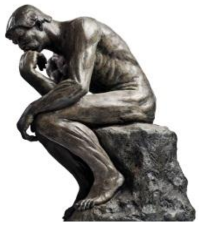

LWM Consultants Ltd

Meeting the Fund Manager

Invesco Perpetual Global Equity Income Fund

This sector is becoming crowded with over 20 different funds to choose from. We currently use the M&G Global Dividend Fund but we are aware that this sector can behave differently in falling markets and therefore can provide an element of "protection" in periods of volatility. It is therefore important to be aware of other offerings in the market; one of these funds is the Invesco Perpetual (IP) Global Equity Income Fund.

Launch in March 2009, at the time it was the third offering in the space and now has a good three year track record. The fund is managed by Paul Boyne and Doug McGraw and the Product Director is Luke Stellini. Our meeting was with Luke who joined Invesco Perpetual in 2008 on the European desk before moving to the global desk in 2011.

Overview

Luke talked about global income as a whole and the importance of looking at returns as both growth and dividends and how this is becoming an important part of the package. There is a general view that dividend paying companies are less volatile but Luke was keen to stress that if the yield isn't sustainable then they can be extremely volatile, so to some extent this gave an insight to the types of companies they are looking to invest in.

Ultimately they are looking for high quality businesses at attractive valuations. They tend to outperform in a falling market but underperform when distressed markets are doing well. We explored this further.

What they are looking at is return on capital and whether this is sustainable. So for example barriers to entry, pricing power etc; taking this a step further they are then looking at what they are doing with the cash so for example buying down debt, buying new plants, purchasing businesses etc. So effectively they are looking for well run businesses who manage their cash well.

Interestingly we discussed the tech sector and although they like Microsoft they are not keen on other tech companies because they believe they are cyclical and therefore although they have cash this only acts as a buffer in times of slowdown. Clearly you will have people who like the sector and those that don't!

It is important to look at the yield and many tech companies don't pay dividends so they would be excluded on that basis. I was interested to see if they set a target yield and the answer was no.

They have purchased shares where there is no dividend but they believe this will come, an example of this is Viacom.

Focusing on the first point about returns Luke was keen to stress that the total return is the dividend plus growth. You can chase companies paying 7% but if this is not sustainable then you can be chasing trash and creating unnecessary volatility. Good well run companies is key as well as diversity so the focus is not just on yield.

Turning this to areas the fund managers like – Utilities are not a favoured sector; they see debt growing and free cash flow falling. Telecom sector is similar witch the exception of Vodafone and Vivendi (one of Paul's favoured stocks!). With Vivendi the yield is 6% and Luke feels the stock is still cheap.

They don't own any European Bank – they do own HSBC but they see this as a global bank with the capacity to take market share, the current yield is around 6%. I asked why Handelsbanken was not considered in the mix, although they like this they feel it is overvalued.

Couple of other holdings are Novartis and Roche; these are interesting as they are facing a patent cliff where products patents run out. His feeling is that the fear is overrated and he may add to these in the future. Tobacco is another area where you have well run businesses paying good yields and the feeling is that this is unlikely to change.

The main area we discussed was Media where the debt has reduced and profit or cash flow is coming through. This is not necessarily the advertising space but the content players like Viacom and SES.

We discussed SES in detail; they hire out their satellites to the likes of BSKYB. The barriers to entry are massive, they should have completed their deployment by 2014 and they have long term contracts in place. They have also committed to grow dividends by 10% p.a. over the next five years. The share is is attractively valued and actually mispriced!

Finally we touched on some more general issues – in the US they are likely to bring double taxation on dividends. The general feeling is that this will not impact on US companies paying dividends or the returns offered. So for example Johnson and Johnson have grown dividends for the last 40 years, it is unlikely they will change this as a result of the tax.

The second issue was the part that these types of funds can play in a portfolio, the view of equities over the next ten years is that we will see volatility and therefore good strong dividend paying companies can provide a balance to portfolios particularly in the cautious arena.

Conclusion

Since launch in March 2009 the fund has returned 73.63% (up to the end of September 2012). Last year the fund was up 5.29%, in 2010 15.96% and year to date the fund has returned 8.22% (up to the end of September 2012).

We will add this to the watch list and see how it compares to the M&G Global Dividend Fund. Clearly in the lower risk portfolios if we can squeeze volatility then we will look to do this.

Special note to performance data: You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

The source of information in this note has been provided by Invesco Perpetual and is correct to the end of August 2012. These are notes from meeting the fund manager and should not be seen as a recommendation to purchase this fund. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision.