

20 August 2014

Invesco Funds, SICAV (the "SICAV")

Notice to shareholders of Withdrawal of the Securities and Futures Commission ("SFC") authorisation of Invesco European Bond Fund (the "Fund")

This notice is important and requires your immediate attention. If you are in any doubt about the contents of this notice you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.

The directors of Invesco Funds, SICAV (the "Directors") are the persons responsible for the information contained in this notice. 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 notice 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.

Dear shareholder,

We write to you with reference to the abovementioned withdrawal of SFC authorisation of the Fund, details are as follows.

I. Background

The withdrawal of SFC authorisation of the Fund is due to the realignment of the distribution strategy of Invesco fixed income funds vis-à-vis the Hong Kong retail market.

It is proposed to expand the Fund's use of financial derivative instruments ("**FDIs**") to include for investment purposes. This will provide additional flexibility and allow the investment adviser to manage the portfolio more effectively and efficiently. Accordingly, the Directors have considered the position and are of the view this will be in the best interests of all shareholders. However, as a result of the expanded use of FDIs, the Directors consider that the product may become less suited to retail investors in Hong Kong due to the complexity surrounding the use of FDIs. As a result, going forward, the Directors have decided to realign the distribution strategy of Invesco fixed income funds and limit the marketing of the Fund in Hong Kong only to those investors who qualify as to Professional Investors under the Securities and Futures Ordinance.

Accordingly, the Directors have decided to seek withdrawal of authorisation of the Fund from the SFC in Hong Kong with effect from 10 December 2014 (the "**Effective Date**"). The Fund size as at 23 July 2014 was US\$433,615,170.78.

II. Consequences of withdrawal of SFC authorisation of the Fund

The management company of the SICAV and its funds namely, Invesco Management S.A., (the "**Management Company**"), will no longer market the Fund to the public in Hong Kong from the date of this notice. However, this Fund will continue to remain in existence and will continue to be managed in accordance with its constitutive documents and the relevant offering document.

In addition, with effect from the date of this notice, any product documentation specific to the Fund (such as fact sheet(s) and marketing material(s)) that are currently in your possession are for your personal use only and not for public circulation.

Upon withdrawal of authorisation of the Fund by the SFC, it will cease to be regulated by the SFC and will no longer be subject to the regulatory requirements in relation to authorised funds in Hong Kong. Shareholders should also note that they may not be able to access or receive all information relating to the Fund that they currently are able to access or are currently receiving, including but not limited to marketing material(s) and fact sheet(s) (as currently available at www.invesco.com.hk¹), share prices for the Fund as published in newspapers. However, shareholders would continue to receive client statements and shareholder mailings should they continue to hold the Fund. Shareholder should also refer to section 10 of the Prospectus (as defined below) "Reports and Information" regarding availability and accessibility of reports and information. The Fund will continue to be regulated by the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg.

Shareholders should note that subsequent to the withdrawal of authorisation of the Fund by the SFC, there are proposals to expand the Fund's use of FDIs for investment purposes, such as the investment in options, futures, swaps, warrants etc. Shareholders will be notified separately of these proposals after the Effective Date, as necessary, as and when such proposals are confirmed. The expansion of use of such FDIs may result in an increase in leverage and other FDI associated risks, such as liquidity risk, valuation risk and counterparty and collateral risk. Invesco will endeavour to monitor and manage such leverage and risks in accordance with its offering documents and constitutive documents. However, for the avoidance of doubt, there will be no change in fees and charges of the Fund nor will there be change to the investment objective, investment policies, risk profile, dealing arrangement of the Fund prior to the Effective Date.

Shareholders may refer to Part IV below for available options, including the possibility to take no action and to continue to hold the Fund, or at any time before the Effective Date redeem their existing holdings in the Fund without any redemption charges, or at any time before the Effective Date, switch into another SFC authorised fund of the SICAV or other SFC authorised Invesco funds (i.e. Invesco Funds Series and Invesco Funds Series 1-5), free of switching charge. Hong Kong investors should refer to the latest Hong Kong offering document of the relevant Invesco fund (for switches in) and the prospectus of the SICAV dated 20 August 2014 (the "**Prospectus**") and the Hong Kong supplement dated 20 August 2014 (the "**Hong Kong Supplement**") for details of redemption or switching procedures.

For Shareholders of the Macao Special Administrative Region ("**Macao SAR**"), please note that we will also apply to withdraw the registration of the Fund from the Monetary Authority of Macao ("**AMCM**") on the Effective Date. Upon withdrawal of the authorisation from the AMCM, the marketing of the Fund to the public of the Macao SAR is no longer allowed.

III. Tax Implications

The Fund

Generally, as an Offshore Fund (as defined below) ceased to be authorised by the SFC, it will no longer be exempt from Hong Kong profits tax. Such unauthorised Offshore Fund will have exposure to Hong Kong profits tax if it carries on a trade or business in Hong Kong, either on its own account or through the activities of another person (e.g. its management company or any investment adviser). If an unauthorised Offshore Fund carries on a trade or business in Hong Kong, a liability to profits tax (currently at 16.5 per cent.) will arise in respect of any trading profits arising in or derived from Hong Kong from that trade or business (i.e. having a Hong Kong source) and which are not capital in nature.

