

# Invesco Enhanced Income Limited (formerly Invesco Perpetual Enhanced Income Limited)

Half-Yearly Financial Report for the Six Months to 31 March 2019

## KEY FACTS

Invesco 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 2018 annual financial report.

## Performance Statistics

	AT 31 MAR 2019	AT 30 SEPT 2018	% CHANGE
<b>Capital Return</b>			
Shareholders' funds (£'000)	118,611	120,677	-1.7
Net asset value per ordinary share	71.9p	73.1p	-1.6
Share price <sup>(1)</sup>	71.2p	75.4p	-5.6
(Discount)/premium per ordinary share	(1.0)%	3.1%	
Gross borrowing	21%	18%	
Net borrowing	18%	16%	
	SIX MONTHS ENDED 31 MAR 2019	SIX MONTHS ENDED 31 MAR 2018	YEAR ENDED 30 SEPT 2018
<b>Total Return<sup>(1)</sup></b>			
3 month LIBOR rate	+0.8%	+0.7%	+0.8%
Net asset value	+1.9%	-0.2%	+0.8%
Share price	-2.3%	+1.8%	+0.1%
<b>Revenue</b>			
Net revenue return (£'000)	3,793	3,873	7,602
Revenue return per ordinary share	2.3p	2.4p	4.6p
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
<b>Total</b>	<b>2.50p</b>	<b>2.50p</b>	<b>5.00p</b>

(1) Source: Refinitiv.

## INTERIM MANAGEMENT REPORT INCORPORATING THE CHAIRMAN'S STATEMENT

### CHAIRMAN'S STATEMENT

#### Results for the six months to 31 March 2019

This is my first reporting period since I was appointed Chairman earlier this year. For the six months under review, the Company has delivered a total net asset value return of +1.9%. This compares to 3 month LIBOR of +0.8%. The share price premium decreased from 3.1% to a discount of 1.0%. Since the end of the reporting period, the Company has returned to a premium and has recommenced issuance of shares. This reflects not only the improving market environment but also the Company's strong performance relative to both its peers and 3 month LIBOR. On behalf of the Board, I would like to thank the portfolio managers for their continued hard work on behalf of shareholders.

The Portfolio Managers' Report which follows continues the cautionary tone of much of their recent reporting. Borrowing at the period end was 21% Gross and 18% Net of cash balances.

#### Outlook

There has been no material change in portfolio strategy. 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 relatively high sustainable yields whilst prudently balancing risk and reward with due regard to preservation of capital. Your Board fully endorses this approach.

**Kate Bolsover**

Chairman

7 June 2019

## PORTFOLIO MANAGERS' REPORT

### Market background

The six months to the 31 March 2019 can be split into two distinct periods. During the last three months of 2018, financial markets came under pressure before then rallying in the first three months of 2019. The key catalyst for the change in sentiment was a shift in central bank policy.

Between October and December rising tensions over trade between the US and China, disagreement between the European Union and Italy over the Italian budget deficit, Brexit, some deterioration in economic data and the prospect of higher US interest rates all weighed on sentiment. The high yield sector came under particular pressure at this time with the market punishing companies that were showing signs of weakness. Adding to concerns for the BB part of the high yield market was the end of the European Central Bank's (ECB) Corporate Sector Purchase Programme.

Sentiment turned following the US Federal Reserve's (Fed) decision to pivot away from hiking interest rates. The Fed announced that it recognised that economic and financial conditions had changed. Therefore, it was prepared to alter the composition of its balance sheet if economic conditions warranted. This was a significant move by the Fed that saw expectations about the timing of future interest rate hikes pushed out. The Fed re-affirmed this policy shift in subsequent meetings. At its March meeting, the median forecast of members of the Federal Open Market Committee (the body responsible for setting US interest rates), known as the dot-plot, had been revised lower. Having expected three hikes this year as recently as November 2018, the dot-plot now suggested that the Fed would not hike interest rates at all during 2019.

In March, the European Central Bank joined the Fed in pivoting toward more accommodative policy. The ECB announced plans for new Targeted Long-Term Refinancing Operations (TLTRO). The programme is designed to help stimulate the eurozone economy by offering low cost loans to banks over a two-year period. The ECB also updated its forward guidance to state that it did not intend to hike interest rates this year.

