Invesco

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Shareholder circular:

Invesco Gilt Fund

IMPORTANT: This circular is important and requires your immediate attention. If you are in any doubt as to the action you should take you should seek advice from your professional adviser/consultant.

Proposed Merger of

Invesco Gilt Fund
(a sub-fund of Invesco Funds Series 2)

into Invesco UK Investment Grade Bond Fund
(a sub-fund of Invesco Funds)

Have you transferred all of your Shares in Invesco Gilt Fund, a sub-fund of Invesco Funds Series 2?

In this case, please pass this circular to the transferee or to the stockbroker, bank or other agent through whom the transfer was effected for transmission to the transferee as soon as possible.

About the information in this circular:

The directors of Invesco Global Asset Management DAC (the "Directors") are the persons responsible for the accuracy of 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.

Unless otherwise defined in this circular, capitalised terms shall have the meanings attributed to them in the prospectuses (including the Supplement – Additional Information for Hong Kong Investors ("Hong Kong Supplement")) for Invesco Funds Series 2 and Invesco Funds, respectively, whichever is applicable.

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What this circular includes:

Dear Shareholder,

In this circular, you will find explanations about our proposal to merge:

- Invesco Gilt Fund (the "Merging Fund"), a sub-fund of Invesco Funds Series 2, an Irish umbrella unit trust authorised by the Central Bank of Ireland (the "Central Bank") with,
- Invesco UK Investment Grade Bond Fund (the "Receiving Fund"), a sub-fund of Invesco Funds, a Luxembourg umbrella SICAV authorised by the Commission de Surveillance du Secteur Financier (the "CSSF").

This circular also explains how the proposed merger is to be effected in accordance with the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011, as amended (the "UCITS Regulations"). It is expected that, if approved, the proposed merger will take effect on 7 September 2018 (the "Effective Date").

A. Terms of the proposed merger

It is proposed to proceed with a merger pursuant to Clause 34.1 of the Trust Deed and Regulation 3(1) paragraph c) of the UCITS Regulations. This involves the transfer of the net assets of the Merging Fund to the Receiving Fund. Shareholders of the Merging Fund will receive Shares in the Receiving Fund in exchange for Shares in the Merging Fund. The Merging Fund will continue to exist until all of its liabilities have been discharged, which will be for a maximum of six (6) months from the Effective Date. Further explanations are provided below under the sub-heading "Treatment of Merging Fund".

A 1. Background to and rationale for the proposed merger

Invesco Funds Series 2 is authorised as an umbrella unit trust pursuant to the UCITS Regulations. Invesco Funds is registered with the Luxembourg "Registre de Commerce et des Sociétés" under number B34457 and qualifies as a "société d'investissement à capital variable". Invesco Funds is organised as an umbrella fund with segregated liability between sub-funds pursuant to Part I of the Luxembourg Law of 17 December 2010 relating to collective investment undertakings, as amended from time to time (the "2010 Law").

The Merging Fund was approved by the Central Bank on 1 November 1994 as a sub-fund of Invesco Funds Series 2. The Receiving Fund was approved by the CSSF on 26 June 2006 as a sub-fund of Invesco Funds.

The merger proposal is being undertaken in order to simplify Invesco's cross-border fund offering and improve the client experience. This will be achieved by reducing the number of umbrellas, thereby creating efficiencies for clients in their interaction with Invesco. As Invesco Funds has a wider distribution network than Invesco Funds Series 2, it is envisaged that this network will also help increase the assets under management of the Receiving Fund. This will benefit Shareholders through an increase in economies of scale.

The Merging Fund has a narrow focus on UK Government Debt and, as a result, its ability to generate alpha relative to benchmark for clients is constrained. The Receiving Fund has a broader remit and can include substantial exposure to corporate debt, however, it still has a focus on the UK. It is envisaged that clients of the Merging Fund, should they vote in favour of the merger proposal, should be able to benefit from improved risk adjusted returns and alpha driven by the broader investment universe that the Investment Manager can access. In addition, the larger pool of assets should help reduce the on-going charges figures over time.

A 2. The expected impact of the proposed merger

In light of the rationale provided above, it is expected that the proposed merger will bring benefits to Shareholders of the Merging Fund should they remain invested in the Receiving Fund over the long term.

In addition to the information below, Appendix 1A to this circular sets out details of the key differences between the Merging Fund and the Receiving Fund that will be of interest and importance to you. Full details of the Merging Fund and the Receiving Fund are set out in the prospectuses (including the Hong Kong Supplement) for Invesco Funds Series 2 and Invesco Funds, respectively. For the avoidance of doubt, the naming of each Share class, the Investment Manager, the Base Currency and the operational features such as Dealing Cut-off Point, NAV calculation, Distribution Policy (except the dates of declaration and payment of distributions, as detailed in Appendix 1A) are the same for the Merging Fund and the Receiving Fund. The intention is to merge the Shareholders in the Merging Fund into the exact same Share class in the Receiving Fund. The Directors recommend that **you consider Appendix 1A carefully**.

As the dates of declaration and payment of distribution under the Distribution Policies of the Merging Fund and Receiving Fund are different, unless there is no surplus income the Manager may make a special distribution to the Shareholders in advance of the Effective Date. The declaration of such special distribution is subject to the Manager's discretion, and payment may take place on a different date from that expected by the Shareholders before the Effective Date. Thereafter, the Shareholders will receive distribution payments in line with the dates of the Receiving Fund as outlined in Appendix 1A, which are different from the Merging Fund.

Further details of the mapping of the Share classes in the Merging Fund to the corresponding Share classes in the Receiving Fund are also detailed in Appendix 1A.

Upon completion of the proposed merger, Shareholders in the Merging Fund will become Shareholders in the relevant Share class of the Receiving Fund. They will hold such Shares on the same terms and conditions as all existing Shareholders in such Share class of the Receiving Fund.

