



Investment Philosophy and Process

AIM Technology Fund

Investment Process

Universe Definition

Domestic and international technology stocks

Fundamental Research

Seek companies with:

- Solid business models
- Strong management teams
- Previously demonstrated sustainable competitive advantages
- Free cash flow
- Strong returns on invested capital
- Ability to capitalize on key secular themes

Valuation and Timeliness Analysis

- Use cash flow as the primary metric in determining a stock's target valuation
- Analyze product cycles and seasonality-driven measures to determine the best time to purchase or sell a stock

Portfolio Construction

- Select candidates exhibiting traits identified during our fundamental research
- Identify candidates experiencing a catalyst or advantageous product cycle to represent a larger portion of the portfolio
- Emphasize risk-return analysis when considering a candidate for inclusion in the portfolio

Target Portfolio
40-60 stocks

Investment philosophy

We believe a portfolio of attractively valued, well-managed companies that may profit from growth in the information technology (IT) sector may outperform the broad market over the long term.

We use a research-oriented, bottom-up investment approach focusing on company fundamentals and growth prospects. Valuation and timeliness analysis also play critical roles in stock selection. Only stocks that represent a proper risk and reward profile are chosen for inclusion in the portfolio.

We believe the IT sector continues to be supported by long-term themes and is not dependent on a short-term catalyst. Some of these long-term themes include:

- **Globalization.** Productivity gains are supporting increased use of technology in international markets.
- **Consumerization.** Demand for technology is being driven by the consumer, regardless of age or gender.
- **Proliferation.** Technology continues to penetrate products of all types, ranging from automobiles and industrial controls to sporting gear and alternative energy.

Universe definition

We begin with a broad stock universe of both domestic and international technology companies including, but not limited to, the following industries:

- Hardware
- Software
- Semiconductors
- Telecommunication equipment and services
- IT services
- Medical technology
- Biotechnology

We invest in any market capitalization, but we tend to focus on mid- and large-cap stocks where liquidity is greater.

Stock selection

We use a bottom-up process, selecting companies based on their fundamental prospects. Stock selection is further refined by valuation and timeliness analysis.

Fundamental research

The backbone of our rigorous stock selection process is fundamental research. We seek to create wealth by investing in growth companies with strong business models and management teams. These companies have demonstrated a sustainable competitive advantage, free cash flow generation and strong returns on invested capital. We also seek companies capitalizing on the key secular themes identified in our research.

Valuation and timeliness analysis

Valuation plays a critical role in stock selection. We use cash flow as the primary metric in determining a stock's target valuation. In addition to valuation analysis, we analyze product cycle and seasonality-driven measures to help determine the best time to purchase or sell a stock.

Portfolio construction

The portfolio typically consists of 40 to 60 technology stocks.

The majority of the fund's holdings are companies we believe have solid business models evidenced by competitive advantages and strong returns on invested capital. Companies with experienced management teams that focus on free cash flow generation are also emphasized.

A stock may become a larger portion of the portfolio when it exhibits these fundamentals and is exposed to a strong secular theme. The stock may be included among the fund's top 10 holdings when these characteristics overlap with an advantageous catalyst or product cycle.

Risk management

We seek to manage risk by:

- Emphasizing risk-return analysis to help limit downside risk.
- Remaining diversified across most subsectors of the IT sector.
- Limiting position size to 5% – at the time of purchase – for a single issue.
- Maintaining a cash cushion, usually less than 5%, so we are not forced to sell in market downturns.

Sell discipline

We may reduce or eliminate a stock when:

- The stock price reaches its valuation target.
- Company fundamentals deteriorate (product failure, reduced pricing power, margin compression, change in competitive landscape, etc.).
- The stock no longer meets our investment criteria.
- A more attractive investment opportunity is identified.

About risk

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.

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.

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.

The fund's investments are concentrated in a comparatively narrow segment of the economy. Consequently, the fund may tend to be more volatile than other mutual funds, and the value of the fund's investments may tend to rise and fall more rapidly.

Many of the products and services offered in technology-related industries are subject to rapid obsolescence, which may lower the value of securities of companies in this sector.

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 advisor and read it carefully before investing.

Note: Not all products, materials or services available at all firms. Advisors, please contact your home office.

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

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Supplemental Information

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