



Invesco Funds**SICAV**

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Shareholder circular: Invesco UK Investment Grade Bond 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 UK Investment Grade Bond Fund, a sub-fund of Invesco Funds?

- For Shareholders in Italy: Please be aware that you do not have to take any action if you have transferred all of your Shares.
- For all other markets: 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 Funds (the "Directors") and the management company of Invesco Funds 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 and the management company of Invesco Funds (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 bear the same meaning as those used in the prospectus (including the Hong Kong supplement) for Invesco Funds.

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

Directors: Peter Carroll (Irish), Douglas Sharp (Canadian), Timothy Caverly (American), Graeme Proudfoot (British) and Bernhard Langer (German)

Incorporated in Luxembourg No B-34457
VAT No. LU21722969

Dear Shareholder,

We are writing to you as a Shareholder in Invesco UK Investment Grade Bond Fund (the "Receiving Fund"), a sub-fund of Invesco Funds (the "SICAV").

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 (the "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 in accordance with the merger procedures agreed between the Merging Fund and the Receiving Fund.

The effective date of the proposed merger is 7 September 2018 (the "Effective Date").

A. Terms of the proposed merger

A 1. Background to and rationale for the proposed merger

Invesco Funds Series 2 is authorised as an umbrella unit trust pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (as amended) (the "Regulations") and all applicable Central Bank regulations made or conditions imposed or derogations granted thereunder as may be amended, supplemented or consolidated from time to time.

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 has a narrow focus on UK Government debt and, as a result its ability to generate alpha relative to benchmark 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, a larger pool of assets in the Receiving Fund should help reduce the on-going charges over time.

There will be no change of legal entity acting as Investment Manager as the Receiving Fund is managed by the same investment team which currently manages the Merging Fund.

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

A 2. The investment objective and policy and risk profile of the Receiving Fund

The investment objective and policy will remain unchanged. The same applies to the risk profile of the Receiving Fund.



A 3. Impact on the portfolio and performance of the Receiving Fund

The proposed merger will have no significant impact on the composition of the portfolio. The rebalancing of the assets of the Merging Fund will be completed in advance of the proposed merger. A rebalancing of the portfolio of the Receiving Fund before or after the proposed merger will therefore not be required.

The Directors also believe that this proposed merger should not entail a dilution in performance of the Receiving Fund.

A 4. Expected impact of the proposed merger on the Shareholders of the Receiving Fund

In the event that the proposed merger proceeds, Shareholders in the Receiving Fund will continue to hold the same Shares in the Receiving Fund as before. There will be no change in the rights attaching to such Shares. The implementation of the proposed merger will not affect the fee structure of the Receiving Fund. **The costs of the proposed merger will be borne by Invesco Global Asset Management DAC, the manager of the Merging Fund (the "Manager").**

It is proposed to proceed with a merger pursuant to the article 1, item 20, c) of the 2010 Law; therefore, only the assets of the Merging Fund, less a retention amount estimated by the Manager to be necessary to meet the liabilities of the Merging Fund as at the Effective Date, will transfer to the Receiving Fund. The Receiving Fund will not assume any of the liabilities or other existing obligations of the Merging Fund. Accordingly, from the perspective of the Shareholders in the Receiving Fund, the proposed merger will be equivalent to the acceptance by the Receiving Fund of a subscription for Shares by contribution in kind.

A 5. Shareholder Rights

The effects of the proposed merger do not suit your requirements? Please be aware that you may as usual redeem your Shares in the Receiving Fund **without any redemption charges**. Redemptions will be carried out in accordance with the terms of the prospectus of the SICAV (the "Prospectus").

Please note that a redemption would amount to a disposal of your interests in the Receiving 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.

The rights of the Shareholders remain otherwise unchanged.

For the avoidance of doubt, kindly note that no vote from you is required. The proposed merger, if approved by the shareholders in the Merging Fund, will be binding on all the Shareholders who have not elected to redeem or switch their Shares. In addition, there will be no suspension of dealings in the Receiving Fund to complete the proposed merger.

A 6. Fees and expenses

The implementation of the proposed merger will not affect the fee structure of the existing Share class in the Receiving Fund.

As indicated in the table below, the on-going charges figures of the Merging Fund are currently slightly lower than the Receiving Fund. The on-going charges figures of the Receiving Fund will be reduced and capped to ensure that there is no increase for clients of the Merging fund¹.

In addition, it is hoped that the increased size of the assets under management of the Receiving Fund that results from the proposed merger will help reduce costs further over time.

| Merging Fund Share classes | Merging Fund On-going Charges* | Corresponding Share classes in the Receiving Fund | Receiving Fund On-going Charges** |
|---|---------------------------------------|--|--|
| A - quarterly distribution | 0.88% | A - quarterly distribution | 0.94% |
| C - quarterly distribution | 0.63% | C - quarterly distribution | 0.72% |
| Z - quarterly distribution ² | 0.55% | Z - quarterly distribution ² | 0.64% |

*The ongoing charges are based on year ending November 2017.

**The ongoing charges are based on annualised expenses for the period ending August 2017.

B. Costs

The Manager will bear all costs and expenses incurred by the Receiving Fund resulting from or incidental to the implementation of the proposed merger.

The Manager will pay any foreign taxes and duties payable upon the acquisition by the Receiving Fund of the property of the Merging Fund, as a result of the implementation of the proposed merger.

The Manager will bear any and all unamortised expenses relating to the Merging Fund.

C. Availability of documents and information to the Receiving Fund

Upon request, you may obtain **copies of the report of the approved statutory auditor of the Trust free of charge at the registered office of the SICAV.**

English-language versions of all the KIIDs³ of the Receiving Fund are available on the website of the Management Company (www.invescomanagementcompany.lu*) and where relevant, translations of

¹ 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 events 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 Key Investor Information Documents ("KIIDs") and in the Product Key Facts Statement ("KFSes") for the Shareholders in Hong Kong, in accordance with the applicable regulation.

² These share classes are not offered to the public in Hong Kong.

³ The relevant KFS of the Receiving Fund is available for Hong Kong investors on the Hong Kong website www.invesco.com.hk (this website has not been reviewed by the SFC).

* These websites have not been reviewed by the SFC and may contain information of funds not authorised by the SFC.



the KIIDs³ are available on the Invesco Local Websites, accessible through www.invesco.com* from the date of this circular.

All relevant KIIDs³ can also be requested from the registered office of the Management Company of Invesco Funds or from **the Investor Services Team**, IFDS Dublin on +353 1 439 8100 (option 2).

The prospectus for Invesco Funds contains further information about the Receiving Fund. It is available on the website of the Management Company: www.invescomanagementcompany.lu*. As required by local laws, you will also find them on the Invesco Local Websites accessible through www.invesco.com*.

Copies of the Articles, latest annual and semi-annual reports and prospectus of the SICAV are available free of charge upon request:

- from the Management Company at its registered office at 37A Avenue JF Kennedy, L-1855 Luxembourg, or
- from the SICAV at its registered office at Vertigo Building – Polaris, 2-4 rue Eugène Ruppert, L-2453 Luxembourg, during usual business hours.

The documents are also available on the website of the Management Company (www.invescomanagementcompany.lu*) and, as required by local laws, on the Invesco Local Websites accessible through www.invesco.com*.

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 SICAV.

Further Information

- **For Shareholders in Hong Kong:** A copy of the Articles of the SICAV is available for inspection upon request at the office of Invesco Funds' 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, KFS and the financial reports of the Company are available on the Hong Kong website www.invesco.com.hk[#] while printed copies may be obtained free of charge from Invesco Asset Management Asia Limited at 41/F Champion Tower, Three Garden Road, Central Hong Kong. You may also contact Invesco Asset Management Asia Limited by telephone +852 3191 8282 should you require any assistance.
- **For Shareholders in Germany:** If you are acting as a distributor for German clients, please be advised you are required to forward this letter to your end clients by durable media.
- **For Shareholders in Switzerland:** The Prospectus, the Key Investor Information Documents, the Articles of the SICAV as well as the annual and interim reports of the SICAV may be obtained free of charge from the Swiss representative. Invesco Asset Management (Switzerland) Ltd., Talacker 34, 8001 Zurich, is the Swiss representative and BNP Paribas Securities Services, Paris, Succursale de Zurich, Selnaustrasse 16, 8002 Zurich, is the Swiss paying agent.
- **For Shareholders in the UK:** For the purpose of the United Kingdom Financial Services and Markets Act, 2000 (the "FSMA"), this letter has been issued by Invesco Global Investment Funds Limited which is authorised and regulated by the Financial Conduct Authority, on behalf of Invesco Global Asset Management DAC, the Global Distributor of the Invesco Funds. For the purposes of United Kingdom law, the Invesco UK Investment Grade Bond Fund is a recognised scheme under section 264 of the

³ The relevant KFS of the Receiving Fund is available for Hong Kong investors on the Hong Kong website www.invesco.com.hk (this website has not been reviewed by the SFC).

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FSMA. All or most of the protections provided by the United Kingdom regulatory system, for the protection of private clients, do not apply to offshore Invesco Funds, compensation under the United Kingdom's Financial Services Compensation scheme will not be available and United Kingdom cancellation rights do not apply.

Yours sincerely

A handwritten signature in black ink, appearing to be 'A. J. L.', written in a cursive style.

Director
for and on behalf of
Invesco Funds