



Report date June 2011

INVESCO JAPANESE EQUITY CORE FUND

Sub-fund of Irish domiciled open-ended investment company Ucits III

Fund owner: Invesco

Fund manager/adviser: Invesco

Named portfolio manager/adviser(s):

Paul Chesson (since March 1997), Tony

Roberts (since January 2010)

Peer group: Japanese Mainstream Equities

Location: Henley-on-Thames

Launch date: November 1991

Fund size (April 2011): US\$600m, ¥48bn

Contact group: +353 1 439 8100 or

www.invescointernational.co.uk

Further information on S&P's fund coverage can be found at www.FundsInsights.com

Investment style

	Value	Blend	Growth
Large-Cap			
Mid-Cap			
Small-Cap			

Performance statistics

Three years

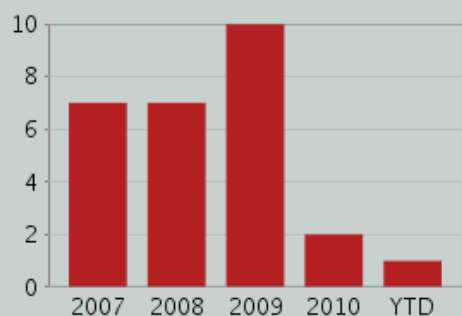
Fund	-12.0%
Standard & Poor's peer median	-26.6%
Index**	-25.0%
Fund rank	83/1310

Note: returns are cumulative

Three-year risk characteristics

Maximum monthly drawdown (%)	-19.2
Volatility	27.3
Correlation	0.9
Beta	1.0

Calendar year decile ranks



Decile ranking in discrete annual periods. First decile shown as rank 10, second decile as rank nine, with tenth decile as rank one.

Performance Data Source - © 2011 Lipper Inc. All rights reserved. All statistical data on this report has been run to 31 March 2011 on NAV to NAV basis, with gross income reinvested, in JPY.

Standard & Poor's opinion (May 2011)

This concentrated Japanese portfolio continues to be managed by Paul Chesson and Tony Roberts. Chesson has 20 years' experience of the Japanese market while Roberts, who was made co-manager of the fund in 2010, has 14 years' relevant experience. The pair form a highly effective partnership and have worked together since 2000.

There are no pre-determined analytical responsibilities and, while this allows both to cover the entire market, they share a valuation-aware approach. The fund is managed in a high-conviction style, holding 30-50 stocks. Their focus on valuation can lead the managers to take a contrarian view, often resulting in large deviations at sector level versus the TOPIX benchmark. A further consequence of this style is that the fund can experience short periods of underperformance. This has certainly been the case recently as the current domestically orientated tilt has hindered peer-relative returns, particularly following the earthquake. The approach has proven very successful over longer time periods as evidenced by its top-decile positioning over three and five years.

This fund is similar to a number of funds in our Japanese equities review in that risk controls are informal and pragmatically applied and are reliant on the managers' detailed knowledge of the underlying stocks.

Despite the recent downturn in returns, the considerable relative performance success over the longer term, the managers' experience and the consistently applied process all ensure retention of the fund's S&P AA rating.

Fund manager & team

Invesco Perpetual's Japanese team is based in Henley-on-Thames, and comprises two fund managers - team head Paul Chesson and fund manager Tony Roberts. As of March 2011 they are responsible for \$2.1bn in assets across a number of mandates that are managed in a strong, tight-knit collegial manner. Both Chesson and Roberts cover the entire market, frequently visiting Japan (around eight trips a year) and undertaking around 200 company meetings a year. The team has been further strengthened through the addition of Andy Tidby in 2011 who will combine product specialist and analyst roles.

Despite the parent group's 2010 acquisition of Morgan Stanley's Tokyo-based Japanese team, there is no formal interaction between the two teams.

Paul Chesson - MA law (Oxford University), worked at Touche Remnant from 1990, becoming a fund manager in 1992. He joined Invesco Perpetual in 1993 and is head of Japanese equities for the Henley-based Japan team.

Tony Roberts - BSc mathematics (Southampton University), started his career in 1993 as an investment consultant. He joined Clerical Medical in 1995 as a Japanese equity analyst/portfolio manager and moved to Invesco Perpetual in April 2000.

