 2,391 |
| | 1,640 | 2,769 |
| **Current liabilities: amounts falling due within one year** | | |
| Bank loan | (2,539) | (5,504) |
| Accruals | (621) | (502) |
| | (3,160) | (6,006) |
| **Net current liabilities** | (1,520) | (3,237) |
| **Net assets** | 230,966 | 180,108 |
| **Capital and reserves** | | |
| Share capital | 8,751 | 8,874 |
| Other reserves: | | |
| Capital redemption reserve | 4,373 | 4,250 |
| Special reserve | 86,332 | 89,965 |
| Capital reserve | 125,850 | 71,348 |
| Revenue reserve | 5,660 | 5,671 |
| | 230,966 | 180,108 |
| **Net asset value per share** – basic | 276.0p | 210.7p |
| **Number of 10p ordinary shares in issue at the period end** – note 6 | 83,694,081 | 85,462,391 |

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 1. Accounting Policies

The condensed financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, FRS 104 *Interim Financial Reporting* and the Statement of Recommended Practice Financial Statements of Investment Trust Companies and Venture Capital Trusts, issued by the Association of Investment Companies in November 2014. The financial statements are issued on a going concern basis.

In March 2016, the FRC published amendments to FRS 102 – *Fair value hierarchy disclosures*. These amendments become effective for accounting periods beginning on or after 1 January 2017. The Company has chosen to early adopt these amendments. There are no accounting policy or disclosure changes as a result of this adoption.

The accounting policies applied to these condensed financial statements are consistent with those applied in the financial statements for the year ended 30 April 2016.

### 2. Income

| | SIX MONTHS TO 31 OCTOBER 2016 £'000 | SIX MONTHS TO 31 OCTOBER 2015 £'000 |
|---|---|---|
| Income from investments | | |
| Overseas dividends | 3,325 | 2,445 |
| Special dividends – overseas | 194 | 35 |
| Scrip dividends | 107 | 218 |
| UK dividends | 181 | 142 |
| Total income | 3,807 | 2,840 |

No special dividends have been recognised in capital (31 October 2015: £nil).

### 3. Management Fee and Finance Costs

Investment management fees and finance costs on any borrowings are charged 75% to capital and 25% to revenue. A management fee is payable quarterly in arrears and is equal to 0.75% per annum of the value of the Company's total assets less current liabilities (including any short-term borrowings) under management at the end of the relevant quarter.

### 4. Investment Trust Status and Tax

It is the intention of the Directors to conduct the affairs of the Company so that it satisfies the conditions for approval as an investment trust company. As such, no tax liability arises on capital gains. The tax charge represents withholding tax suffered on overseas income.

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

## 5. Fair Value Hierarchy Disclosures

The fair value hierarchy analysis for investments at fair value at the period end is as follows:

| | AT 31 OCTOBER 2016 £'000 | AT 30 APRIL 2016 £'000 |
|---|---|---|
| Level 1 – The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date. | 232,486 | 183,345 |

## 6. Share Capital

(a) Ordinary Shares of 10p each

| | SIX MONTHS TO 31 OCTOBER 2016 | YEAR TO 30 APRIL 2016 |
|---|---|---|
| **Number of ordinary shares:** | | |
| Brought forward | 85,462,391 | 87,640,064 |
| Shares bought back and cancelled | (1,225,493) | (2,177,673) |
| Shares bought back and held in Treasury | (542,817) | — |
| Carried forward | 83,694,081 | 85,462,391 |

During the period a total of 1,768,310 ordinary shares were repurchased for an average price of 204.03p per share.

Since the period end a further 96,000 ordinary shares have been repurchased for an average price of 226.00p per share.

