



Investment Philosophy and Process

AIM High Yield Fund

Investment Process

Universe Definition

Debt securities that carry credit ratings of BB and below, as well as nonrated bonds deemed below investment grade

Fundamental Analysis

- Industry's economic health
- Competitive positioning
- Assessment of company management teams' capital allocations
- Evaluation of multiple potential outcomes
- Internal price target

Risk Management

- Issuer size generally < 2% of total net assets
- Minimum number of issues 175
- Industry weightings \pm 5% of sectors in Barclay's Capital U.S. Corporate High Yield Index
- Nonrated issues generally no more than 5% of total net asset value
- BB-rated bonds typically >15% of total net assets

Portfolio Construction

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

Evaluation

- Several layers of ongoing oversight review:
- Returns and volatility
 - Portfolio design and risk parameters
 - Macro recommendations
 - Security selection

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. Using this philosophy, we seek to provide high current income with the prospect for capital growth.

Universe definition

We primarily invest in debt securities that are below investment-grade quality. These bonds are typically corporate bonds of U.S.-based companies, many of which are moderate-sized companies. These noninvestment-grade securities are commonly known as "junk bonds." We principally invest in junk bonds rated B or above by a nationally recognized statistical rating organization or deemed to be of comparable quality by portfolio management. We may invest in convertible, preferred and foreign securities. We may also invest up to 25% of total assets in foreign securities with 15% of total fund assets in developing markets.

Security selection

Fundamental analysis is the primary driver of security selection. A team of analysts who specialize by industry conducts the analysis, which helps us take advantage of individual knowledge and expertise. This bottom-up approach is supplemented with an ongoing review of securities' relative value and a top-down process that includes sector, economic and quantitative analysis. Changes in a security's risk-return profile or relative value and top-down factors generally determine buy and sell decisions.

Portfolio construction

Portfolio construction begins with a well-defined fund design that emphasizes diversification and establishes target investment vehicles for generating desired fund alpha and risk parameters. Investments 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 other investment specialists and traders, they determine the timing and amount of each alpha decision to use in the portfolio, taking into account skill and market opportunities.

Risk management

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

Sell discipline

Sell decisions are based on:

- Low equity value to debt, high subordination and negative free cash flow, coupled with negative news, declining expectations or an increasing risk profile.
- Very low yields.
- 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.

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.

Lower rated securities may be more susceptible to real or perceived adverse economic and competitive industry conditions, and the secondary markets in which lower rated securities are traded may be less liquid than higher grade securities. The loans in which the fund may invest are typically noninvestment-grade and involve a greater risk of default on interest and principal payments and of price changes due to the changes in the credit quality of the issuer.

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.

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

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.

A credit rating is an assessment provided by a nationally recognized statistical rating organization (NRSRO) of the creditworthiness of an issuer with respect to debt obligations, including specific securities, money market instruments or other debts. Ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest); ratings are subject to change without notice. NR indicates the debtor was not rated and should not be interpreted as indicating low quality.

The Barclay's Capital U.S. Corporate High Yield Index is an unmanaged index that covers the universe of fixed-rate, noninvestment-grade debt. An investment cannot be made directly in an index.

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

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