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**Invesco Funds  
SICAV**

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Luxembourg

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[www.invesco.com](http://www.invesco.com)

**Scheme changes related to efficient portfolio management techniques (which includes securities lending, repurchase agreements and reverse repurchase agreements), OTC derivatives and related collateral and counterparty selection criterion to comply with European Securities and Markets Authority Guidelines on ETFs and other UCITS issues (the "Guidelines"), and related updates and other miscellaneous amendments/ updates to the prospectus of Invesco Funds, SICAV including those relating to an update of the definition of Settlement Date (as defined below), partial acceptance or rejection of application by shareholders for shares in Invesco Funds, SICAV, update of the address of an investment adviser to a sub-fund of Invesco Funds, SICAV, appointment of two new directors of the management company of Invesco Funds, SICAV, prohibition of investment in cluster munitions and clarification of disclosures related to restriction(s) on investment in certain share classes of Invesco Funds, SICAV.**

**The directors of Invesco Funds, SICAV (the "Directors") are the persons responsible for the information contained in this letter. To the best of the knowledge and belief of the Directors (having taken all reasonable care to ensure that such is the case), the information contained in this letter is, at the date hereof, in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.**

**This letter is sent to you as a shareholder in a sub-fund of Invesco Funds, SICAV (a "Shareholder"). It is important and requires your immediate attention. If you are in any doubt as to the action to be taken, you should immediately consult your stockbroker, bank manager, legal or other professional adviser. If you have sold or otherwise transferred your holding in a sub-fund of Invesco Funds, SICAV, please send this letter to the stockbroker, bank manager or other agent through whom the sale was effected for transmission to the purchaser or transferee.**

**If any of the below mentioned amendments do not suit your investment requirements, you are advised that you may, at any time prior to the Effective Date (as defined hereafter), redeem your shares in a sub-fund of Invesco Funds, SICAV without any redemption charges. Redemptions will be carried out in accordance with the terms of the prospectus of Invesco Funds, SICAV.**

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Invesco Funds is regulated by the Commission de Surveillance du Secteur Financier

Directors: Cormac O'Sullivan (Irish), John Rowland (British), Leslie Schmidt (American), Brian Collins (Irish) and Karen Dunn Kelley (American)

Incorporated in Luxembourg No B-34457  
VAT No. LU21722969

19 July 2013

Dear Shareholder,

We are writing to you as a Shareholder in a sub-fund of Invesco Funds, SICAV (the "**SICAV**"), in relation to the scheme changes, which are summarised below, related to efficient portfolio management techniques (which includes securities lending arrangements, repurchase agreements and reverse repurchase agreements), OTC derivatives and related collateral and counterparty selection criterion to comply with the Guidelines and related updates and other miscellaneous amendments/updates to the prospectus of the SICAV (the "**Prospectus**") and Hong Kong supplement (for Hong Kong investors only), including those relating to an update of the definition of Settlement Date (as defined below), partial acceptance or rejection of applications by Shareholders for shares in the SICAV, update of the address of an investment adviser to a sub-fund of the SICAV, appointment of two new directors of the management company of the SICAV, prohibition of investment in cluster munitions and clarification of disclosures related to restriction(s) on investment in certain share classes of the SICAV in the Prospectus.

Unless otherwise stated herein, the scheme changes related to efficient portfolio management techniques (which includes securities lending arrangements, repurchase agreements and reverse repurchase agreements), OTC derivatives and related collateral and counterparty selection criterion to comply with Guidelines and related updates and other miscellaneous amendments to the Prospectus and Hong Kong Supplement (for Hong Kong investors only), including partial acceptance or rejection of applications by Shareholders for shares in the SICAV and the prohibition of investment in cluster munitions shall become effective on 20 August 2013 (the "**Effective Date**") or later and in any event one month's prior notice will be given to Shareholders before such amendments become effective.