Against this backdrop, issuance levels have fallen with Barclays reporting European high yield issuance 39% lower compared to the same period in 2018. While supply has fallen, demand for high yield has been strong providing a supportive technical backdrop for the market. European currency high yield credit spreads (the premium over government bonds that companies need to pay to borrow) began the period at 361bps. They then widened to a peak of 538bps in November 2018 before narrowing to end the period at 416bps.

Areas of the high yield market that experienced significant re-pricing in the latter half of 2018 included the retail, energy and auto sectors. Subordinated financials also came under pressure.

A high-profile example of the re-pricing was Debenhams, which reported significant losses. The company's 2021 bond fell from a price of £78 in November to £42 in late March 2019. Although not held in the portfolio, the price move is illustrative of the volatility within the sector and serves as a reminder of the potential for material losses in the high yield market.

Year-to-date, the trend reversed with many parts of the market rallying strongly. Indeed, the European currency high yield bond market has had its strongest start to the year since 2012. However, this recovery has not been universal with the dispersion in returns creating some investment opportunities.

### Portfolio strategy

The overall shape of our portfolio has not changed greatly over the period. In broad terms the Company's holdings can be split into three broad categories: income generators, subordinated financials and more speculative, credit intensive positions. The first two categories account for around 85% of the portfolio with the credit intensive allocation making up the remainder. At a sector level this means that subordinated financials remain the portfolio's largest allocation. Banks have significantly rebuilt their balance sheets since the global financial crisis and the sector offers, what we believe is, an attractive level of income. The ICE BofAML CoCo index, for example, had a yield of 6.3% as at 31 March 2019. Outside of the financial sector, the largest holdings are in the telecoms, food and utility sectors.

During the period under review, the Company's NAV total return was +1.9% with income helping to cushion against price volatility. The portfolio entered the period with gross borrowings of 18%. This was increased to 21% by 31 March 2019.

### Outlook

Despite the rally year-to-date, the premium over government bonds that high yield companies need to pay to borrow remains higher than it was a year ago. Moreover, the more dovish backdrop has re-ignited the search for yield and investor demand for new issues is very strong. That said, the overall level of yield has fallen back towards recent averages and so we must expect the strong gains we enjoyed in the first quarter of 2019 to moderate from this point.

Since the end of the review period, high yield markets initially continued to rally, with European currency high yield spreads touching a low of 366bps. A number

of factors helped drive this: improving relations between the US and China; stronger economic data; record highs for the US stock market and a continued dovish sentiment from central banks. However, sentiment reversed in May following a re-emergence and escalation of trade tensions between the US and China; additional tariffs aimed at Mexico; souring Italy – EU relations and weaker economic data. Risk assets, including high yield suffered and spreads widened back out to 446bps. Government bond yields fell sharply as markets started to price in the chance of US interest rate cuts, a far cry from market expectation of just six months ago. Companies that reported weaker than anticipated results saw quite significant repricing. With yields and volatility increasing in recent weeks we have found a number of opportunities to add some bonds to the portfolio at more attractive levels. The portfolio maintains a good level of liquidity to take advantage of any further repricing.

**Paul Read/Paul Causer/Rhys Davies**  
Portfolio Managers

7 June 2019

#### 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). The Company borrows principally using repo financing arrangements. In certain circumstances it may have to realise investments at short notice to repay amounts owing under those arrangements and may not be able to realise the expected market value of those assets.
- 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. The Company's operations and reputation could be affected if any of its service providers suffered a major cyber security breach.
- Regulatory – whilst compliance with rules and regulations is closely monitored, breaches and changes 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 2018 annual financial report, which is available on the Company's section of the Manager's website at: [www.invesco.co.uk/enhancedincome](http://www.invesco.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 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.

**Kate Bolsover**  
Chairman

7 June 2019

#### BOND RATING ANALYSIS AT 31 MARCH 2019

##### Standard and Poor's Ratings, investment grade is BBB– and above

The definitions of these ratings are set out on page 69 of the 2018 annual financial report.