All Shareholders in the Merging Fund who have elected not to redeem or switch their Shares in the Merging Fund prior to the Effective Date, will be deemed to have provided the Receiving Fund and Invesco Funds (or its duly appointed delegates) with all relevant representations, warranties and undertakings set out in the Application Form of the Receiving Fund. Furthermore, any representations, warranties and undertakings (including information provided for the purposes of relevant anti-money laundering legislation) which you have previously provided to the Manager or its delegates (whether upon your initial subscription or at a later date) shall be deemed to be provided to the Receiving Fund and Invesco Funds by virtue of the proposed merger and may be relied upon by the Receiving Fund and Invesco Funds in relation to your ongoing registration as a Shareholder of the Receiving Fund.

It is intended that Invesco Global Asset Management DAC, the manager of the Invesco Funds Series 2 (the "Manager") shall, in furtherance of the proposed merger, enter into an assignment agreement with Invesco Funds. This agreement will expressly transfer the benefit of all such representations, warranties, undertakings and relevant anti-money laundering information to the Receiving Fund and Invesco Funds. For reference purposes only, a sample Invesco Funds Application Form can be accessed on the website of the Management Company of Invesco Funds.

Shareholders' rights

Both the Merging Fund and Receiving Fund are UCITS. This means that they are both managed in accordance with the rules of the UCITS Directive 2009/65/EC, as amended, which harmonises the management and distribution of retail funds across Europe. However, as the Merging Fund is domiciled in Ireland and the Receiving Fund is domiciled in Luxembourg, the sub-funds are subject to supervision by different regulators, being the Central Bank and the CSSF, respectively.

Shareholders who require further information on the regulatory differences between the Irish and Luxembourg funds regime should consult their professional advisers.

Investment objective and policy and related risks

The investment objective and policy of the Merging Fund and the Receiving Fund are different. However, both the Receiving Fund and the Merging Fund have a focus on UK debt. The Merging Fund invests extensively in British government debt securities and the Receiving Fund invests in UK and international fixed income securities denominated in Pound Sterling (which may include corporate or government debt securities) and money market instruments.

The Investment Manager of the Merging Fund and the Receiving Fund is the same, namely Invesco Asset Management Limited. It is intended that there is no material difference between the risk profile of the Merging Fund and the Receiving Fund. However, due to the broader investment remit of the Receiving Fund, the relevant or material risk factors applicable to the Receiving Fund and to the Merging Fund may be different as highlighted in the table below. Further information on the additional relevant or material risks applicable to the Receiving Fund are set out in Appendix 1B.

Please find below the relevant or material risks applicable for both the Merging Fund and Receiving Fund. The table below does not purport to provide a complete explanation of all the risks associated with investment in the Merging Fund and Receiving Fund, however all relevant or material risks are disclosed and Shareholders are advised to refer to the relevant prospectus (including the Hong Kong Supplement) and/or the Product Key Facts Statements ("KFS")[1] for more detailed explanations of such risks.

	General Investment Risk	Termination Risk	Custody Risk	Liquidity Risk	Currency Exchange Risk	FATCA Risk	Market and Fund suspension Risk	Portfolio Turnover Risk	Settlement Risk	Volatility Risk	Equities Risk	Private and Unlisted Equity Risk	Investing in smaller companies	Sector-based/Single Country and Concentrated Funds Risk	Credit Risk	Counterparty Risk	Interest Rate Risk	Investing in High Yield Bonds/Non-investment Grade Bonds	Investing in Perpetual Bonds	Distressed securities Risk	Contingent Convertibles and Convertibles Risk	ABS/MBS Risk	Investing in Financial Derivative Instruments for Efficient Portfolio Management and Hedging Purposes	Investing in Financial Derivative Instruments for Investment purposes	Use of Warrants	Commodities Risk	Emerging Markets Risk	Investment in Russia and Ukraine	Investment in Indian debt market	Investment in China	Qualified Foreign Institutional Investor ("QFII") Risks	Renminbi Qualified Foreign Institutional Investor ("RQFII") Risk	Stock Connect Risks	Securities Lending and Repurchase/Reverse Repurchase transactions Risk
Invesco Gilt Fund (the Merging Fund)	x	x	x		x	x	x		x	x				x			x						x											
Invesco UK Investment Grade Bond Fund (the Receiving Fund)	x	x	x	x	x	x	x		x	x				x	x	x	x		x		x		x											

1 *The relevant KFS of the Receiving Fund is available for Hong Kong investors on www.invesco.com.hk (this website has not been reviewed by the SFC).*

Portfolio rebalancing exercise

The Investment Manager will ensure that the assets of the Merging Fund transferred at the Effective Date (as set out in A4. below) are compatible with the investment objective and policy of the Receiving Fund. To this end, a portfolio rebalancing exercise will take place during the period from the date the proposed merger is approved by the Shareholders until the Effective Date. Assets of the Merging Fund which are consistent with the current portfolio of the Receiving Fund will be retained and assets which are not suitable will be realised in advance of the Effective Date, the proceeds obtained from this realisation will be used to purchase other assets which are suitable for investment by the Receiving Fund. Please note that approval of the merger is also an approval of the rebalancing exercise. Please refer to Appendix 1A for detailed disclosure of the investment objective and policy of the Merging Fund and Receiving Fund. For details of the arrangement relating to the costs arising from the portfolio rebalancing, please refer to section C2 below.

Fees and expenses of the Share classes of the Merging Fund and corresponding Share classes of the Receiving Fund

The table below summarises the level of the management fee, distribution fees, service agent fees, trustee/depositary charges disclosed in the relevant prospectus and/or KFS and the on-going charges figures for the Merging Fund's and the corresponding Receiving Fund's Share classes.

Merging Fund						**Receiving Fund**					
Share class[2]	**Manage-ment Fee**	**Distri-bution Fee**	**Max Service Agent Fee**	**Max Trustee Charge**	**On-going Charges**[3]	**Share class**	**Manage-ment Fee**	**Distri-bution Fee**	**Max Service Agent Fee**	**Max Depositary Charge**	**On-going Charges**[4]
A (GBP) – quarterly distribution	0.65 %	N/A	0.13%	0.0075%	0.88%	A (GBP) – quarterly distribution	0.625%	N/A	0.27%	0.0075%	0.94%
C (GBP) – quarterly distribution	0.40%	N/A	0.10%	0.0075%	0.63%	C (GBP) – quarterly distribution	0.40%	N/A	0.20%	0.0075%	0.72%

Neither the Merging Fund nor the Receiving Fund charges a performance fee.