Miscellaneous updates to the Prospectus and the Hong Kong Supplement (for Hong Kong investors only), including those relating to update of the definition of Settlement Date (as defined below), update of the address of an investment adviser to the SICAV and appointment of two new directors of its management company and clarification of disclosures related to restriction(s) on investment in certain share classes of the SICAV in the Prospectus are already in effect.

## **1. Update to the definition of Settlement Date**

Currently, the settlement date for subscriptions and redemptions ("**Settlement Date**") is defined as the third Business Day after receipt of the required documentation by the Registrar and Transfer Agent. The definition of Settlement Date will be amended to provide that for the settlement of subscriptions and redemptions, where banks are not open for business in the country of the currency of settlement on the third Business Day after receipt of the required documentation by the Registrar and Transfer Agent, the Settlement Date will be on the next Business Day on which those banks in that country are open.

Such amendment to the definition of Settlement Date is a clarification of existing practice.

## **2. Updates to reflect the Guidelines on exchange traded funds and other UCITS issues**

On 25 July 2012, the European Securities and Markets Authority ("**ESMA**") published guidelines on ETFs and other UCITS issues (the "**Guidelines**"). The Guidelines were published following a public consultation process and the publication of an ESMA consultation paper in January 2012. The Guidelines set out new regulatory requirements for ETF and index-tracking UCITS and for all types of UCITS which invest in efficient portfolio management techniques, financial derivative instruments and financial indices. These include the appropriate treatment of repurchase ("**repo**") and reverse repo arrangements in the context of the Guidelines.



As specified by the Guidelines, the SICAV should comply with the provisions regarding the management of collateral within 12 months of the date of publication of the Guidelines. Furthermore, any new reinvestment of cash collateral should comply with the Guidelines immediately.

As a result, Section 7 (Investment Restrictions) of the Prospectus will be updated to reflect the relevant requirements under the Guidelines and a summary of these updates is set out below.

Investors should note that the below changes will not materially change or increase the risk profiles of any existing sub-fund of the SICAV (including all SFC authorised sub-funds of the SICAV) or change the way existing sub-funds of the SICAV (including all SFC authorised sub-funds of the SICAV) are being managed.

- (a) Section 7.2 which has been renamed "**Efficient Portfolio Management: Financial Derivative Instruments Restrictions**" will be updated to specify that sub-funds of the SICAV may enter into swap transactions on eligible investments in pursuit of their objective. Such swap transactions can be entered into without limitation but will at all times adhere to the investment and borrowing powers as laid down in Section 7.1. Furthermore, should a sub-fund of the SICAV enter into a swap transaction, this would be in line with its investment policy. For further information on the investment remit of the sub-funds of the SICAV please refer to the investment objective and policy of the relevant sub-fund of the SICAV as described in the Appendix A of the Prospectus.
- (b) Section 7.3 which has been renamed "**Efficient Portfolio Management Techniques: Securities Lending Transactions and Repurchase/ Reverse Repurchase Transactions**" will be updated to state that that all of the revenues arising from efficient portfolio management techniques ("**EPM techniques**"), net of direct and indirect operational costs, will be returned to the relevant sub-fund of the SICAV that uses EPM techniques.

The following new general disclosures as summarised below will also be set out in Section 7.3:

(i) The SICAV will have the right to terminate a stock lending arrangement at any time and demand the return of any or all of the securities loaned. The agreement must provide that, once such notice is given, the borrower is obligated to redeliver the securities within 5 Business Days or other period as normal market practice dictates.

(ii) Where the SICAV enters into a reverse repurchase agreement on behalf of a sub-fund, it will have the right to recall the full amount of cash or to terminate the reverse repurchase agreement on either an accrued or a mark-to-market basis at any time. Where the cash is callable at any time on a mark-to-market basis, the mark-to-market value of the reverse repurchase agreement shall be used for the purposes of the calculation of the net asset value of the sub-fund.

(iii) Where the SICAV enters into a repurchase agreements on behalf of a sub-fund, the SICAV will have the right to recall any securities subject to the agreement or to terminate the repurchase agreement at any time.

(iv) Fixed term repurchase contracts which do not exceed 7 days shall be regarded as arrangements on terms which allow the assets to be recalled at any time by the SICAV.

(v) Any interest or dividends paid on securities which are the subject of such stock lending arrangements shall accrue to the benefit of the relevant sub-fund.

This Section will also be updated to state that while the use of EPM techniques will be in line with the best interests of the relevant sub-fund of the SICAV that uses EPM techniques, individual techniques may result in increased counterparty risk and potential conflicts of interest (examples include but are not limited to where the counterparty is a related party).

This section of the Prospectus will also disclose that the SICAV will ensure, at all times, that the terms of EPM techniques, including any investment of cash collateral, will not impact on its ability to meet with its redemption obligations.

(c) For the avoidance of doubt, the following information is set out (and will be reflected in the updated Prospectus) to ensure compliance with disclosure requirements regarding the entering of stock lending arrangements and the criteria for selecting counterparties for such transactions in terms of financial standing. The underlined wording already forms part of the current Prospectus of the SICAV and is only set out below for completeness and Shareholders' ease of reference (i.e. the underlined wording is pre-existing and has not been updated) :

- Any interest or dividends paid on securities which are subject to stock lending arrangements shall accrue to the benefit of the relevant sub-fund of the SICAV.
- Counterparties to repurchase contracts, stock lending arrangements and OTC derivatives instruments are institutions subject to prudential supervision, and belonging to the categories approved by the CSSF. The SICAV will seek to appoint counterparties who are credit institutions or have a minimum credit rating of A2 or higher by Standard & Poor's Rating Agency or equivalent, or must be deemed by the SICAV to have an implied rating of A2 or higher by Standard & Poor's Rating Agency or equivalent. Alternatively, an unrated counterparty is acceptable where the relevant sub-fund of the SICAV is indemnified or guaranteed against losses suffered as a result of a failure by the counterparty, by an entity which has and maintains a rating of A2 or equivalent.
- As security for any securities lending activities, the relevant sub-fund of the SICAV will obtain collateral, the market value of which will at all times be at least 100% of the market value of the securities lent.
- The SICAV may, on behalf of a sub-fund, enter into such securities lending transactions for up to 100% of the relevant sub-fund's net assets.
- To the extent that any stock lending transactions are with any appointed investment managers or investment adviser of the SICAV or any connected person of either of them, such transactions will be at arm's length and will be executed as if effected on normal commercial terms. In particular, cash collateral invested in money market funds in this manner may be subject to a pro rata portion of such money market fund's expenses, including management fees.

(d) Section 7.4 "**Management of collateral for OTC derivatives and efficient portfolio management techniques**" has been added to reflect the updated criteria with which the collateral obtained for EPM techniques and OTC derivatives must comply. This will include the following:

(i) Liquidity - collateral (other than cash) will be highly liquid and traded on a regulated market or multi-lateral trading facility with transparent pricing in order that it can be sold quickly at a price that is close to its pre-sale valuation. Collateral will comply with the provisions of section 7.1(V) of the Prospectus.

(ii) Valuation - collateral will be valued on a daily basis and assets that exhibit high price volatility should not be accepted as collateral unless suitably conservative haircuts are in place.

(iii) Issuer credit quality - collateral will be of high quality.



(iv) Correlation – collateral will be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of the counterparty.

(v) Diversification - collateral will be sufficiently diversified in terms of country, markets and issuers. With respect to diversification by issuers, the maximum exposure to a given issuer will not exceed 20% of the net assets of the relevant sub-fund.