Rating	31 MAR 2019		30 SEPT 2018	
	% OF PORTFOLIO	CUMULATIVE TOTAL %	% OF PORTFOLIO	CUMULATIVE TOTAL %
<b>Investment Grade:</b>				
A	1.1	1.1	1.1	1.1
A–	1.7	2.8	—	1.1
BBB+	1.5	4.3	2.5	3.6
BBB	4.6	8.9	5.2	8.8
BBB–	11.2	20.1	9.7	18.5
<b>Non-Investment Grade:</b>				
BB+	10.9	31.0	10.7	29.2
BB	4.5	35.5	7.1	36.3
BB–	14.5	50.0	13.8	50.1
B+	6.4	56.4	5.0	55.1
B	10.8	67.2	13.1	68.2
B–	12.1	79.3	8.4	76.6
CCC+	1.7	81.0	1.8	78.4
CCC	1.3	82.3	1.4	79.8
D	0.3	82.6	—	79.8
NR (including equities)	17.4	100.0	20.2	100.0
	100.0		100.0	

# INVESTMENT PORTFOLIO

AT 31 MARCH 2019

All investments are fixed interest bonds unless otherwise stated; floating rates 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/BB-	2,699	1.9
Intesa Sanpaolo	8.375% FRN Perpetual	Ba3/BB-	891	1.6
	7% Perpetual	Ba3/BB-	806	
	7.75% Perpetual	Ba3/BB-	456	
Achmea	6% 04 Apr 2043	NR/BBB-	1,924	
Telecom Italia	5.25% 17 Mar 2055	Ba1/BB+	1,687	1.2
Picard	FRN 30 Nov 2023	B2/B	1,472	1.1
Coty	4.75% 15 Apr 2026 (SNR)	B3/BB-	1,472	1.1
VUE International	FRN 15 Jul 2020 (SNR)	B3/B-	1,370	1.0
Maxeda DIY	6.125% 15 Jul 2022 (SNR)	B2/B-	1,129	0.8
Burger King France	FRN 01 May 2023	B3/B-	453	0.8
	8% 15 Dec 2022 (SNR)	NR/CCC	382	
	6% 01 May 2024 (SNR)	B3/B-	220	
	5.375% 15 Jun 2023 (SNR)	B3/B	920	
Platin 1426	9.25% 30 Apr 2067	Caa1/CCC+	890	0.6
Banco Comercial Portugues	6.5% FRN Perpetual	B2/NR	817	0.6
Banco Sabadell	7% 17 Jun 2023 (SNR)	B3/B-	785	0.6
DKT Finance	FRN 15 Nov 2023 (SNR)	B2/B-	750	0.5
Takko	3.25% 15 Mar 2025 (SNR)	Ba3/BB	705	0.5
Quintiles IMS	4% 15 May 2024 (SNR)	B3/B	698	0.5
La Financière ATALIAN	FRN Perpetual	NR/NR	591	0.4
CNP Assurances	6.25% 15 Dec 2023 (SNR)	B2/B	548	0.4
PrestigeBidCo	5.625% Perpetual	NR/NR	520	0.4
Aegon	6.875% 15 Mar 2024	Ca/D	456	0.3
Nyrstar Netherland	4.496% 30 Apr 2079	Ba2/BB	361	0.3
EDP – Energias de Portugal	6.75% FRN Perpetual	Ba3u/BB	358	0.3
Caixabank	8% 15 May 2023 (SNR)	B2/B	335	0.2
Odyssey Europe	7.25% 15 Oct 2022	B2/B+	323	0.2
Almaviva The Italian Inn	Cnv FRN Perpetual	Baa3/BB+	319	0.2
BNP Paribas Fortis	5.118% Perpetual	Ba1/BB+	280	0.2
Solvay Finance	6.125% FRN 05 Jul 2043	A3/BBB	238	0.2
Aviva	Common stock	NR/NR	211	0.1
CGG	3.5% 15 Aug 2024	B3/B	195	0.1
Adient	4.625% Cnv FRN Perpetual	NR/BB	159	0.1
ASR Netherland	5.125% 01 Oct 2022 (SNR)	B2/B	151	0.1
CBR Fashion Finance	6.375% FRN Perpetual	Baa3/BB-	143	0.1
Lloyds Bank				
			25,714	18.5
<b>Sterling</b>				
Koninklijke KPN	6.875% FRN 14 Mar 2073	Ba2/BB+	3,418	2.5
Stonegate	FRN 15 Mar 2022 (SNR)	B2/B-	1,344	2.3
	FRN 15 Mar 2022	B2/B-	1,074	
	4.875% 15 Mar 2022 (SNR)	B2/B-	807	
	7.75% 10 Sep 2075	Ba1/BBB-	2,035	
