



Investment Philosophy and Process

AIM Global Equity Fund

Investment philosophy

We believe we can add value for our clients through the systematic application of fundamental and behavioral insights. To apply this philosophy to our quantitative stock selection model, each factor employed must have a sustainable investment rationale and be quantifiable, predictive and complementary. We seek to achieve a consistent and competitive long-term return relative to an appropriate benchmark, but at lower levels of index-relative volatility (risk).

Our strategy combines an active research-based stock selection process with rigorous risk management. The strategy uses a proprietary model designed to consistently capture alpha through the systematic application of:

- **Key financial indicators.** Improving earnings, long-term price strength, cash flow yield, etc.
- **Behavioral concepts.** We attempt to take advantage of investor over/underreaction to market news; models remove human sentiment from the equation.
- **Active risk management.** The degree of acceptable risk is predetermined; models help allocate risk to stock selection and guide buy/sell decisions.
- **Low transaction costs.** A specialized trading process helps minimize costs so portfolio alpha may be maximized.

The portfolio is structured to capitalize on stock selection while minimizing exposure to other residual risks, such as beta, sector/industry exposures and style (growth, value and size). Disciplined portfolio construction and cost-effective trading are integral to our investment process, helping us maintain the value added from stock selection and reduce the probability of significant underperformance.

Universe definition

Invesco Global Quantitative Equity focuses on holdings within the MSCI World Index and liquid investments outside the benchmark.

Stock selection

Our stock selection model is based on four concepts that are supported by several factors. Each concept is weighted based on its forecasting reliability and region. Each of the stocks in the universe is evaluated based on these indications. The result is a forecast of the expected one-year return potential in excess of the benchmark for each stock.

Favorable stock factors include:

- Improving earnings that suggest further upside potential.
- Expectations reflected in higher stock price.
- Management action that supports shareholder value.
- Reasonable stock price relative to earnings and cash-generating ability.

Portfolio construction

We input the return, risk and transaction cost forecasts into an optimizer. The objective is to maximize expected return, while minimizing expected risk and cost, given a target tracking error. The portfolio construction and trading team and the research team review the output to ensure the optimization is reasonable. After each team approves the optimization, we aggregate the generated transactions and trade the portfolio.

Investment Process

Universe Definition

A large-cap universe that focuses on holdings within the MSCI World Index and liquid investments outside the benchmark



Stock Selection

- Earnings momentum
- Price trend
- Management action
- Relative value



Forecast Return

Risk Assessment

(by risk factor model)

- | | |
|--------------------------------|-----------------------------|
| Risks captured: | Risks not captured: |
| ■ Region | ■ Litigation |
| ■ Sector | ■ Regulatory investigations |
| ■ Interest rates | ■ Subindustry risk |
| ■ Oil prices | ■ Liquidity risk |
| ■ Currency | |
| ■ Value/growth | |
| ■ Company size | |
| ■ Multiple proprietary factors | |



Stock Risk Forecast



Portfolio Construction

Construct portfolio to meet desired return-risk characteristics



Trading

Preserve value added through cost-effective trading



Portfolio Holdings

Typically 70-120 holdings

AIM Global Equity Fund process: inputs and targets

Alpha, tracking error and beta targets are inputs in the portfolio construction process. While actual alpha, tracking error and beta may be greater or less than the targets listed, over the long term, fund managers target the ranges defined below.

	Benchmark Index	Targets		
		Alpha	Tracking Error	Beta
AIM Global Equity Fund	MSCI World Index	3.0%	5.0%	0.95 to 1.05
Targets are gross of fees.				

Sell discipline

Sell decisions are also driven by our stock selection model. A stock will be sold when more highly rated stocks are available, taking into account the trade-off between alpha pick-up and trading costs. We will also sell a stock for risk management purposes or if a corporate action such as a takeover bid has occurred and the stock will no longer respond to the model.

About risk

Portfolio turnover is greater than most funds, which may affect the fund's performance due to higher brokerage commissions. Active trading may also increase short-term gains and losses, which may result in taxable gain distributions to the fund's shareholders.

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.

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.

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

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

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.

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

Since a large percentage of the fund's assets may be invested in securities of a limited number of companies, each investment has a greater effect on the fund's overall performance, and any change in the value of those securities could significantly affect the value of an investment in 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.

Although the fund's returns during certain periods was positively affected by its investments in initial public offerings (IPOs), there can be no assurance that the fund will have favorable IPO investment opportunities in the future.

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 MSCI World IndexSM is an unmanaged index considered representative of stocks of developed countries. An investment cannot be made directly in an index.

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

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

Beta (cash adjusted) is a measure of relative risk and the slope of regression.

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