In addition, the Prospectus will specify the collateral policy regarding the OTC derivatives. With respect to transactions in OTC derivative contracts, the relevant sub-fund may receive collateral to reduce counterparty exposure. The levels of collateral received under these transactions are agreed as per agreements in place with the individual counterparties. At all times the counterparty exposure not covered by collateral will remain below the regulatory limits as described above in section 7.1.

This section of the Prospectus will also be updated to disclose the permitted types of collateral which the SICAV will accept, including the following:

(i) cash;

(ii) government or other public securities;

(iii) certificates of deposit issued by Relevant Institutions (as defined in the Prospectus);

(iv) bonds/commercial paper issued by Relevant Institutions or by non-bank issuers where the issue or the issuer are rated A1 or equivalent;

(v) letters of credit with a residual maturity of three months or less, which are unconditional and irrevocable and which are issued by Relevant Institutions;

(vi) equity securities traded on a stock exchange in the EEA (as defined in the Prospectus), Switzerland, Canada, Japan, the United States, Jersey, Guernsey, the Isle of Man, Australia or New Zealand.

This Section of the Prospectus will also disclose updated rules in respect of the reinvestment of collateral and in particular will confirm that cash received as collateral may not be invested or used other than as set out below:

(i) placed on deposit with Relevant Institutions;

(ii) invested in high-quality government securities;

(iii) used for the purpose of reverse repurchase agreements, provided that the transactions are with credit institutions subject to prudential supervision and the SICAV is able to recall at any time the full amount of cash on an accrued basis;

(iv) invested in a "Short Term Money Market Fund" as defined by ESMA's guidelines on a common definition of European money market funds.

In accordance with the Guidelines, it is proposed that Section 7.4 will also be updated to incorporate reference to the SICAV's stress testing policy and haircut policy with respect to collateral received.

Section 7.4 will also disclose that reinvested cash collateral will be diversified in accordance with the diversification requirements applicable to non-cash collateral; that invested cash collateral may not be

placed on deposit with, or invested in securities issued by the counterparty or a related entity and that non-cash collateral received cannot be sold, pledged or re-invested.

This Section will also clarify that the annual report of the SICAV will contain details of (i) the counterparty exposure obtained through EPM techniques and OTC derivatives, (ii) counterparties to EPM techniques and OTC derivatives, (iii) the type and amount of collateral received by the sub-funds of the SICAV that receive collateral as part of their use of EPM techniques to reduce counterparty exposure and (iv) revenues arising from EPM techniques for the reporting period, together with direct and indirect costs and fees incurred and to which entity these have been paid.

- (e) Section 7.6 of the Prospectus will be updated to clarify that counterparty exposure from the use of financial derivative instruments will be combined with counterparty exposure from other EPM techniques for the purposes of compliance with counterparty risk limits set out in the Prospectus.

### **3. Clarification related to restriction of the access to certain share classes**

The Section 4 (The SICAV and Its Shares) of the Prospectus will be amended to clarify that investments into share classes are restricted (including but not limited to the fact that certain classes of Shares are available to certain categories of investors only and all share classes are subject to Minimum Initial Subscription Amount or/and Minimum Shareholding), and the SICAV reserves the right to reject any application of Shares if the relevant restrictions are not complied with. If an application is rejected, any subscription money will be refunded at the cost and risk of the applicant without interest.

### **4. Update of the address of the investment adviser, Invesco Advisers, Inc.**

The registered address of Invesco Advisers, Inc has been updated as follows:

1555 Peachtree Street, N.E  
Atlanta  
Georgia  
GA 30309  
USA

### **5. Additional restrictions related to cluster bombs investments**

Please note that the following change will not affect the investment objectives or policies of any existing sub-funds of the SICAV (including all SFC authorised sub-funds of the SICAV), and there will not be any change to the risk profile of any existing sub-fund of the SICAV (including all SFC authorised sub-funds of the SICAV).

