



Investment Philosophy and Process

AIM Floating Rate Fund

Investment philosophy

The fund's investment style is a fundamental, credit-driven approach to evaluating default risk. Principal protection is a function of value and risk. Ultimate credit selection seeks to balance yield and fundamental risk factors.

We rely on an experienced, long-serving team to make our investment decisions. Our goal is to provide a high level of current income from a portfolio that principally consists of senior secured floating rate loans. By investing in this manner, we seek to provide our investors a compelling combination of cash-on-cash returns that has limited correlation with other asset classes and may have little principal volatility associated with interest rate moves. In addition, we seek opportunities for capital appreciation when appropriate.

Universe definition

The fund's primary investments are broadly syndicated U.S.-dollar-denominated senior secured floating rate loans made to mid- to large-cap corporate borrowers.

Security selection

Analysts are tasked with determining three main issues that drive credit approval and bank loan performance: relative value, probability of default and recovery rates.

The relative value of a loan is assessed based on its potential to generate income and total return. We make this assessment using fundamental bottom-up evaluation with an active top-down overlay. We review documentation, determining default probability and recovery values. The result of the review process is an Internal Risk Rating, which is monitored and updated continuously with an objective to buy or sell loans based on both relative value and absolute returns.

Risk management

The considerations outlined above are driven by our five-member senior investment committee, which determines all investment decisions for our loan business. This team interacts with our credit analysts on a daily basis and takes an active role in directing the primary credit due diligence process and developing a regularly updated investment thesis for the major industry sectors assigned to each of the credit analysts.

Our credit process has been developed and continuously refined over the past decade. This process is premised on a proactive model of constant feedback between all members of the team as we seek to anticipate changes in the credit risk of our underlying investments. This risk is expressed in our proprietary internal ratings, which take a view on default risk, recovery values and relative value.

Portfolio construction

The portfolio construction process is predicated on several factors that influence how we view and position risk in any given market environment. These factors include:

- View on the macroeconomic environment
- Outlook on the direction of corporate earnings
- Current position in the credit cycle
- Defined investment thesis on major industry sectors

Investment Process

Universe Definition

Broadly syndicated senior secured floating rate loans are arranged for corporations by commercial and investment banks. The fund may invest all of its assets in floating rate loans and debt securities determined to be below investment grade.

Fundamental Analysis

- Economic health of industry
- Competitive positioning
- Assessment of management allocation of capital
- Evaluation of multiple potential outcomes
- Recovery and loan-to-value rates
- Internal ratings target

Risk Management

- Issuer size generally 3% or less of total net assets
- Investments in generally 200 or more issuers

Portfolio Construction

- Economic overlay
- Sector selection
- Fundamental research
- Quantitative screening
- Risk parameters
- Peer group analysis

Evaluation

Several layers of ongoing oversight review:

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

This provides a context for evaluating the fundamental risk-and-return considerations of each individual credit that we review for investment. In addition to these fundamental factors, we take a prospective view on the effect of technical considerations in the loan market and how these bias our purchase decisions in terms of the primary versus secondary market.

Sell discipline

Sell decisions are based on:

- 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.

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.

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.

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 derivatives. The principal risk of derivatives is that the fluctuations in their values may not correlate perfectly with the overall securities markets. Derivatives are subject to counterparty risk – the risk that the other party will not complete the transaction with the fund.

A majority of the fund's assets are likely to be invested in loans and securities that are less liquid than those rated on national exchanges.

Leveraging entails risks such as magnifying changes in the value of the portfolio's securities.

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.

Nondiversification increases the risk that the value of the fund's shares may vary more widely, and the fund may be subject to greater investment and credit risk than if it invested more broadly.

The ability of an issuer of a floating rate loan or debt security to repay principal prior to maturity can limit the potential for gains by the fund.

To the extent that the fund is concentrated in securities of issuers in the banking and financial services industries, the fund's performance will depend to a greater extent on the overall condition of those industries. The value of these securities can be sensitive to changes in government regulation, interest rates and economic downturns in the U. S. and abroad.

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..