



Investment Philosophy and Process

AIM Core Bond Fund

Investment philosophy

We believe dynamic and complex fixed-income markets may create opportunities for investors that are best captured by independent specialist decision makers interconnected as a global team. We use this philosophy to achieve total return comprising current income and capital appreciation.

Universe definition

We invest primarily in investment-grade fixed-income securities represented by the sector categories within the Barclays Capital U.S. Aggregate Index. We may also invest in derivative instruments such as futures contracts and swap agreements (including but not limited to credit default swaps). Up to 25% of the total assets of the fund may be invested in foreign securities, with little or no foreign currency exposure.

Security selection

Security selection is supported by a team of independent specialists. Team members conduct both top-down macroeconomic and bottom-up analysis of individual securities. Recommendations are communicated to portfolio managers through proprietary technology that allows all investment professionals to communicate in a timely manner within a common language.

Portfolio construction

Portfolio construction begins with a well-defined fund design that establishes the target investment vehicles for generating the desired alpha as well as the risk parameters for the fund. Investment vehicles are evaluated for liquidity and risk versus relative value.

Portfolio managers drive the construction process using the fund design as their guide. Working closely with sector specialists and traders, they incorporate each alpha decision associated with the fund design – taking into account skill and market opportunities.

Risk management

We manage risk at several different levels. The fund design is evaluated to validate the design assumptions. Decision makers are continuously evaluated to monitor their performance and to allow them to learn from their decisions. Finally, the fund is evaluated to ensure it is producing the desired level of excess return within the allowed risk parameters.

Sell discipline

Sell decisions are based on:

- A conscious decision to alter the fund's macro risk exposure (e.g., duration, yield curve positioning, sector exposure).
- The need to limit or reduce exposure to a particular sector or issuer.
- Degradation of an issuer's credit quality.
- Realignment of a valuation target.
- Presentation of a better relative value opportunity.

Investment Process

Universe Definition

Investment-grade bonds (80% of total fund assets) that include:

- Treasury
- Agency
- Mortgage backed
- Asset backed
- Corporate
- Foreign securities (up to 25%)

Fund Design

- Dollar-weighted average maturity between three and 10 years
- Duration within ± 1.5 years of Barclays Capital U.S. Aggregate Index

Sector Allocation

Analysts evaluate macroeconomic conditions to identify relative value including:

- Fiscal and monetary policy
- Economic growth
- Corporate outlook
- Global economic conditions

Security Selection

Analysts and portfolio managers evaluate opportunities within issuers based on:

- Credit quality
- Security structure
- Cash flow analysis
- Relative value
- Liquidity

Portfolio Construction

Portfolio managers implement recommendations from analysts within the context of the fund design, taking into account skill and market opportunities.

Evaluation

Ongoing oversight of:

- Returns and volatility
- Portfolio design and risk parameters
- Macro recommendations
- Security selection

About risk

Credit risk is the risk of loss on an investment due to the deterioration of an issuer's financial health. Such a deterioration of financial health may result in a reduction of the credit rating of the issuer's securities and may lead to the issuer's inability to honor its contractual obligations, including making timely payment of interest and principal.

Dollar-roll transactions involve the risk that the market value of securities to be purchased by the fund may decline below the price at which the fund is obligated to repurchase them, or that the other party may default on its obligation such that the fund is delayed or prevented from completing the transaction.

Foreign 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.

High-coupon, U.S. government agency mortgage-backed securities provide a higher coupon than current prevailing market interest rates, and the fund may purchase such securities at a premium. If these securities experience a faster-than-expected principal prepayment rate, both the market value and income from such securities will decrease.

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

The fund may use enhanced investment techniques such as leveraging and derivatives. Leveraging entails risks such as magnifying changes in the value of the portfolio's securities. Derivatives are subject to counterparty risk – the risk that the other party will not complete the transaction with the fund.

There is no guarantee that the investment techniques and risk analysis used by the fund's portfolio managers will produce the desired results.

The prices of securities held by the fund may decline in response to market risks.

Reinvestment risk is the risk that a bond's cash flows will be reinvested at an interest rate below that of the original bond.

The fund may invest in obligations issued by agencies and instrumentalities of the U.S. government that may vary in the level of support they receive from the U.S. government. The U.S. government may choose not to provide financial support to U.S. government-sponsored agencies or instrumentalities if it is not legally obligated to do so. In this case, if the issuer defaulted, the underlying fund holding securities of such an issuer might not be able to recover its investment from the U.S. government.

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.

The Barclays Capital U.S. Aggregate Index is an unmanaged index considered representative of the U.S. investment-grade, fixed-rate bond market. An investment cannot be made directly in an index.

Alpha is a measure of performance on a risk-adjusted basis.

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