



## Investment Philosophy and Process

### AIM Global Core Equity Fund

#### Investment philosophy

We believe we can add value by focusing on global stock selection driven by precise financial, valuation and global sector-based research.

We are committed to a long-term investment horizon based on low portfolio turnover.

Risk management is employed at the stock and portfolio level to seek predictable and consistent returns relative to the benchmark over time.

#### Investment Process

##### Universe Definition

- Approximately 3,000 global stocks with market caps of typically more than \$1 billion and a minimum of five years of publicly reported financial statements



##### Quantitative Analysis and Screening

- Liquidity screen to ensure portfolio applicability
- Accounting and inflation-related adjustments to financial statements
- Bias toward companies with proven financial strength



##### Valuation Analysis

- Long-term profitability
- Asset valuation
- Current earnings



##### Qualitative Analysis

- Long-term fundamentals relative to key competitors
- Key financial characteristics
- Potential sustainability of profits



##### Final Portfolio

Larger capitalization, global stocks

#### Universe definition

We begin with a universe of about 3,000 global stocks with market caps of typically more than \$1 billion and a minimum of five years of publicly reported financial statements. We choose stocks from more than 30 countries around the world and emphasize companies in developed countries.

#### Stock selection

We take a bottom-up approach toward selection of global equities based on a broad universe of companies from both developed and emerging markets. Stock selection is further refined by:

- Conducting research domestically and abroad, incorporating a global sector-based perspective.
- Taking measures to attempt to reduce risk at the security level with a strong bias toward companies with proven financial strength.

Our global equity strategy employs an investment management process that focuses on three areas that include a financial and valuation assessment, primary research driven by direct company contact and team-based portfolio decisions.

#### Quantitative analysis

We recognize that the various accounting standards and conventions worldwide may significantly affect a company's reported financial data. Therefore, to equally and consistently evaluate and compare companies against each other, we make extensive accounting and inflation-related adjustments to the financial data of each company.

Major elements we consider are goodwill associated with acquisitions, discretionary reserves, depreciation schedules for plants and equipment, and inflation. After putting each company on a level playing field for comparison, our proprietary model ranks the relative attractiveness of each company in the universe. Our valuation analysis screens for:

- Internal rate of return
- Price-to-book ratio
- Price-earnings ratio

#### Qualitative analysis

We take a global sector-based approach to research. It is our view that sector and industry trends are more important drivers of long-term share performance than where the company is headquartered.

Our research efforts are based on primary company contact and a long time horizon, consistent with a four- to five-year holding period for typical investments in the fund.

A key element of our research is to evaluate the sustainability of company profitability. We focus on the embedded characteristics that determine a company's long-term growth prospects.

Our global sector-based approach to fundamental research enables us to effectively evaluate companies relative to their key global competitors. We typically favor companies well-positioned to maintain or improve upon their competitive positioning over the long term.

The ultimate goal is to identify stocks with above-average return potential driven by the sustainable growth of the company and the valuation-based multiple expansion.

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### **Portfolio construction**

Our objective is to maximize the use of the most attractive stocks while ensuring an appropriate level of overall portfolio diversification. Specific country or sector weightings will be driven primarily by stock selection considerations.

When evaluating a new security, we use a model portfolio approach, which allows us to analyze a potential investment in terms of its ability to enhance the portfolio return prospects as well as contribute to the portfolio diversification or risk characteristics.

### **Risk management**

To seek competitive risk-adjusted returns, we use estimated tracking error and R-squared constraints to control overall portfolio risk versus the fund's benchmark index.

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### **Sell discipline**

Our sell discipline is a mirror image of our buy process and is based on:

- **Relative valuation ranking.** We review a stock for possible sale when its share price increases and its ranking deteriorates relative to other companies.
- **Fundamental analysis.** We consider a stock for sale if its underlying fundamentals change.
- **Portfolio design and risk management.** We will also sell or trim a position if necessary to ensure the portfolio is properly diversified at all times.

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## About risk

The values of convertible securities in which the fund invests may be affected by market interest rates, the risk that the issuer may default on interest or principal payments, and the value of the underlying common stock into which these securities may be converted.

Investing in developing countries can add additional risk, such as high rates of inflation or sharply devalued currencies against the U.S. dollar. Transaction costs are often higher, and there may be delays in settlement procedures.

Prices of equity securities change in response to many factors, including the historical and prospective earnings of the issuer, the value of its assets, general economic conditions, interest rates, investor perceptions and market liquidity.

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.

The fund may invest in lower quality debt securities, commonly known as "junk bonds." Compared to higher quality debt securities, junk bonds involve greater risk of default or price changes due to changes in credit quality of the issuer because they are generally unsecured and may be subordinated to other creditors' claims. Credit ratings on junk bonds do not necessarily reflect their actual market risk.

Stocks fall into three broad market capitalization categories – large, medium and small. Investing primarily in one category carries the risk that, due to current market conditions, the category may be out of favor with investors. Small and mid-sized companies may tend to be more vulnerable to adverse developments and more volatile than larger companies. Investments in small and mid-sized companies may involve special risks, including those associated with dependence on a management group; little or no operating history; little or no track record of success; and limited product lines, market and financial resources. Also, there may be less publicly available information about the issuers of the securities or less market interest in such securities than in the case of larger companies, which can each cause significant price volatility. The securities of small and mid-sized companies may be illiquid, restricted as to resale or trade less frequently and in smaller volume than more widely held securities, which may make it difficult for an underlying fund to establish or close out a position in these securities at prevailing market prices.

The fund may use enhanced investment techniques such as short sales. Short sales carry the risk of buying a security back at a higher price at which the fund's exposure is unlimited.

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

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## 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.

Tracking error measures the difference between returns of a portfolio and its benchmark index.

R-squared (cash adjusted) expresses the proportion of variation in the return of one fund explained by the return of a benchmark.

Diversification does not guarantee a profit or eliminate the risk of loss.

Price-to-book (P/B) is the market price of a stock divided by the book value per share.

Price-earnings (P/E) ratio, the most common measure of how expensive a stock is, is equal to a stock's market capitalization divided by its after-tax earnings over a 12-month period.

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