Enel	6.625% 15 Sep 2076	Ba1/BBB-	815	2.0
Enterprise Inns	6.375% 15 Feb 2022 (SNR)	NR/BB-	2,140	1.9
	7.5% 15 Mar 2024	NR/B	496	
NWEN Finance	5.875% 21 Jun 2021 (SNR)	NR/BB+	2,484	1.8
NGG Finance	5.625% FRN 18 Jun 2073	Baa3/BBB	2,358	1.7
Premier Foods Finance	6.25% 15 Oct 2023	B2/B	1,748	1.7
	FRN 15 Jul 2022 (SNR)	B2/B	587	
TVL Finance	FRN 15 May 2023 (SNR)	B3/B-	1,545	1.6
	8.5% 15 May 2023 (SNR)	B3/B-	669	
Standard Chartered	5.125% 06 Jun 2034	Baa2/BBB-	2,179	1.6
Virgin Money	8.75% Perpetual	NR/NR	2,019	1.4
Électricité De France	6% Perpetual	Baa3/BB	1,325	1.4
	5.875% Perpetual	Baa3/BB	598	
Virgin Media Finance	5.125% 15 Jan 2025 (SNR)	Ba3/BB-	1,844	1.3
Matalan Finance	6.75% 31 Jan 2023 (SNR)	B2/B-	1,053	1.3
	9.5% 31 Jan 2024 (SNR)	Caa2/CCC	736	
Barclays	7.875% Var Perpetual	Ba3/B+	1,774	1.3
Balfour Beatty	10.75p Cnv Preference	NR/NR	1,675	1.2
Aviva	6.125% Perpetual	A3/BBB	1,602	1.1
ELM	6.3024% FRN Perpetual	A3/A	1,506	1.1
Pinnacle Bidco	6.375% 15 Feb 2025 (SNR)	B3/B	1,497	1.1
Wagamama Finance	4.125% 01 Jul 2022 (SNR)	B2/B	1,473	1.1
Pension Insurance	8% 23 Nov 2026	NR/NR	1,441	1.0
Ocado	4% 15 Jun 2024 (SNR)	Ba3/NR	1,222	0.9
Orange	5.875% Perpetual	Baa3/BBB-	1,206	0.9
Vodafone	4.875% 03 Oct 2078	Ba1/BBB-	970	0.8
	1.5% Cnv 12 March 2022	NR/NR	210	
Time Warner Cable	5.25% 15 Jul 2042	Ba1/BBB-	1,148	0.8
Arqiva Broadcast Finance	6.75% 30 Sep 2023	B2/NR	1,105	0.8
Lloyds Bank	7% Var Perpetual	Baa3/BB-	1,070	0.8
Deutsche Bank	7.125% Perpetual	B1/B+	1,064	0.8
Partnership Assurance	9.5% 24 Mar 2025	NR/NR	1,053	0.8
Thames Water	7.75% 01 Apr 2019	B1/NR	1,000	0.7
Iron Mountain	3.875% 15 Nov 2025	Ba3/BB-	952	0.7
Jaguar Land Rover	5% 15 Feb 2022	Ba3/B+	468	0.7
	2.75% 24 Jan 2021	Ba3/B+	467	
Drax Finco	4.25% 01 May 2022 (SNR)	NR/BB+	928	0.7
Jewel UK Bondco	8.5% 15 Apr 2023 (SNR)	B2/B-	905	0.6
Scottish Widows	5.5% 16 Jun 2023	Baa1/BBB+	882	0.6
Pizza Express	6.625% 01 Aug 2021	B3/CCC+	826	0.6
Sainsbury's Bank	6% FRN 23 Nov 2027	NR/NR	809	0.6
Bupa Finance	5% 08 Dec 2026	Baa1/NR	781	0.6
AMC Entertainment	6.375% 15 Nov 2024 (SUB NTS)	B3/CCC+	776	0.5
Miller Homes	FRN 15 Oct 2023 (SNR)	NR/BB-	527	0.5
	5.5% 15 Oct 2023 (SNR)	NR/BB-	188	
OneSavings Bank	9.125% FRN Perpetual	NR/NR	707	0.5
RAC Bond	4.87% Var 06 May 2046 (SNR)	NR/BBB-	689	0.5
AXA	5.453% FRN Perpetual	Baa1/BBB+	535	0.4
Anglian Water	5% 30 April 2023 (SNR)	Ba3/NR	490	0.3
J Sainsbury	6.5% Var Perpetual	NR/NR	430	0.3
CYBG	9.25% Perpetual	NR/B	285	0.2
Rothesay Life	8% 30 Oct 2025	NR/NR	283	0.2
Tesco	5.2% 05 Mar 2057	Ba1/BB+	120	0.1
JRP Group	9% 26 Oct 2026	NR/NR	115	0.1
CIS General Insurance	12% FRN 08 May 2025	NR/NR	111	0.1
			64,564	46.5