In order that Shareholders of the Merging Fund will not be disadvantaged, the on-going charges figures of the Receiving Fund will be initially capped to ensure that they are not higher than that of the Merging Fund when Shareholders are transitioned to the Receiving Fund[5].

Although a *taxe d'abonnement* will be applicable at a rate of 0.05% per annum of the NAV of the Receiving Fund, such tax will be included in the on-going charges figure of the Receiving Fund which is subject to the cap[5] as mentioned above. Such tax will be payable quarterly on the basis of the NAV of the relevant Share class at the end of the relevant quarter.

Treatment of Merging Fund

On the Effective Date, the net assets of the Merging Fund will be transferred to the Receiving Fund. The Manager will calculate a retention amount, in consultation with BNY Mellon Fund Services (Ireland) Designated Activity Company, the sub-administrator of the Merging Fund (the "Sub-Administrator"), in order to meet known liabilities of the Merging Fund (the "Retention Amount"). The Retention Amount will equate to a certain level of

2 For the Merging Fund, only Share classes with investors remaining as of the Effective Date will be merged.

3 The on-going charges figure is calculated based on expenses for the year ending 30 November 2017 divided by the average net assets over the same period. It excludes portfolio transaction costs.

4 The on-going charges figure is calculated based on annualised expenses for the period ending 31 August 2017 divided by the average net assets over the same period. It excludes portfolio transaction costs.

5 The on-going charges figures of the Receiving Fund will be monitored for a period of 18 months to ensure it does not exceed that of the Merging Fund at the point of merger (where this occurs the Manager will cover any additional costs during this period). However, as some expenses are variable and can be influenced by things including but not limited to the fund size, exchange rate movements, regulatory changes and other economic variables, there is no guarantee that the on-going charges figures will not increase after this period. The on-going charges figures will be updated in the KFSes in accordance with the applicable regulation.

cash being withheld by the Merging Fund to meet the net accrued liabilities that are expected to be paid by the Merging Fund after the Effective Date. As fee/income accruals will be made on a daily basis before and on the Effective Date and will be reflected in the daily NAV, such Retention Amount will have no impact on the NAV of the Merging Fund or Receiving Fund as the net assets are transferred on the Effective Date. BNY Mellon Trust Company (Ireland) Limited, the trustee of the Merging Fund (the "Trustee") will independently oversee this calculation, as part of its general NAV oversight duty. It is possible that once all the liabilities of the Merging Fund have been paid, a surplus remains (the "Surplus"). The Manager, with the consent of the Trustee will, within six (6) months of the Effective Date, transfer any such Surplus to the Receiving Fund. Any shortfall in the Retention Amount shall be paid by the Manager.

Any invoice received by the Merging Fund after six (6) months from the Effective Date, will be paid by the Receiving Fund out of the Surplus. It is expected that such Surplus if applicable will be immaterial relative to the NAV of the Receiving Fund upon receipt and will have no material impact on Shareholders. If there is a shortfall in the Surplus then any difference will be paid by the Manager.

In addition, there may be exceptional items (e.g., withholding tax reclaims, class actions, etc.) not accrued for by the Merging Fund, on the Effective Date due to uncertainty of receipt. If such exceptional items result in a payment being made to the Merging Fund, then any amounts will automatically be transferred to the Receiving Fund.

A 3. Valuation of assets, calculation of the exchange ratio and consolidation of the number of Shares issued

As a result of the proposed merger (if approved by the Shareholders), on the Effective Date, the Merging Fund will contribute all of its net assets, including any accrued income (the "Assets") to the Receiving Fund. Shareholders will receive corresponding Shares in the Receiving Fund.

The assets under management of the Merging Fund as at 31 January 2018 amounted to GBP 34,955,019.13 and those of the Receiving Fund amounted to GBP 59,456,929.26 as at 31 January 2018.

The number of Shares in the Receiving Fund to be issued to each Shareholder will be calculated using an "exchange ratio" on the Effective Date, which is determined on a per Share class basis by dividing the unrounded NAV per Share of the Share class of the Merging Fund, calculated at the Valuation Point on the Effective Date, by the NAV per Share of the corresponding Share class, expressed in the same currency, in the Receiving Fund as at the same Valuation Point. The "exchange ratio" is the factor expressing how many Shares will be issued in the corresponding Share class of the Receiving Fund for one Share in a Share class of the Merging Fund and will be calculated to six (6) decimal places.

The cancellation of all existing Shares of the Merging Fund and the issue of the Shares of the Receiving Fund will be performed on the basis of the unrounded NAV of the respective Share classes of the Merging Fund and the Receiving Fund at the Valuation Point (as defined in the prospectus of the relevant sub-fund) on the Effective Date. Shareholders should note that the NAV per Share of the Merging Fund and the Receiving Fund on the Effective Date will not necessarily be the same. While the overall value of their holding will be almost identical (any difference being negligible and due to rounding), Shareholders may receive a different number of Shares in the Receiving Fund than they had previously held in the Merging Fund. Shareholders should note that in the event the exchange ratio is rounded down then Shareholders of the Merging Fund will receive units with a value that is fractionally less than the value transitioned with Shareholders of the Receiving Fund gaining proportionally. In the event the exchange ratio is rounded up then Shareholders of the Merging Fund will receive units with a value that is fractionally more than the value transitioned with Shareholders of the Receiving Fund losing proportionally.

Shareholders subscribing for Shares in the Receiving Fund after the Effective Date and who set out in their application the number of Shares required (as opposed to a monetary amount) should note that, due to the difference in NAV per Share, the total subscription price for such Shares may differ from that which would have been payable in respect of a subscription in the Merging Fund.

On the Effective Date, the valuation of the Merging Fund will be carried out in accordance with the valuation principles as disclosed in the prospectus for Invesco Funds Series 2. Thereafter, all future valuations of the Receiving Fund will be carried out in accordance with the valuation principles as set out in the prospectus for Invesco Funds. For the avoidance of doubt, there is effectively no difference between the valuation principles of the Merging Fund and the Receiving Fund and no impact on Shareholders arising from the adoption of valuation principles applicable to the Receiving Fund.

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Have you not redeemed/switched your Shares in the Merging Fund prior to the Effective Date? In this case, the Global Distributor or the Registrar and Transfer Agent will issue you a written confirmation after the Effective Date with details of the exchange ratio applied, as well as the number of Shares you received in the Receiving Fund as of the Effective Date.

No initial charge will be payable on the issue of Shares in the Receiving Fund as part of this proposed merger.

A 4. Proposed Effective Date of proposed merger

The proposed merger can only occur if the Shareholders of the Merging Fund pass a resolution approving the proposed merger.

It is expected that the proposed merger will take effect on the Effective Date, 7 September 2018, if the resolution relating to the proposed merger is passed by the Shareholders of the Merging Fund:

- at the Extraordinary General Meeting (the "EGM") to be held on 13 August 2018 or, if applicable,
- any adjourned Extraordinary General Meeting (the "Adjourned EGM") to be held on 29 August 2018 (as detailed below).

Please read Appendix 2 to this circular carefully as it sets out a timeline for the merger proposal.

A 5. Rules relating to the transfer of Assets

If the proposed merger is approved by the requisite majority of Shareholders of the Merging Fund, the Assets of the Merging Fund will be transferred to the Receiving Fund. All Shareholders of the Merging Fund, as of the Effective Date, will be entitled to receive Shares in the Receiving Fund at that time.

Details of the relevant Share class(es) in the Receiving Fund which you will receive if you elect not to redeem/switch prior to the proposed merger are set out in Appendix 1A to this circular.

B. Procedural aspects relating to the proposed merger

Shareholders of the Merging Fund are to be asked to consider a special resolution to approve the proposed merger at an EGM of the Merging Fund.

You will find enclosed a notice of the EGM of the Merging Fund (Appendix 3), which will be held at 11:00 am (Irish time) on 13 August 2018, at the offices of the Manager, Central Quay, Riverside IV, Sir John Rogerson's Quay, Dublin 2, Ireland.

At the EGM of the Merging Fund, Shareholders will be asked to consider as an item of special business the approval of the proposed merger. In order for the proposed merger to be effective, the special resolution requires the approval of three quarters of those present and voting in person or by proxy in favour of the resolution. Two Shareholders present in person or by proxy holding in aggregate one tenth by value of all Shares for the time being in issue by the Merging Fund will constitute a quorum at the EGM of the Merging Fund.

Should the quorum not be reached at the EGM, the Adjourned EGM will be convened in accordance with the Trust Deed. The Adjourned EGM will take place at least fifteen days after the EGM at the same time and location as disclosed in Appendix 3. The approval of three quarters of those present and voting in person or by proxy in favour of the resolution is again required. The quorum for the Adjourned EGM shall be the Shareholders present in person or by proxy whatever their number.

If you cannot attend the EGM in person, you can vote using the enclosed proxy form (Appendix 4). This proxy form is for use in relation to the EGM of the Merging Fund (the "Proxy Form"). It should be completed and returned in accordance with the instructions therein, to ensure that it is received as soon as possible and in any event not later than 11:00 am (Irish time) on 10 August 2018.

Shareholders have the option of returning a signed copy of the Proxy Form:

- to Link Asset Services, Link Registrars Limited, PO Box 7117, Dublin 2, Ireland (if delivered by post); or

- to Link Asset Services, Link Registrars Limited, 2 Grand Canal Square, Dublin 2, Ireland (if delivered by hand) or by fax to +353 1 224 0700. Shareholders may contact Invesco Asset Management Asia Limited during its office hours by telephone +852 3191 8282 should they require any assistance.

Completion and return of a Proxy Form will not preclude you from attending and voting in person at the EGM. Proxy Forms received for the EGM will be used to vote at the Adjourned EGM, unless they have been revoked in writing to the Registrar and Transfer Agent.

It should be noted that:

- If the special resolution is approved by the requisite majority, **the proposed merger will be binding on all Shareholders**, including Shareholders who voted against the resolution or who did not vote at all. You will be advised in writing following the Effective Date of the number of Shares issued to you in the Receiving Fund. In any case, the results of the EGM will be published on the website of the Manager. A results notice will also be issued after the EGM and posted on the Hong Kong website www.invesco.com.hk[6].

- If the resolution is not passed, you will be notified accordingly.

C. Other matters relating to the proposed merger

C 1. Right to subscribe for and/or redeem Shares or switch Shares

If the proposed merger does not suit your requirements, you have the opportunity at any time up to and including 5:00pm (Hong Kong time) on 4 September 2018:

- to redeem your Shares, which will be carried out in accordance with the terms of the prospectus of Invesco Funds Series 2 without any redemption charges, or
- to avail of a free switch[7] out of the relevant Share class into another sub-fund in the Invesco Cross-Border Product Range of funds domiciled in Ireland and Luxembourg (subject to the minimum investment amounts and eligibility requirements set out in the relevant fund prospectus and authorisation of the particular fund for sale in your jurisdiction). With regard to switches into other Ireland-domiciled sub-funds, it is recommended Shareholders consider that these other Ireland-domiciled sub-funds (being sub-funds of Invesco Funds Series and Invesco Funds Series 1-5) available for subscription in Hong Kong are also subject to proposed mergers into sub-funds of Invesco Funds. Please do not hesitate to contact the Hong Kong Sub-Distributor and Representative, Invesco Asset Management Asia Limited by telephone +852 3191 8282 should you require any assistance.

Please note that the redemption will amount to a disposal of your interests in the Merging Fund and may have tax consequences.

Are you in any doubt as to your individual tax position? In this case, you should consult your professional advisers.

You are also able to continue to make subscriptions or to switch in the Merging Fund up until 5:00pm (Hong Kong time) on 4 September 2018. For the avoidance of doubt, the Merging Fund will not be allowed to be marketed to the public in Hong Kong and shall not be allowed to accept subscription from new investors with effect from the date of this circular.

From 5 September 2018 to 7 September 2018, both dates inclusive, any dealings in the Merging Fund will be suspended temporarily so as to allow the merger process to be effected efficiently.

Once the proposed merger has been effected and you become a Shareholder in the Receiving Fund, you can redeem your Shares in the Receiving Fund, subject to the usual procedures set out in the prospectus for Invesco Funds.

6 This website has not been reviewed by the SFC.

7 Although we will not impose any charges in respect of your switching instructions, your bank, distributor or financial adviser may charge you handling, switching and/or transaction fees. You are advised to contact your bank, distributor or financial adviser should you have any questions in this regard.

C 2. Costs

There are no unamortised preliminary expenses in relation to the Merging Fund and the Receiving Fund.

The Manager will bear the expenses incurred in connection with the proposed merger and the transfer of the assets of the Merging Fund to the Receiving Fund. This includes legal, advisory and administration costs, the costs of calling the meeting of Shareholders of the Merging Fund, and the costs relating to the preparation and implementation of the proposed merger.

The Manager will bear the costs associated with the transfer of Assets of the Merging Fund to the Receiving Fund (such as broker transactions costs, any stamp duty and other taxes or duties) if any.

The costs arising from any rebalancing of the portfolio of investments held by the Merging Fund (primarily dealing and transaction costs) shall be borne by the Merging Fund, up to a maximum of 0.05% of the Merging Fund's NAV, which will accrue on the dates such rebalancing takes place (rebalancing costs above this maximum will be borne by the Manager). The Manager is of the view that 0.05% represents an immaterial cost to Shareholders and should represent a small percentage of the overall cost of the rebalancing exercise. In addition, as noted above, it is expected that Shareholders of the Merging Fund, should they vote in favour of the merger, should be able to benefit from improved risk adjusted returns and alpha driven by the broader investment universe that the Investment Manager can access. The larger pool of assets should also help reduce the on-going charges figures over time.

C 3. Tax

Shareholders should inform themselves as to the tax implications of the proposed merger. The same applies to the ongoing tax status of the Receiving Fund under the laws of the countries of their nationality, residence, domicile or incorporation.

Ordinarily, the proposed merger should not have any tax implications for Shareholders in Hong Kong. We recommend however, that you seek specific tax advice should your circumstances require this.

D. Availability of documents and information relating to the Merging Fund and the Receiving Fund

Kindly note that the Receiving Fund may offer other Share classes with different features and we recommend that you read the relevant offering documents of the Receiving Fund carefully.

Do you require additional information?

- Copies of the Trust Deed of Invesco Funds Series 2 and the Articles of Invesco Funds are available for inspection upon request at the office of the Hong Kong Sub-Distributor and Representative, Invesco Asset Management Asia Limited, at 41/F Champion Tower, Three Garden Road, Central, Hong Kong.
- Soft copies of the prospectus (including the Hong Kong Supplement) for each of Invesco Funds Series 2 and Invesco Funds, KFS of the Merging Fund and the Receiving Fund and the financial reports of each of Invesco Funds Series 2 and Invesco Funds are available on the Hong Kong website www.invesco.com.hk[8].
- Printed copies of the prospectus (including the Hong Kong Supplement) for each of Invesco Funds Series 2 and Invesco Funds, KFS of the Merging Fund and the Receiving Fund and the financial reports of each of Invesco Funds Series 2 and Invesco Funds may be obtained free of charge from Invesco Asset Management Asia Limited at 41/F Champion Tower, Three Garden Road, Central, Hong Kong.

Would you like to obtain any additional information in relation to the proposed merger?

Please do not hesitate to send your request to the registered office of the Manager or the Management Company of Invesco Funds.

In addition, please note that the UCITS Regulations require the Trustee of the Merging Fund to verify certain matters relating to the proposed merger and the independent auditors of the Receiving Fund and the Merging Fund to validate matters relating to the valuation of the Assets and the calculation method of the exchange ratio

8 This website has not been reviewed by the SFC.

which are described above. You have the right to obtain a copy of the report prepared by the independent auditors of the Merging Fund and Receiving Fund, free of charge, and it can be obtained upon request:

- from the Management Company of Invesco Funds, at its registered office at 37A Avenue JF Kennedy, L-1855 Luxembourg; or

- from Invesco Funds at its registered office at Vertigo Building – Polaris, 2-4 rue Eugène Ruppert, L-2453 Luxembourg, during usual business hours.

You may also contact Invesco Asset Management Asia Limited by telephone +852 3191 8282 should you require any assistance.

E. Recommendation

For reasons explained earlier in this circular, the Directors believe that the proposed merger and the proposed transfer of Assets of the Merging Fund into the Receiving Fund is in the long term best interests of Shareholders of the Merging Fund and accordingly recommend that you vote in favour of the proposed merger. The Directors hope that you will choose to remain invested in the Receiving Fund.

Please note that the Trustee of the Merging Fund is satisfied with the merger proposal and has confirmed certain matters to the Central Bank as is required by the UCITS Regulations.

Do you have any questions or concerns about the foregoing? **Please contact the Hong Kong Sub-Distributor and Representative, Invesco Asset Management Asia Limited** at 41/F Champion Tower, Three Garden Road, Central, Hong Kong or by telephone +852 3191 8282.

Thank you for taking the time to read this communication.

Yours sincerely

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Director
for and on behalf of
Invesco Global Asset Management DAC

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Appendix 1A

Key differences between the Merging Fund and the Receiving Fund

Capitalised terms used in this Appendix to describe the Merging Fund and Receiving Fund shall have the meanings attributed to them in their respective KFSes and prospectuses for Invesco Funds Series 2 and Invesco Funds.

This table provides details of the key differences between the Merging Fund and the Receiving Fund that will be of interest and importance to you. For explanation of the risk profile, the applicable risk factors applicable to and the fee structures of the Merging Fund and the Receiving Fund, please refer to section A2 above. Full details of the Merging Fund and the Receiving Fund are set out in their respective KFSes and prospectuses for Invesco Funds Series 2 and Invesco Funds. For the avoidance of doubt, the naming of each Share class, the Investment Manager, the Base Currency, and the operational features such as Dealing Cut-off Point, NAV calculation, Distribution Policy (except the dates of declaration and payment of distributions, as detailed below) are the same for the Merging Fund and the Receiving Fund.

	The Merging Fund	**The Receiving Fund**
Name of umbrella fund	Invesco Funds Series 2	Invesco Funds
Name of sub-fund	Invesco Gilt Fund	Invesco UK Investment Grade Bond Fund
Structure	Unit Trust	SICAV
Country of establishment	Ireland	Luxembourg
Share classes* and ISIN codes	A (GBP) – quarterly distribution (ISIN: IE0003703166) C (GBP) – quarterly distribution (ISIN: IE0003703273)	A (GBP) – quarterly distribution (ISIN: LU0267985660) C (GBP) – quarterly distribution (ISIN: LU0903533148)

** For the Merging Fund, only Share classes with investors remaining as of the Effective Date will be merged.*

	The Merging Fund	**The Receiving Fund**
Investment objective and policy and use of derivatives	The objective of the Fund is to provide consistent gross high income with protection of capital through active dealing in a portfolio of British Government securities. The Manager will seek to achieve the investment objective by investing in a diversified portfolio of British Government securities. The Fund may use derivatives (including but not limited to futures, forwards, non-deliverable forwards, swaps and complex options structures) extensively for hedging and efficient portfolio management purposes. Such derivatives may also incorporate derivatives on derivatives (i.e. forward dated swaps, swap options). However, financial derivative instruments will not be extensively used for investment purposes (i.e. entering into financial derivative instruments to achieve the investment objectives).	The primary objective of the Fund is to provide investors with Sterling income from a managed portfolio of the United Kingdom and international fixed income and money market securities. The Fund will invest primarily in Sterling bonds and Money Market Instruments of investment grade quality. The proportion invested in fixed interest securities and Money Market Instruments will vary as circumstances dictate. Non-Sterling securities may also be included in the portfolio but such securities may be protected in Sterling terms by hedging techniques. The Fund may also invest in equity convertible bonds up to a maximum of 20% of the Fund's NAV. The Fund may invest up to 20% of its NAV in contingent convertibles. The Fund can invest up to 30% of its NAV in cash and Money Market Instruments. Less than 30% of the NAV of the Fund may be invested in debt securities which are unrated and/or whose credit rating is below investment grade. The Fund may use derivatives (including but not limited to futures, forwards, non-deliverable forwards, swaps and complex options structures) for hedging and efficient portfolio management purposes. Such derivatives may also incorporate derivatives on derivatives (i.e. forward dated swaps, swap options). The Fund may, from time to time, sell interest rate futures in order to reduce participation in the bond markets or to produce gains for the Fund in falling bond markets. However, financial derivative instruments will not be extensively used for investment purposes (i.e. entering into financial derivative instruments to achieve the investment objectives).
Expected level of leverage	The level of leverage in normal market circumstances is expected to amount to 15% of the NAV of the Fund.	The level of leverage under normal market circumstances is expected to amount to 40% of the NAV of the Fund.

	The Merging Fund	The Receiving Fund
Business Day(s)	■ Any bank business day in Ireland, except if such bank business day in Ireland is a day on which the Global Distributor and the Registrar and Transfer Agent are not open for business due to the occurrence of substitution holidays following 25th/26th December and/or 1st January in each year. ■ For the avoidance of doubt, unless otherwise decided by the Directors, Good Friday and 24 December of each year, or such other dates determined by the Directors and notified in advance to Shareholders, are not Business Days. ■ Consequently, cross-references in the prospectus to Business Day shall be understood as mentioned above (such as the definition of Settlement Date and Valuation Point).	■ Any bank business day in Luxembourg, except if such bank business day in Luxembourg is a day on which the Global Distributor and the Data Processing Agent are not open for business due to the occurrence of substitution holidays following 25th/26th December and/or 1st January in each year. ■ For the avoidance of doubt, unless otherwise decided by the Directors, Good Friday and 24th December of each year, or such other dates determined by the Directors and notified to Shareholders, are not Business Days. ■ Consequently, cross-references in the prospectus to Business Day shall be understood as mentioned above (such as the definition of Settlement Date and Valuation Point).
Possible restrictions on redemptions	The Manager may, with the approval of the Trustee, direct the Registrar and Transfer Agent to limit the total number of Shares in a Fund which may be redeemed on any Business Day to 10% (or such higher percentage as the Manager with the approval of the Central Bank may determine in any particular case) of the total number of Shares in issue of that Fund. The limitation will be applied pro rata to all Shareholders in the relevant Fund who have requested redemptions to be effected on or as at such Business Day so that the proportion redeemed of each holding so requested is the same for all such Shareholders. Any Shares which, by virtue of this limitation, are not redeemed on any particular Business Day shall be carried forward for redemption on the next following Business Day for the relevant Fund. During this process, redemption requests that are carried forward will be aggregated with other redemption requests on each Business Day. Redemption requests carried forward will not be prioritised over other redemption requests received for a given Business Day and shall be treated with respect to the unsatisfied balance thereof as if a further redemption request had been made by the concerned Shareholder in respect of the next Business Day and, if necessary, subsequent Business Days.	The SICAV may limit the total number of Shares in a Fund which may be redeemed on any Business Day to a number representing 10% of the NAV of a Fund. The limitation will be applied pro rata to all Shareholders in the relevant Fund who have requested redemptions to be effected on or as at such Business Day so that the proportion redeemed of each holding so requested is the same for all such Shareholders. Any Shares which, by virtue of this limitation, are not redeemed on any particular Business Day shall be carried forward for redemption on the next following Business Day for the relevant Fund. During this process, redemption requests that are carried forward will be aggregated with other redemption requests on each Business Day. Redemption requests carried forward will not be prioritised over other redemption requests received for a given Business Day and shall be treated with respect to the unsatisfied balance thereof as if a further redemption request had been made by the concerned Shareholder in respect of the next Business Day and, if necessary, subsequent Business Days.
Accounting date	Last day of November	Last day of February
Distribution Policy	■ Quarterly Distribution – last Business Days of February, May, August and November	■ Quarterly Distribution – last Business Days of February, May, August and November

	The Merging Fund	The Receiving Fund
Manager/Management Company	Invesco Global Asset Management DAC	Invesco Management S.A.
Trustee/Depositary	BNY Mellon Trust Company (Ireland) Limited	The Bank of New York Mellon (International) Limited, Luxembourg Branch
Administrator	Invesco Global Asset Management DAC Sub-Administrator: BNY Mellon Fund Services (Ireland) Designated Activity Company	The Bank of New York Mellon (International) Limited, Luxembourg Branch
Registrar and Transfer Agent	International Financial Data Services (Ireland) Limited	International Financial Data Services (Luxembourg) S.A. **Data Processing Agent:** International Financial Data Services (Ireland) Limited
Auditors	PricewaterhouseCoopers (Ireland)	PricewaterhouseCoopers, Société cooperative (Luxembourg)

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Appendix 1B

Further information on additional risks applicable to the Receiving Fund

Please see below a brief description of the additional relevant or material risks applicable to the Receiving Fund (as compared with those applicable to the Merging Fund). For details of all relevant or material risks associated with investment in the Receiving Fund, please refer to the prospectus (including Hong Kong Supplement) for Invesco Funds and the KFS of the Receiving Fund.

- Liquidity risk: The Fund may be adversely affected by a decrease in market liquidity for the securities in which it invests where some of the Fund's securities may become illiquid and the Fund may experience difficulties in selling securities at a fair price within a timely manner.

- Credit risk:

  - Investment in bonds, debt or other fixed income securities (including corporate and sovereign bonds) are subject to the risk that issuers do not make payments on interest and principal of such securities. An issuer suffering from an adverse change in its financial condition could lower the quality of a security leading to greater price volatility on that security.
  - Securities which were investment grade at the time of acquisition may be downgraded. The risk of any such downgrading will vary over time. The Fund's investment policy does not specifically require the Fund to sell such securities if they should fall below investment grade. Besides, the Investment Manager and/or Investment Sub-Manager (if applicable) may not be able to dispose of the debt instruments that are being downgraded. Investments in below investment grade securities carry a higher risk of default and therefore may adversely impact the Fund and/or the interests of investors.

- Counterparty risk: The Fund will be exposed to credit risk on the counterparties with which it trades in relation to financial derivative instrument contracts (including foreign exchange currency contracts) that are not traded on a recognised exchange. Such instruments are not afforded the same protections as may apply to participants trading financial derivative instruments on organised exchanges, such as the performance of guarantee of an exchange clearing house and therefore the Fund will bear the risk of the counterparty's insolvency, bankruptcy or default or a delay in settlement due to a credit or liquidity problem affecting the counterparty.

- Investment in perpetual bonds: The Fund is permitted to invest in perpetual bonds. Perpetual bonds (bonds without a maturity date) may be exposed to additional liquidity risk in certain market conditions. The liquidity for such investments in stressed market environments may be limited, negatively impacting the price they may be sold at, which in turn may negatively impact the Fund's performance.

- Contingent convertibles and convertibles risks:

  Contingent convertibles risk

  - Contingent convertible bonds are a type of debt security, issued by a financial institution that may be converted into equity or could be forced to suffer a write down of principal upon the occurrence of a pre-determined trigger event. The trigger event is ordinarily linked to the financial position of the issuer. In stressed market conditions, the liquidity profile of the issuer can deteriorate significantly and a significant discount may be required in order to sell the contingent convertible bonds.
  - Contingent convertible bonds can carry higher risk than investment in traditional debt instruments/ convertibles and in certain cases equities since coupon payments may be discretionary and can be cancelled at any time for any reason.

- Contingent convertible bonds can also be exposed to several other risks, including but not limited to trigger level risk, capital structure inversion risk, call extension risk, unknown/uncertainty risk and valuation risk.

Risk of investing convertibles/convertible bonds/convertible debts

- Convertibles/convertible bonds/convertible debts are a hybrid between debt and equity, permitting holders to convert into shares in the company issuing the bond at a specified future date. As such, convertibles/convertible bonds/convertible debts will be exposed to equity movement and greater volatility than straight bond investments. Investments in convertibles/convertible bonds/convertible debts are subject to the same interest rate risk, credit risk, liquidity risk and prepayment risk associated with comparable straight bond investments.

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Appendix 2

Timeline for the proposal

Key dates	
Event	**Date**
Documentation issued to Shareholders	23 April 2018
Latest time and date for receipt of Proxy Forms	11:00 am (Irish time) on 10 August 2018 for the EGM ^ 11:00 am (Irish time) on 26 August 2018 for the Adjourned EGM ^
Extraordinary General Meeting of Shareholders of the Merging Fund^^	11:00 am (Irish time) on 13 August 2018
Adjourned Extraordinary General Meeting of Shareholders of the Merging Fund (if required)	11:00 am (Irish time) on 29 August 2018
Latest time and date for the acceptance of subscription /redemption/switching orders in respect of the Shares of the Merging Fund	5:00pm (Hong Kong time) on 4 September 2018^
Last valuation of the Merging Fund	12:00 noon (Irish time) on 7 September 2018
Effective Date (provided the proposed merger is approved)	7 September 2018 or such later date as may be determined by the Directors which may be up to four (4) weeks later, subject to the prior approval of such later date by the relevant regulatory bodies and immediate notification of same to the Shareholders in writing.
First dealing cut-off for dealing in Shares issued in the Receiving Fund pursuant to the proposed merger	5:00pm (Hong Kong time) on 10 September 2018^
Written confirmation issued to Shareholders advising of exchange ratio and number of Shares in the Receiving Fund	Before 21 days after the Effective Date

^Different arrangements may be imposed by your bank, distributor or financial adviser. Please check with them to confirm the applicable arrangements.

^^ Shareholders who are registered holders in the Merging Fund on the date of the EGM will be entitled to vote at the EGM.

Appendix 3

Notice of an Extraordinary General Meeting of Shareholders of Invesco Funds Series 2 – Invesco Gilt Fund

Ireland, on 23 April 2018

Notice is hereby given that an Extraordinary General Meeting (the "EGM") of Shareholders of Invesco Funds Series 2 – Invesco Gilt Fund (the "Fund") will be held at 11:00 am (Irish time) on 13 August 2018 at the offices of Invesco Global Asset Management DAC, Central Quay, Riverside IV, Sir John Rogerson's Quay, Dublin 2, Ireland with the following agenda:

Sole Resolution
To approve, on the basis of the common merger proposal, the merger of the Fund into Invesco UK Investment Grade Bond Fund, a sub-fund of Invesco Funds.

Voting
The EGM will require:

- A quorum of two Shareholders of the Fund present in person or by proxy holding in aggregate one tenth by value of all Shares for the time being in issue by the Merging Fund, and
- A majority of three quarters of those present at the EGM and voting in person or by proxy in favour of the resolution.

If the EGM is not able to deliberate and vote on the above mentioned proposal for lack of a quorum, a further meeting (the "Adjourned EGM") will be convened fifteen days after the EGM at the same time and location to consider and vote on the same agenda. The quorum for the Adjourned EGM shall be the Shareholders present in person or by proxy at the Adjourned EGM whatever their number and will require a majority of three quarters of those present and voting in person or by proxy in favour of the resolution.

Proxy forms (please see below, under "Voting Arrangements") already received for the EGM to be held on 13 August 2018 will be used to vote at the Adjourned EGM, if any, to be convened on 29 August 2018 at the same time and location unless they have been revoked.

Voting Arrangements
Shareholders who cannot attend the EGM are entitled to appoint a proxy to attend, speak and vote in their stead. To do this, **please complete and return the enclosed proxy form** in accordance with the instructions thereon, so that the proxy form will be received as soon as possible and in any event not later than 11:00 am (Irish time) on 10 August 2018 for the EGM (and before 11:00 am (Irish time) on 26 August 2018 in case of the Adjourned EGM).

A body corporate may appoint an authorised representative to attend, speak and vote on its behalf. A proxy or an authorised representative need not be a Shareholder. Shareholders have the option of **returning a signed copy of the proxy form** either to Link Asset Services, Link Registrars Limited, PO Box 7117, Dublin 2, Ireland (if delivered by post), or to Link Asset Services, Link Registrars Limited, 2 Grand Canal Square, Dublin 2, Ireland (if delivered by hand) or by fax to +353 1 224 0700. Shareholders in Hong Kong may contact Invesco Asset Management Asia Limited during its office hours by telephone +852 3191 8282 should they require any assistance. Completion and return of a proxy form will not preclude you from attending and voting in person at the EGM.

For the Board of Invesco Global Asset Management DAC

Authorised signatory

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Appendix 4

Proxy form for an Extraordinary General Meeting of Shareholders of Invesco Funds Series 2 – Invesco Gilt Fund (the "Merging Fund")

Please list your shareholder name, address, and capacity here

I/We ____

At ____

In capacity of ____

being a Shareholder/Shareholders of the Merging Fund hereby appoint the Chairperson of the meeting or failing him/her [●], [●], [●], [●], [●], [●], [●], [●], [●], [●] or ____________________________ or ______________________________ as my/our proxy to vote for me/us on my/our behalf at the Extraordinary General Meeting of the Fund to be held at the offices of Invesco Global Asset Management DAC, Central Quay, Riverside IV, Sir John Rogerson's Quay, Dublin 2, Ireland from 11:00 am (Irish time) on 13 August 2018 and at any adjournment thereof.

Please sign and date here

Signed ____
(Print Name)

In case of joint holding, please sign and date here

Signed ____
(Print Name)

Dated this day of [●]

	Resolution **Special business**	**For**	**Against**
1.	To approve, on the basis of the common merger proposal, the merger of the Merging Fund into Invesco UK Investment Grade Bond Fund, a sub-fund of Invesco Funds (including the portfolio rebalancing exercise of the Merging Fund to take effect immediately before the merger).		

If you wish this form to be used *in favour of this Resolution*, please mark "X" in the box above under the heading "For". If you wish this form to be used *against this Resolution*, please mark "X" in the box above under the heading "Against". Otherwise, the Proxy will vote as he or she thinks fit.

NOTES:

1. You may appoint a proxy of your own choice by inserting the name of the person appointed as proxy (who need not be a Shareholder) in the space provided.
2. Please insert your name(s) and address in BLOCK LETTERS and sign and date the form.
3. Indicate by placing a cross in the appropriate box how you wish your votes to be cast in respect of each resolution. If no mark is made, your proxy may vote or abstain at his/her discretion. On any other business not specified in the Notice of Meeting and arising at the Meeting, the proxy will act at his or her discretion.
4. If the appointer is a corporation, this form must be under the common seal or under the hand of an officer, attorney or other person authorised in writing.
5. In the case of joint holders, the signature of any one holder will be sufficient, but the names of all the joint holders should be stated. In the event of more than one joint holder tendering votes, the vote of the unitholder whose name first appears in the register of unitholders will be accepted to the exclusion of all others.
6. To be valid, this form (and, if applicable, any power of attorney or other authority under which it is signed or a notarially certified copy thereof) must be completed and deposited at the address below not later than 11:00 am (Irish time) on 10 August 2018 for the EGM (and before 11:00 am (Irish time) on 26 August 2018 in case of the Adjourned EGM).
7. Forms of proxy must be returned to Link Asset Services, Link Registrars Limited, PO Box 7117, Dublin 2, Ireland (if delivered by post), or to Link Asset Services, Link Registrars Limited, 2 Grand Canal Square, Dublin 2, Ireland (if delivered by hand during normal business hours) or by fax to +353 1 224 0700, to be received not later than not later than 11:00 am (Irish time) on 10 August 2018 for the EGM (and before 11:00 am (Irish time) on 26 August 2018 in case of the Adjourned EGM). Shareholders in Hong Kong may contact Invesco Asset Management Asia Limited during its office hours by telephone +852 3191 8282 should they require any assistance.
8. If any amendments are made they should be initialled.
9. If this instrument is signed and returned without any indication of how the person appointed proxy shall vote he/she will exercise his/her discretion as to how he/she votes and whether or not he/she abstains from voting.
10. Completion and return of this form of proxy will not prevent you from attending and voting in person at the meeting if you so wish.