Andy Tidby - IMC, joined the company in 2008 as an investment communication specialist for the Japanese and Asian equity teams before joining the Japanese equities team in a dual product manager/analyst role in early 2011. He started his career at HSBC Bank in 1997 as a client portfolio manager before moving to their asset management business in 2003 as a senior investment writer.

Management style

The fund is managed in a consistent fundamentals-driven, valuation-aware style that combines top-down and bottom-up approaches. This can result in a contrarian portfolio, with little attention paid to the TOPIX benchmark. As such, deviations relative to the index can be significant but are fully reflective of the managers' conviction.

The team actively covers between 600 and 700 large- and mid-cap companies capitalised over ¥50bn, with ideas generated from the team's extensive broker contacts, findings from management meetings and the regular trips made to Japan. Favoured companies are typically those trading on valuations at a discount to earnings, although in 2009, when corporations were losing money, the emphasis switched to a focus on P/BV adjusted for further anticipated losses and write-downs in many companies.

Preferred stocks are those that have a competitive edge, are shareholder-friendly and have sound management. A relatively concentrated portfolio of 30-50 stocks is preferred and stocks tend to be purchased/sold early. Currency hedging to base currency is undertaken when the risk of a capital loss is strong.

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Portfolio & performance analysis (April 2011)

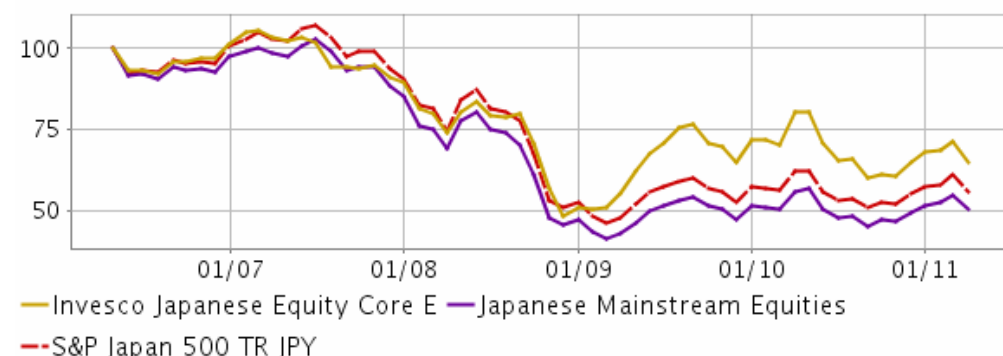
Overall, the portfolio's complexion is little changed from our previous review. Investment is across 34 holdings and represents an increase of six from 12 months ago while the top-10 concentration is consistent, at just over a half of the fund's \$600m in assets.

Sector positioning has also stayed reasonably constant, with Chesson and Roberts using the post-earthquake weakness to increase holdings in high-conviction positions. At index +17% (30.3% versus 13.8%), the large overweight to financials remains in place as a geared play on the domestic economy. The real estate (9.6% compared to 2.3%) theme is also continued. The high-conviction bank call leads to underweights in most of the other sectors, most notably commerce which is zero-weighted versus the index's 9.1%.

Compared to the previous high standards of performance, 2010 was a disappointing year relative to the competition and the TOPIX benchmark. Positioning in lower-quality names proved negative over the past year. In particular local bank, Resona, has been one of the largest detractors to returns over the past five quarters. The stock fell more than 50% in 2010 and a further 20% in Q1 this year following a capital raising. Despite this, the team retains conviction in the position as evidenced by the current 3.7% position. Chesson and Roberts have seen their patience rewarded, however, through Sumco Corp, which was a detractor during 2010 but has rallied sharply in 2011 and is the top-performing stock over Q1.

Notwithstanding recent returns, the longer-term track record remains strong, with the fund comfortably top decile within our peer group over both three and five years, 14.6 and 17.5 percentage points ahead of the median respectively (-12% versus -26.6% and -33.5% against -51.0% respectively). Relative performance is equally compelling against the index.