**Bonds and Equity Investments continued**

ISSUER	ISSUE	RATING	MARKET VALUE £'000	AT £'000	% OF PORTFOLIO
US Dollar					
Altice	SFR 7.375% 01 May 2026	B2/B	2,336	}	2.7
	6.625% 15 Feb 2023	B2/B+	941		
	7.5% 15 May 2026	B2/B+	480		
Royal Bank of Scotland	7.64% FRN Perpetual	Ba2/B+	1,423	}	1.7
	8% Cnv FRN Perpetual	Ba2u/B	409		
	8.625% FRN Perpetual	Ba2u/B	358		
	7.5% Cnv FRN Perpetual	Ba2u/B	164		
TimeWarner	4.65% 01 Jun 2044	Baa2/BBB	2,230		1.6
Stora Enso	7.25% 15 Apr 2036	Baa3/NR	1,768		1.3
Société Générale	7.375% 31 Dec 2065	Ba2/BB+	915	}	1.2
	7.875% FRN Perpetual	Ba2/BB+	798		
Vodafone	6.25% 03 Oct 2078	Ba1/BBB-	1,064	}	1.2
	7% FRN 04 April 2079	NR/NR	569		
Celanese	4.625% 15 Nov 2022	Baa3/BBB-	1,594		1.2
Fiat Chrysler Automobiles	4.5% 15 Apr 2020	Ba3/BB+	1,551		1.1
Catlin Insurance	7.249% FRN Perpetual	NR/A-	1,507		1.1
HSBC	6.375% Cnv Perpetual	Baa3/NR	1,362		1.0
Wind Tre Spa	5% 20 Jan 2026 (SNR)	B1/BB-	1,255		0.9
Ziggo Bond Finance	5.875% 15 Jan 2025	B3/B-	1,212		0.9
Telecom Italia	5.303% 30 May 2024	Ba1/BB+	1,152		0.8
Beazley	5.875% 04 Nov 2026	NR/NR	1,093		0.8
Banco Santander	6.375% Var Perpetual	Ba1/NR	1,067		0.8
Algeco Scotsman	8% 15 Feb 2023 (SNR)	B2/B-	1,019		0.7
Marfrig Global Foods	7% 15 Mar 2024	NR/BB-	937		0.7
Trinseo	5.375% 01 Sep 2025 (SNR)	B2/BB-	862		0.6
Hertz	7.625% 01 Jun 2022	B1/B+	822		0.6
Lloyds Bank	7.5% 31 Dec 2065	Baa3/BB-	808		0.6
Diamond 1	5.45% 15 Jun 2023	Baa3/BBB-	805		0.6
Danske Bank	7% 26 Jun 2049	NR/BB+	802		0.6
SCOR	5.25% 13 Mar 2067	Baa1u/A-	787		0.6
Lamb Weston	4.625% 01 Nov 2024	Ba2/BB	780		0.6
VIVAT	6.25% Perpetual	NR/NR	763		0.6
Codere Finance 2 (Luxembourg)	7.625% 01 Nov 2021	B2/B	747		0.5
Teva Pharmaceutical Finance III	6.75% 01 Mar 2028	Ba2/BB	743		0.5
Owens-Brockway	5.875% 15 Aug 2023	B1/BB-	739		0.5
Petra Diamonds	7.25% 01 May 2022 (SNR)	B3/B-	539	}	0.5
	7.25% 01 May 2022 (SNR)	B3/B-	180		
Sigma Holdco	7.875% 15 May 2026 (SNR)	B3/B-	708		0.5
UBS	6.875% FRN Perpetual – CoCo	NR/BB	664		0.5
Verizon Communications	4.272% 15 Jan 2036	Baa1/BBB+	650		0.5
J. C. Penney	8.625% 15 Mar 2025 (SNR)	Caa1/CCC	477	}	0.5
	6.375% 15 Oct 2036 (SNR)	Caa2/CCC	164		
FAGE International	5.625% 15 Aug 2026 (SNR)	B1/BB-	629		0.5
XPO Logistics	6.5% 15 Jun 2022 (SNR)	Ba3/BB-	628		0.5
BNP Paribas	7.375% Var Perpetual	Ba1/BBB-	623		0.4
Barclays	8% FRN Perpetual	NR/B+	502	}	0.4
	2.75% FRN Perpetual	Ba2/BB+	119		
Aker BP	5.875% 31 Mar 2025 (SNR)	Ba2/BB+	603		0.4
Puma International	5% 24 Jan 2026	Ba2/NR	388	}	0.4
	5.125% 06 Oct 2024 (SNR)	Ba2/NR	215		
Standard Chartered	5.7% 26 Mar 2044	Baa2/BBB-	589		0.4
Constellium	5.75% 15 May 2024	B2/B-	382	}	0.4
	5.875% 15 Feb 2026	B2/B-	188		
DKT Finance	9.375% 17 Jun 2023 (SNR)	B3/B-	543		0.4
CIRSA Finance	7.875% 20 Dec 2023	B2/B+	492		0.4
Marb Bondco	6.875% 19 Jan 2025 (SNR)	NR/BB-	483		0.3
Brink's	4.625% 15 Oct 2027	Ba2/BB	476		0.3
JBS Investments	7.0% 15 Jan 2026	Ba3/BB-	448		0.3
Rothschilds Continuation Finance	FRN Perpetual	NR/NR	447		0.3
Panther BF Aggregator	8.5% 15 May 2027 (SNR)	B3/B	316		0.2
UniCredit	8% FRN Perpetual	NR/NR	286		0.2
Millicom International Cellular	5.125% 15 Jan 2028	Ba2/NR	213		0.2
CGG	FRN 21 Feb 2024	Caa1/NR	200		0.1
PGH Capital	5.375% 06 Jul 2027	NR/NR	200		0.1
Tesco	6.15% 15 Nov 2037 (SNR)	Ba1/BB+	189		0.1
Transportadora de Gas del Sur	6.75% 02 May 2025 (SNR)	B1/B	107		0.1
Chemours	7% 15 May 2025	Ba3/BB-	97		0.1
			48,607		35.0
<b>Total investments</b>			138,885		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 2019</b>					
At 1 October 2018	8,250	151,560	(50,484)	11,351	120,677
Total comprehensive income for the period	—	—	(1,735)	3,793	2,058
Dividends paid – note 5	—	—	—	(4,124)	(4,124)
<b>At 31 March 2019</b>	<b>8,250</b>	<b>151,560</b>	<b>(52,219)</b>	<b>11,020</b>	<b>118,611</b>
<b>For the six months ended 31 March 2018</b>					
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)
<b>At 31 March 2018</b>	<b>8,250</b>	<b>151,581</b>	<b>(47,947)</b>	<b>11,727</b>	<b>123,611</b>

## CONDENSED BALANCE SHEET

Registered number 75059

	AT 31 MARCH 2019 £'000	AT 30 SEPTEMBER 2018 £'000
<b>Non-current assets</b>		
Investments held at fair value through profit or loss	138,885	139,912
<b>Current assets</b>		
Amounts due from brokers	152	—
Margin held at brokers	184	4
Prepayments and accrued income	2,582	2,386
Derivative financial instruments – unrealised net gain	—	293
Cash and cash equivalents	3,569	2,775
	6,487	5,458
<b>Total assets</b>	145,372	145,370
<b>Current liabilities</b>		
Amounts due to brokers	(1,394)	(1,960)
Accruals	(301)	(318)
Derivative financial instruments – unrealised net loss	(174)	—
Securities sold under agreements to repurchase	(24,586)	(22,109)
	(26,455)	(24,387)
<b>Total assets less current liabilities</b>	118,917	120,983
Provision for performance fee – note 3	(306)	(306)
<b>Net assets</b>	118,611	120,677
<b>Issued capital and reserves attributable to equity holders</b>		
Share capital – note 6	8,250	8,250
Share premium	151,560	151,560
Capital reserve	(52,219)	(50,484)
Revenue reserve	11,020	11,351
<b>Total shareholders' funds</b>	118,611	120,677
<b>Net asset value per ordinary share</b>	71.9p	73.1p
<b>Number of 5p ordinary shares in issue at the period end – note 6</b>	164,994,855	164,994,855