(b) Treasury Shares

| | SIX MONTHS TO 31 OCTOBER 2016 | YEAR TO 30 APRIL 2016 |
|---|---|---|
| **Number of treasury shares:** | | |
| Brought forward | 3,277,224 | 3,277,224 |
| Shares bought back into Treasury | 542,817 | — |
| In issue at period end | 3,820,041 | 3,277,224 |
| Ordinary shares in issue (including treasury) | 87,514,122 | 88,739,615 |

## 7. Dividends per Ordinary Share

The Company paid a final dividend of 3.65p per ordinary share for the year ended 30 April 2016 on 12 August 2016 to shareholders on the register on 15 July 2016.

## 8. Status of Half-Yearly Financial Report

The financial information contained in this half-yearly report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The financial information for the half years ended 31 October 2016 and 31 October 2015 has not been audited. The figures and financial information for the year ended 30 April 2016 are extracted and abridged from the latest published accounts and do not constitute the statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the Report of the Independent Auditor, which was unqualified and did not include a statement under section 498 of the Companies Act 2006.

By order of the Board
**Invesco Asset Management Limited**
Company Secretary

13 December 2016

# DIRECTORS, INVESTMENT MANAGER AND ADMINISTRATION

## Directors

Carol Ferguson (Chairman of the Board and Remuneration and Nomination Committees)
Owen Jonathan
Tom Maier
Fleur Meijs (appointed 7 December 2016)
James Robinson (Chairman of the Audit and Management Engagement Committees)

*All Directors are members of the Audit, Management Engagement, Remuneration and Nomination Committees*

## Registered Office and Company Number

Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire RG9 1HH

Registered in England and Wales: No. 03011768

## Manager and Alternative Investment Fund Manager

Invesco Fund Managers Limited.

## Company Secretary

Invesco Asset Management Limited
Company Secretarial contacts: Nira Mistry and Kelly Nice

## Correspondence Address

6th Floor, 125 London Wall, London EC2Y 5AS

☎ 020 3753 1000

## Depositary

BNY Mellon Trust & Depositary (UK) Limited
160 Queen Victoria Street
London EC4V 4LA

## Registrars

Capita Asset Services,
The Registry, 34 Beckenham Road, Beckenham Kent BR3 4TU

If you hold shares directly and not through an ISA or Savings Scheme, and have any queries relating to your shareholding you should contact the registrars on ☎ 0871 664 0300.
Calls cost 12p per minute plus your phone company's access charges.

From outside the UK: +44 (0)371 664 0300. Calls from outside the UK will be charged at the applicable international rate. Lines are open from 9am to 5.30pm, Monday to Friday (excluding Bank Holidays).

Shareholders holding shares directly can also access their holding details via Capita's website www.capitashareportal.com

The Registrar provides on-line and telephone share dealing services to existing shareholders who are not seeking advice on buying or selling. This service is available at www.capitadeal.com or ☎ 0371 664 0445. Calls cost 12p per minute plus your phone company's access charge. From outside UK: +44 371 664 0445; Calls from outside the UK will be charged at the applicable international rate. Lines are open 8am to 4.30pm Monday to Friday (excluding Bank Holidays).

## Invesco Perpetual Client Services

Invesco Perpetual Client Services Team is available from 8.30am to 6pm Monday to Friday (excluding UK Bank Holidays). Current valuations, statements and literature can be obtained, however, no investment advice can be given. ☎ 0800 085 8677.

www.invescoperpetual.co.uk/investmenttrusts

## Invesco Perpetual Investment Trust Savings Scheme and ISA Administrators

For both the Invesco Perpetual Investment Trust Savings Scheme and ISA, contact:
Invesco Perpetual
P.O. Box 11150
Chelmsford
CM99 2DL
☎ 0800 085 8677

## Website

Information relating to the Company can be found on the Company's section of the Manager's website at www.invescoperpetual.co.uk/invescoasia.

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 document.

**The Company's ordinary shares qualify to be considered as an mainstream investment product suitable for promotion to retail investors.**

**Linkway Financial Printers** – Typeset & Printed in London (UK) 16692