



---

## Investment Philosophy and Process

---

### AIM Balanced-Risk Allocation Fund

---

---

#### Investment philosophy/strategy

Our philosophy is based on the idea that understanding, managing and allocating risk is fundamental to a properly constructed portfolio. The fund uses a risk premium capture strategy that seeks to generate returns by investing in equity, bond and commodity markets using a risk-balanced investment process. Specifically, the team selects the appropriate assets for the strategy, allocates them based on proprietary risk-management and portfolio-construction techniques, and then applies an active positioning process in an effort to improve expected returns. Our primary objective is to build a portfolio that may perform well in diverse economic environments – recessionary, noninflationary growth and inflationary growth – while balancing the amount of risk contributed by its exposure to equity, fixed-income and commodity markets.

---

#### Investment Process

Our disciplined, three-step process seeks to build a portfolio that will perform well in any economic environment and limit the impact that poor performance from any single asset has on the overall fund.

---

##### Universe Definition

The strategy is implemented using exchange-traded futures and other derivative or financially linked instruments.



---

##### Asset Selection

We select assets that tend to have low correlation among each other, have a sound theoretical basis for long-term excess returns over cash and offer liquidity and ample capacity.



---

##### Risk Management

We seek to balance the risk across asset classes to minimize the negative effects of market downturns.



---

##### Active Positioning

Major asset classes – equities, fixed income and commodities – respond differently to real growth and inflation. We actively position the portfolio to take advantage of the different cycles of performance.

---

#### Universe definition

The management team begins the process by selecting representative assets for each asset class (equity, fixed income and commodities) from a universe of more than 50 assets.

---

#### Asset selection

We consider three criteria when selecting assets:

- **Low correlation among assets.** We estimate long-term correlations among assets to build a fund that is fully diversified.
- **Theoretical basis for excess return.** We analyze each asset's expected excess returns over cash – its risk premium.
- **Liquidity, transparency and flexibility.** The strategy is implemented using exchange-traded futures and other derivative or financially linked instruments. This ensures ample capacity and allows for daily liquidity while providing pure asset class exposure.

---

#### Portfolio construction/risk management

We seek to construct the fund so that an approximately equal amount of risk comes from the equity, fixed-income and commodity allocations. This balanced-risk allocation drives the weight of each asset class. We believe this approach can help mitigate large losses in capital and improve the portfolio's reward relative to the risk taken (i.e., Sharpe ratio). We re-estimate the risk contributed by each asset and re-optimize the portfolio at least annually, or when new assets are introduced to the fund.

---

#### Active positioning

The management team actively adjusts portfolio positions to reflect the near-term environment while remaining consistent with the optimized portfolio structure. The active positions are sized to reflect the volatility of each asset (e.g., bonds will tend to have larger active positions than equities). This step is crucial because various asset classes respond differently to the economic environment. Active positioning better aligns the fund portfolio with the prevailing economic climate.

We will always have exposure to all of the underlying assets. There will not be an outright liquidation of an asset.

---

## About risk

The fund may use derivatives as a substitute for purchasing the underlying asset or as a hedge in an effort to reduce exposure to risks. Use of derivatives involves risks similar to, as well as risks different from, and possibly greater than, the risks associated with investing directly in securities or more traditional instruments. Derivatives may also be more difficult to purchase, sell or value than other investments and are subject to counterparty risk – the risk that the other party will not complete the transaction with the fund. A fund investing in a derivative could lose more than the cash amount invested.

The fund may use enhanced investment techniques such as leverage. Leveraging entails risks such as magnifying changes in the value (both positive and negative) of the portfolio's securities.

Interest rate risk refers to the risk that bond prices generally fall as interest rate rise and vice versa.

Credit risk is the risk of loss on an investment due to the deterioration of an issuer's financial health. Such deterioration may lead to the issuer's inability to honor its contractual obligation, including timely payments of interest and principal.

Foreign and developing markets securities have additional risks, including exchange rate changes, political and economic upheaval, relative lack of information, relatively low market liquidity, and the potential lack of strict financial and accounting controls and standards.

The fund or the subsidiary may invest in commodity-linked derivative instruments that may be subject to greater volatility than investments in traditional securities.

The fund is indirectly exposed to the risks associated with the subsidiary's investments. The subsidiary is not registered under the 1940 Act and may not be subject to all the investor protections under the Act. Accordingly, the fund will not have all the protections offered to investors in registered investment companies.

The fund is subject to currency/exchange rate risk because it may buy or sell currencies other than the U.S. dollar.

Because it is nondiversified, the fund may invest in securities of fewer issuers than if it were diversified. Thus, the value of the fund's shares may be subject to greater volatility and market and credit risk. Because a large percentage of the fund's assets may be invested in a limited number of holdings, a change in value of these holdings could significantly affect the value of an investment in the fund.

---

## NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

**Consider the investment objectives, risks, and charges and expenses carefully. For this and other information about AIM funds, obtain a prospectus from your financial advisor and read it carefully before investing.**

Note: Not all products, materials or services available at all firms. Advisors, please contact your home office.

Invesco Aim<sup>SM</sup> is a service mark of Invesco Aim Management Group, Inc. Invesco Aim Advisors, Inc., Invesco Aim Capital Management, Inc., Invesco Aim Private Asset Management, Inc. and Invesco PowerShares Capital Management LLC are the investment advisors for the products and services represented by Invesco Aim; they each provide investment advisory services to individual and institutional clients and do not sell securities. Please refer to each fund's prospectus for information on the fund's subadvisors. Invesco Aim Distributors, Inc. is the U.S. distributor for the retail mutual funds, exchange-traded funds and institutional money market funds represented by Invesco Aim. All entities are indirect, wholly owned subsidiaries of Invesco Ltd.

---

## Supplemental Information

After the close of business on Dec. 31, 2009, Invesco Aim Advisors, Inc., Invesco Aim Capital Management, Inc., Invesco Aim Private Asset Management, Inc. and Invesco Global Asset Management (N.A.), Inc. merged into Invesco Institutional (N.A.), Inc., which was renamed Invesco Advisers, Inc.

---

**NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE**

**Consider the investment objectives, risks, and charges and expenses carefully. For this and other information about AIM funds, obtain a prospectus from your financial adviser and read it carefully before investing.**

Note: Not all products, materials or services available at all firms. Advisers, please contact your home office.