Cumulative performance



Discrete performance (calendar years)

	2007		2008		2009		2010		YTD 31/03/2011	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	-11.4	385/1158	-42.9	427/1299	40.4	11/1399	-5.0	1316/1497	-4.6	1453/1579
Index**	-10.0		-42.1		9.1		0.5		-2.6	
Median	-12.7		-44.7		9.6		0.3		-2.2	

** S&P Japan 500!

Fund benchmark: TOPIX

Share class screened: IE00B0H1QB84 (E)

STANDARD & POOR'S



Portfolio characteristics (1 April 2011)

No. of holdings	34
Turnover ratio (%)	94
% in top 10	52

Sector allocation

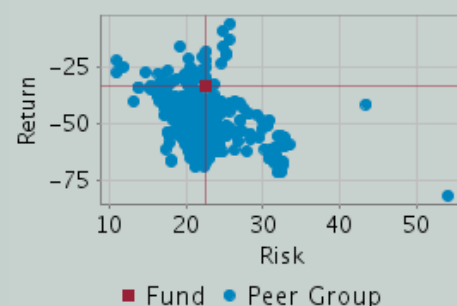
	%
Financials	30.3
Manufacturing	47.0
Materials	4.5
Real estate	9.6
Transport and communication	8.2
Cash	0.4

Top 10 holdings

	%
Sumitomo Mitsui Financial *	6.7
Mitsubishi UJF Financial *	6.5
Nomura *	5.9
Sumco *	5.3
Daiwa Securities *	4.9
Konica Minolta *	4.9
Mitsubishi Estate *	4.9
Yamaha Motor *	4.7
Hoya	4.3
Tokyo Electron	4.3

* In top 10 holdings a year ago

Risk return over five years (standard deviation)



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Symbols and definitions

Long-only fund ratings

AAA The fund demonstrates the highest standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

AA The fund demonstrates very high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

A The fund demonstrates high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

Fund-of-hedge-funds ratings

Absolute return fund ratings

Specialist fund ratings

AAA The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

AA The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

A The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

Ucits III flexible beta fund ratings

AAA The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.

AA The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.

A The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.

All fund ratings

Not Rated (NR) Funds designated as Not Rated currently do not meet the requisite performance standards and/or the minimum qualitative criteria to achieve a fund rating.

Under Review (UR) Ratings are placed Under Review when significant management changes occur at the fund manager or fund management team level and Standard & Poor's Fund Services has not had the opportunity yet to evaluate their impact on the qualitative appraisal.

(New) Signifies where a major event has occurred for which there is no fund-specific track record available. This includes: funds recently launched, the implementation of a new investment process or mandate and may include structural changes within a fund team.

Tenure Review (TR) The fund manager/team involved in the management of the fund does not currently have the minimum 12 months' relevant investment management experience required to be eligible to be considered for a rating.

Long-term fund management rating LTFMR The fund has been rated in the A/AA/AAA fund rating band for five consecutive years or more, and continues to hold a rating.

Bond fund volatility ratings

The bond fund volatility rating is our current opinion of a fund's sensitivity to changing market conditions. Volatility ratings evaluate the fund's sensitivity to interest rate movement, credit risk, investment diversification or concentration, liquidity, leverage and other factors. For V1-V4 categories, risk is considered relative to a portfolio composed of government securities and denominated in the base currency of the fund.

V1 Bond funds that possess low sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within one to three years, and denominated in the base currency of the fund. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising the highest quality fixed income instruments with an average maturity of 12 months or less. Within this category, certain funds are designated with a plus sign (+), indicating extremely low sensitivity to changing market conditions.

V2 Bond funds that possess low to moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within three to seven years, and denominated in the base currency of the fund.

V3 Bond funds that possess moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within seven to 10 years, and denominated in the base currency of the fund.

V4 Bond funds that possess moderate to high sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing beyond 10 years and denominated in the base currency of the fund.

V5 Bond funds that possess high sensitivity to changing market conditions. These funds may be exposed to a variety of significant risks including high concentration risks, high leverage, and investments in complex structured and/or less liquid securities.

V6 Bond funds that possess the highest sensitivity to changing market conditions. These funds include those with highly speculative investment strategies with multiple forms of significant risks, with little or no diversification benefits.

Absolute return fund N ratings

The N rating is Standard & Poor's indication of a fund's potential capital stability in normal markets. It is a qualitative rating but is based on annualised weekly downside deviation. N1 is the most stable and N9 the least.