



Investment Philosophy and Process

AIM Global Health Care Fund

Investment philosophy

We believe health care stock prices do not always reflect potential future earnings improvement, nor do they always account for future price growth that may result from a company's research and development activities or buyout opportunities.

Valuation is an important consideration in building a portfolio with the potential to appreciate as companies become more fully valued and realize their growth potential. We seek companies with sustainable growth potential and attractive relative valuations. We believe earnings are important but not always predictive and that other metrics can prove useful in analyzing investment potential in companies that don't yet have earnings.

Universe definition

We start with the universe of companies in the U.S. and abroad that are involved in health care or derive at least 50% of their revenue from health care-related activities. This includes industries such as biotechnology, pharmaceuticals, health care facilities and equipment. Stocks of at least \$200 million in market capitalization are considered for further evaluation if they are identified as having attractive growth prospects relative to their current valuations.

Security selection

Fundamental analysis

Fundamental analysis is a crucial component of the fund's stock selection process and enables us to uncover companies whose future growth prospects are not yet appreciated by the market. In seeking to identify industries and companies with strong earnings and high levels of profitability, we look for certain characteristics.

Industry fundamentals

- Above-average growth and demand
- Scientific and medical advances
- Below-average reimbursement risk
- High barriers to entry

Company fundamentals

- Leading companies with defensible franchises
- Companies in the midst of a new product cycle
- Value-added or niche-oriented products or services
- Sustainable revenue growth
- Potential to expand margins and improve profitability
- Superior earnings-per-share growth
- Strong balance sheet; moderate financial leverage
- Capable management team

Valuation analysis

We seek to identify stocks with attractive fundamentals that are trading at compelling valuations. We target stocks with 20% or greater upside based on one or more of the following valuation parameters:

- Price to earnings (P/E)
- P/E ratio versus expected EPS growth rate
- Enterprise value to EBITDA
- Discounted cash flow analysis
- Sum of parts analysis

Investment Process

Universe Definition

Domestic, international health care securities

Screening Process

- At least \$200 million market cap
- Attractive growth prospects relative to valuation

Fundamental Analysis

Industry Fundamentals

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Target Portfolio

50-80 holdings diversified by industry, market cap and geography

Portfolio construction

We employ a disciplined portfolio construction process to maximize risk-adjusted returns. We accomplish this by:

- Maintaining exposure to all subsectors of health care.
- Limiting position size in any single stock to the following maximums:
 - Large-cap stocks: 5%
 - Mid-cap stocks: 3%
 - Event-driven tactical positions and small-cap stocks: 1%
- Diversifying the portfolio with 50 to 80 holdings.
- Investing in international companies, which have lower correlation to the U.S. stock market.
- Deriving target weights for positions at time of investment – trim on strength, add on weakness.

Sell discipline

A fund holding is considered for reduction or elimination from the portfolio when:

- Management changes.
- A stock's price target has been met.
- A more attractive investment opportunity is identified.
- Fundamentals deteriorate.
- A company fails to capitalize on a market opportunity.

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, the relative lack of information, relatively low market liquidity, and the potential lack of strict financial and accounting controls and standards.

The value of the fund's shares is particularly vulnerable to factors affecting the health care industry, such as substantial government regulation that may affect the demand for products and services offered by health care companies. Also, the products and services offered by health care companies may be subject to rapid obsolescence caused by scientific advances and technological innovations, which can cause fund shares to rise and fall more than the value of shares of a fund that invests more broadly.

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

The fund invests in synthetic instruments, the value of which may not correlate perfectly with the overall securities markets. Rising interest rates and market price fluctuations will affect the performance of the fund's investments in synthetic instruments..

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 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. Earnings before interest, taxes, depreciation and amortization (EBITDA) is an approximate measure of a company's operating cash flow based on data from the company's income statement. Earnings per share (EPS) growth rate is expressed as a percentage and shows the relative growth of EPS, which is total earnings divided by the number of shares outstanding, over the last two reporting periods.

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

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