¹ This website has not been reviewed by the SFC.

Hong Kong sourced profits include, amongst others, profits arising on the disposal of listed securities effected on the Hong Kong stock exchange and profits on the disposal of securities over-the-counter where the contracts of purchase and/or sale are negotiated, concluded and executed in Hong Kong. Effecting a purchase or sale does not just refer to the execution of the contracts but also include the negotiation and all steps leading to the final conclusion of the contracts. Interest income on loans where the loan is first made available outside Hong Kong is generally regarded as non-Hong Kong sourced. Interest on local bank deposits is statutorily exempt provided certain conditions are fulfilled. Dividend income is generally not taxable for Hong Kong profits tax purposes.

There is no withholding tax on dividends or interest in Hong Kong.

Under the Revenue (Profits Tax Exemption for Offshore Funds) Ordinance 2006 (the “**Hong Kong Safe Harbour Rules**”), funds resident outside Hong Kong (each an “**Offshore Fund**” and collectively “**Offshore Funds**”) which are unauthorised by the SFC are exempted from Hong Kong profits tax provided certain conditions are met. It has always been the intention of the Management Company to conduct the affairs of the Fund as far as possible in such a manner as to minimise the risk of the Fund being considered to carry on a trade or business in Hong Kong on its own account or through the activities of the Management Company or any investment adviser, no matter the Fund is authorised by the SFC or not, but no assurance can be given that profits from the disposal of certain investments in Hong Kong will not give rise to a liability for profits tax in Hong Kong. After the Fund ceases to be authorised by the SFC, the Management Company will continue to conduct the affairs of the Fund in such a manner to ensure that the relevant conditions can be met as far as possible in order to take advantage of the Hong Kong profits tax exemptions available for unauthorised Offshore Funds under the Hong Kong Safe Harbour Rules.

The shareholders

Under the Hong Kong Safe Harbour Rules, there are “Deeming Provisions” which apply to a Hong Kong resident who, alone or jointly with his associates, holds beneficial interest of 30 per cent. or more in an Offshore Fund which is exempt from tax under the Hong Kong Safe Harbour Rules, or holds any percentage where the exempt Offshore Fund is an associate of the Hong Kong resident investor (a “**Relevant Interest**”). Under the Deeming Provisions, the Hong Kong resident investor would be deemed to have derived assessable Hong Kong sourced profits in respect of the proportion of the Hong Kong sourced profits earned by the Offshore Fund represented by the Hong Kong resident investor’s Relevant Interest. The Deeming Provisions would not apply where the fund is considered bona fide widely held. The Management Company believes that the Fund should qualify as a bona fide widely held fund, however this cannot be assured.

Shareholders whether or not resident in Hong Kong will generally not be liable for Hong Kong profits tax in respect of any income or gains made on the issue, redemption, conversion or other disposal in Hong Kong of shares in the Fund, whether the Fund is authorised in Hong Kong or not, save that persons carrying on in Hong Kong a business of trading securities may be subject to Hong Kong profits tax if those gains in question arise in or are derived from Hong Kong and are considered to be part of the shareholders’ normal business profits. Distributions by the Fund should generally not be subject to Hong Kong profits tax in the hands of the shareholders (whether by way of withholding or otherwise).

No Hong Kong stamp duty will be payable in respect of transactions in the shares of the Fund, provided the register of shareholders of the Fund will be maintained outside Hong Kong.

The information in this section headed “III Tax Implications” reflects the tax analysis by relevant professional advisers of the Management Company (on behalf of the SICAV and its funds). However, shareholders should consult their own professional advisers on the possible taxation consequences of their subscribing for, buying, holding, transferring, selling, redeeming or otherwise disposing of their shares in the Fund. Shareholders who decide to remain in the Fund after the Effective Date should also inform themselves of, and where appropriate take advice on, the tax consequences of the foregoing in their country of citizenship, residence or domicile.

IV. Impact on shareholders

From the date of this notice, shareholders may choose to (a) take no action and continue to hold the Fund; (b) at any time before the Effective Date, redeem their existing holdings in the Fund free of redemption charges; or (c) at any time before the Effective Date, switch into another SFC authorised fund of the SICAV or other SFC authorised Invesco funds (i.e. Invesco Fund Series and Invesco Funds Series 1-5), free of switching charge. Please note that SFC authorisation is not a recommendation or endorsement of a product nor does it guarantee the commercial merits of a product or its performance. It does not mean the product is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors. Hong Kong investors should refer to the latest Hong Kong offering document of the relevant Invesco fund (for switches in) and the Prospectus and the Hong Kong Supplement for details of redemption or switching procedures.

Any costs relating to the withdrawal of authorisation will be borne by the Management Company; no supplementary costs will be borne by shareholders in the Fund, or by the Fund itself, in relation to such withdrawal of authorisation.

V. Enquiries

If you have questions on the contents of this notice or how it may affect you, you should consult your independent professional adviser. 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 any questions.

If you would like information on other products in the Invesco range of funds (including funds of the SICAV) that are authorised for sale in Hong Kong, please contact the SICAV's Hong Kong Sub-Distributor and Representative, noted above.

Yours faithfully,



By order of the board of directors of the SICAV