## CONDENSED STATEMENT OF CASH FLOWS

	SIX MONTHS ENDED 31 MARCH 2019 £'000	SIX MONTHS ENDED 31 MARCH 2018 £'000
<b>Cash flows from operating activities</b>		
Profit/(loss) before finance costs and taxation	2,184	(55)
Tax on overseas income	(6)	—
Adjustments for:		
Purchases of investments	(20,261)	(28,084)
Sales of investments	19,015	22,109
	(1,246)	(5,975)
Increase/(decrease) from securities sold under agreements to repurchase	2,477	(2,197)
Loss on investments at fair value	1,555	5,320
Net cash movement from derivative instruments – currency hedges	467	1,315
Increase in receivables	(376)	(376)
Decrease in payables	(31)	(941)
<b>Net cash flows from operating activities after taxation</b>	5,024	(2,909)
<b>Cash flows from financing activities</b>		
Finance costs paid	(106)	(103)
Net proceeds from issue of shares	—	2,840
Net equity dividends paid – note 5	(4,124)	(4,082)
<b>Net cash flows from financing activities</b>	(4,230)	(1,345)
Net increase/(decrease) in cash and cash equivalents	794	(4,254)
Cash and cash equivalents at the beginning of the period	2,775	7,839
<b>Cash and cash equivalents at end of the period</b>	3,569	3,585
<b>Reconciliation of cash and cash equivalents to the Balance Sheet is as follows:</b>		
Cash held at custodian	1,539	2,845
Short-Term Investment Company (Global Series) plc, money market fund	2,030	740
<b>Cash and cash equivalents</b>	3,569	3,585
<b>Cash flow from operating activities includes:</b>		
Dividends received	85	90
Interest received	3,943	3,765
<b>Reconciliation of liabilities arising from financing activities:</b>		
Opening securities sold under agreements to repurchase	22,109	28,223
Increase/(decrease) from securities sold under agreements to repurchase	2,477	(2,197)
Closing securities sold under agreements to repurchase	24,586	26,026

## CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	SIX MONTHS TO 31 MARCH 2019			SIX MONTHS TO 31 MARCH 2018		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Loss on investments at fair value	—	(1,555)	(1,555)	—	(5,320)	(5,320)
Exchange differences	—	125	125	—	592	592
(Loss)/profit on derivative instruments – currency hedges	—	(21)	(21)	—	1,030	1,030
Income – note 2	4,236	—	4,236	4,421	—	4,421
	4,236	(1,451)	2,785	4,421	(3,698)	723
Investment management fee – note 3	(224)	(224)	(448)	(279)	(279)	(558)
Other expenses	(153)	—	(153)	(219)	(1)	(220)
<b>Profit/(loss) before finance costs and taxation</b>	3,859	(1,675)	2,184	3,923	(3,978)	(55)
Finance costs	(60)	(60)	(120)	(50)	(50)	(100)
<b>Profit/(loss) before taxation</b>	3,799	(1,735)	2,064	3,873	(4,028)	(155)
Taxation – note 4	(6)	—	(6)	—	—	—
<b>Profit/(loss) after taxation</b>	3,793	(1,735)	2,058	3,873	(4,028)	(155)
<b>Return per ordinary share</b>	2.3p	(1.1)p	1.2p	2.4p	(2.5)p	(0.1)p
<b>Weighted average number of shares in issue</b>	164,994,855			164,274,819		

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 and therefore no statement of comprehensive income is presented. 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 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 2018 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 February 2018.