A new paragraph has been added in the Section 7.4 "Additional Restrictions" to specify that the SICAV will take steps to ensure that any sub-fund of the SICAV will not knowingly finance cluster munitions, munitions and weapons containing depleted uranium, and anti-personnel mines, including in particular by holding any form of securities issued by an entity the main activities of which are the manufacturing, use, reparation, sale, exhibition, distribution, import or export, storing or transport of cluster munitions, munitions and weapons containing depleted uranium, and anti-personnel mines.

The new restriction comes from the fact that Luxembourg ratified the Oslo Treaty on Cluster Bombs through the law of 4th June 2009 which prohibits all use, stockpiling, production and transfer of cluster munitions and all persons, businesses and corporate entities from knowingly financing cluster munitions. In addition, other countries where the SICAV are distributed, such as Netherlands, Switzerland and Belgium, recently introduced new rules



prohibiting financial institutions from investing in companies that produce, sell or distribute cluster munitions but also depleted uranium and/or other controversial war weapons. Because of the large scope of these legislations, the SICAV extended the scope of the prohibition beyond the Luxembourg legal requirements.

#### **6. For Shareholders of Invesco Global Total Return (EUR) Bond Fund (the "Fund") only\***

With effect from the Effective Date, additional wording will be added to the Investment Objective and Policy of the Fund to clarify that financial derivatives instruments may be used by the Fund to achieve both long and short positions.

#### **7. For the holders of "B" and "B1" Shares only**

In Section 4.1 "Types of Shares", a new paragraph has been added to clarify in which cases the waiver of the CDSC (Contingent Deferred Sales Charge) applies to the "B" and "B1" Shares. It is clarified that pursuant to Luxembourg regulations and in line with the industry practice, under certain circumstances such as mergers, liquidation, de-authorisation and more generally when any change could have a material impact on the investment policy or the risk profile of a fund, the CDSC will be waived.

#### **8. General amendments**

- The last paragraph under Section 5.1.1 (Application Form) of the Prospectus has been updated to disclose that the SICAV reserves the right to reject any application for Shares or to accept any application in part only, in circumstances which the SICAV deems to be in the best interest of the Shareholders or the sub-funds of the SICAV. Wordings that are struck through will be deleted and wordings that are underlined will be added:

"The SICAV reserves the right to reject any application for Shares or to accept any application in part only, in circumstances which the SICAV deems to be in the best interest of the Shareholders or the Funds. In addition, for the purpose of adherence to the AML/CTF Laws and Regulations, the Registrar and Transfer Agent and/or the Data Processing Agent reserve the right at any time during the course of the relationship with an applicant or Shareholder, to suspend the execution of applications for subscription, switching, transfer or redemption, in whole or in part and to request the applicant or Shareholder to submit additional information and documentation, from time to time, ~~for the purpose of adherence to the AML/CTF Laws and Regulations.~~"

- Pursuant to CSSF Circular 12/546, the composition of the board of the Management Company and the board of the SICAV has been modified so that the two boards are not composed of a majority of the same individuals. Therefore, the Section 9.2.1 (The Directors) and the Section 9.2.2 (The Management Company) of the Prospectus has been amended to update the Boards members as follows and to reflect the appointment of Marie-Hélène Boulanger and Douglas J. Sharp as directors of the board of the Management Company :

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\* This Fund is not authorised by the Hong Kong Securities and Futures Commission (the "SFC") and therefore are not available for sale to the public in Hong-Kong.

The Directors of the SICAV are:

**Leslie Schmidt (Chairperson)**

*President and member of the board of Invesco National Trust Company, Invesco, US*

**Douglas J. Sharp**

*Head of Cross- Border Retail and EMEA Strategy, Invesco, UK*

**Cormac O’Sullivan**

*Head of Office, Invesco, Ireland*

**Karen Dunn Kelley**

*Chief Executive Officer of Invesco Fixed Income, Invesco, US*

**John Rowland**

*Head of Investment Operations, Invesco, UK*

**Brian Collins**

*Independent Director, Ireland*

The directors of the Management Company are:

**Leslie Schmidt (Chairperson)**

*President and member of the board of Invesco National Trust Company, Invesco, US*

**Douglas J. Sharp**

*Head of Cross -Border Retail and EMEA Strategy, Invesco, UK*

**Cormac O’Sullivan**

*Head of Office, Invesco, Ireland*

**Oliver Carroll**

*Global Head of Finance Operations, Invesco*

**Carsten Majer**

*Chief Marketing Officer CE, Invesco, Germany*

**Marie-Hélène Boulanger**

*Head of Risk Governance, Invesco, Luxembourg*





## **9. Further Information**

For non-Hong Kong Shareholders, the Prospectus is available free of charge at the registered office of the SICAV. It is also available from the website of the management company of the SICAV (Invesco Management S.A.): <http://www.invescomanagementcompany.lu>. This website has not been reviewed by the Securities and Futures Commission of Hong Kong ("SFC") and may contain information of funds not authorised by the SFC.

If you have any queries in relation to the above, or would like information on other products in the Invesco range of funds that are authorised for sale in your jurisdiction, please contact your local Invesco office, details of which are set out overleaf.

Shareholders in Hong Kong may contact the SICAV's Hong Kong Sub-Distributor and Representative, Invesco Asset Management Asia Limited on telephone number (+852) 3191 8282.

For Swiss Shareholders, the Prospectus, the Key Investor Information Documents, the articles of incorporation of the SICAV as well as the annual and interim reports of the SICAV may be obtained free of charge from the Swiss representative. Invesco Asset Management (Switzerland) Ltd., Stockerstrasse 14, 8002 Zurich, is the Swiss representative and BNP Paribas Securities Services, Paris, Succursale de Zurich, Selnaustrasse 16, 8002 Zurich, is the Swiss paying agent.

Thank you for taking the time to read this communication.

Yours faithfully,

A handwritten signature in blue ink, appearing to read "Leslie A. Sch...", with a stylized flourish at the end.

**By order of the Board of Directors**

**General Information:**

**The value of investments and the income generated from investment can fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the full amount invested.**

**Important Information for UK Shareholders**

For the purpose of the United Kingdom Financial Services and Markets Act, 2000 (the "**FSMA**"), this letter has been issued by Invesco Global Investment Funds Limited which is authorised and regulated by the Financial Conduct Authority, on behalf of Invesco Global Asset Management Limited, the Global Distributor of the SICAV. For the purposes of United Kingdom law, the SICAV is a recognised scheme under section 264 of the FSMA. All or most of the protections provided by the United Kingdom regulatory system, for the protection of private clients, do not apply to offshore funds, compensation under the United Kingdom's Financial Services Compensation scheme will not be available and United Kingdom cancellation rights do not apply.

**Contact information**

For further queries, you may contact Invesco Asset Management Deutschland GmbH at (+49) 69 29807 0, Invesco Asset Management Österreich GmbH at (+43) 1 316 2000, Invesco Global Asset Management Limited at (+353) 1 439 8000 , Invesco Asset Management Asia Limited at (+852) 3191 8282, Invesco Asset Management S.A. Sucursal en España at (+34) 91 781 3020, Invesco International Limited Jersey at +44 1534 607600, Invesco Asset Management S.A. Belgian Branch at (+32) 2 641 01 70, Invesco Asset Management S.A. at (+33) 1 56 62 43 00, Invesco Asset Management S.A. Sede Secondaria at (+39) 02 88074 1, Invesco Asset Management (Schweiz) AG at (+41) 44 287 9000, Invesco Asset Management SA Dutch Branch at (+31) 205 61 62 61, Invesco Asset Management S.A (France) Swedish Filial at (+46) 8 463 11 06 or Invesco Global Investment Funds Limited at (+44) 207 065 4000.

**Note:**

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