### 2. Income

	SIX MONTHS TO 31 MAR 2019 £'000	SIX MONTHS TO 31 MAR 2018 £'000
UK bond interest	1,712	1,710
UK dividends	85	85
Overseas bond interest	2,426	2,620
Overseas dividends	5	5
Deposit interest	8	1
<b>Total</b>	<b>4,236</b>	<b>4,421</b>

### 3. Management and Performance Fees

For the period 1 October to 31 December 2017, a management fee of 1.0% on the first £80 million of net asset value, 0.7% on the next £70 million and 0.6% on any excess over £150 million was payable.

With effect from 1 January 2018, under a new investment management agreement dated 27 June 2018, a management fee of 0.8% on the first £80 million of net asset value, 0.7% on the next £70 million and 0.6% thereafter, is payable. In addition, performance fee arrangements were also removed with effect 1 October 2017. The deferred performance fee arising in the year ended 30 September 2017, continues to be recognised as a provision of £306,000 as at 31 March 2019 (30 September 2018: £306,000).

### 4. Taxation

The Company is subject to Jersey income tax at the rate of 0% (2018: 0%). The tax charge consists of irrecoverable withholding tax on overseas income.

### 5. Dividends Paid

	SIX MONTHS TO 31 MAR 2019 £'000	SIX MONTHS TO 31 MAR 2018 £'000
Fourth interim of 1.25p	2,062	2,028
First interim of 1.25p	2,062	2,054
<b>Total paid</b>	<b>4,124</b>	<b>4,082</b>

The first interim for the quarter ended 31 December 2018 was paid on 31 January 2019 to Shareholders on the register on 4 January 2019. The second interim for the quarter ended 31 March 2019 was paid on 30 April 2019 to Shareholders on the register on 5 April 2019.

### 6. Movements in Share Capital

	SIX MONTHS TO 31 MAR 2019	YEAR TO 30 SEPT 2018
Share Capital:		
Brought forward	£8,250,000	£8,088,000
New shares issued in the period	—	£162,000
<b>Carried forward</b>	<b>£8,250,000</b>	<b>£8,250,000</b>
Number of 5p ordinary shares:		
Brought forward	164,994,855	161,767,003
New shares issued in the period	—	3,227,852
<b>Carried forward</b>	<b>164,994,855</b>	<b>164,994,855</b>

There have been no shares issued during the period. The average price of the shares issued in the year to 30 September 2018 was 79.32p.

1,075,000 shares have been issued subsequent to the period end at an average price of 73.92p.

### 7. Classification under Fair Value Hierarchy

Note 20 of the 2018 annual financial report sets out the basis of classification as set out by IFRS 7 '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 2019		AT 30 SEPT 2018	
	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	—	136,999	—	137,783
Equities – convertible preference shares and common stock	211	1,675	406	1,723
Derivative financial instruments:				
currency hedges	—	—	—	293
<b>Total for financial assets</b>	<b>211</b>	<b>138,674</b>	<b>406</b>	<b>139,799</b>

At 31 March 2019 financial liabilities designated at fair value though profit or loss consisted of currency hedges totalling £174,000 (30 September 2018: no financial liability, see financial assets above) as Level 2 items.

### 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 2018 and 2019 has not been audited. The figures and financial information for the year ended 30 September 2018 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

7 June 2019

## DIRECTORS AND ADVISERS

### Directors

Kate Bolsover (Chairman, appointed 16 January 2019)  
Christine Johnson (Chairman of the Management Engagement Committee, appointed 16 January 2019)  
Peter Yates (Chairman of the Audit Committee)\*  
Michael Lombardi  
Clive Spears\*

\*Both Peter Yates and Clive Spears reverted to Chairman of the Audit Committee and Director, respectively, following the appointment of Kate Bolsover as Chairman on 16 January 2019.

### Alternative Investment Fund Manager (Manager)

Invesco Fund Managers Limited  
Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire RG9 1HH  
☎ 01491 417000  
🌐 [www.invesco.co.uk/investmenttrusts](http://www.invesco.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

### General Data Protection Regulation

The Company's privacy notice can be found at:  
🌐 [www.invesco.co.uk/enhancedincome](http://www.invesco.co.uk/enhancedincome)

### 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](http://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.invesco.co.uk/investmenttrusts](http://www.invesco.co.uk/investmenttrusts)

Information relating to the Company can be found on the Company's section of the Manager's website, at [www.invesco.co.uk/enhancedincome](http://www.invesco.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