



Investment Philosophy and Process

AIM International Total Return Fund

Investment philosophy

We believe increasingly dynamic and complex fixed-income markets create opportunities for investors that are best captured by independent specialist decision makers interconnected as a global team.

Universe definition

We primarily invest in a diversified portfolio of foreign government and corporate debt securities, generally represented by the sector categories of the Barclays Capital Global Aggregate ex-U.S. Index (unhedged), which includes foreign currency investments. We may also invest in debt securities that include foreign sovereign, corporate or agency securities, including securitized securities, such as asset- and mortgage-backed securities. We may also invest in derivative instruments such as futures contracts and swap agreements, including credit default swaps. Foreign currency investments may include spot contracts, forward currency contracts, currency swaps, currency options, currency futures and options on currency futures.

Security selection

A global team of investment professionals supports the fund. Team members conduct macroeconomic and market analysis for top-down investment decisions, while our global credit team conducts extensive bottom-up analysis of individual securities across the credit quality spectrum. Portfolio managers receive recommendations through a proprietary investment platform that allows all investment professionals to communicate in a timely manner with a common language.

Portfolio construction

We use a dynamic, highly engineered portfolio construction process to create the fund's portfolio. We use a proprietary product design tool that factors in product investment parameters, current market opportunities and realistic decision-making skills to determine the combination and size of active investment decisions to produce attractive total returns while seeking to minimize risk.

Portfolio managers then implement investment recommendations from our global team of investment specialists according to the fund's design. Portfolios are periodically retuned to potentially maximize opportunities in the prevailing fixed-income investment environment.

Risk management

Our risk management process combines the evaluation of macroeconomic portfolio risks, strong commitment to portfolio construction oversight, and post-performance returns and risk oversight. Four key components are essential to the fund's investment risk management process:

- **Design.** Our disciplined portfolio design process calculates appropriate position sizes for each investment decision.
- **Decisions.** Every investment decision is recorded, measured and evaluated to improve overall decision-making quality.
- **Portfolio construction.** Our unique portfolio design approach allows the daily monitoring of portfolio management accuracy relative to recommended investment positions.
- **Fund oversight.** A global committee provides oversight of our investment capabilities and products.

Investment Process

Universe Definition

Domestic and foreign debt securities

- Foreign sovereign
- Agency
- Corporate
- Foreign currency
- Mortgage backed
- Asset backed

Fund Design

- The fund's duration is designed to be within ± 2.5 years of the Barclays Capital Global Aggregate ex-U.S. Index (unhedged).
- Normally, the fund will invest in companies located in at least three countries other than the U.S.

Top-Down Decision Making

Analysts evaluate macroeconomic conditions and make independent decisions on the following factors:

- Duration and yield curve
- Country spreads
- Currencies
- Credit markets, including high yield

Portfolio Construction

Portfolio managers implement recommendations from global investment team analysts according to the fund's design.

Evaluation

Several layers of ongoing oversight:

- Returns and volatility
- Portfolio design and risk parameters
- Macro recommendations
- Security selection

Sell discipline

Sell decisions are based on:

- A conscious decision to alter the fund's macro risk exposure (e.g., duration, yield curve positioning, sector exposure, currency exposure).
- The need to limit or reduce exposure to a particular sector or issuer.
- Degradation of an issuer's credit quality.
- Realignment of a valuation target.
- Presentation of a better relative value opportunity.

About risk

Foreign securities have additional risks, including exchange rate changes, political and economic developments, relative lack of information about these companies and the potential lack of strict financial and accounting controls and standards.

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.

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

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.

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.

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.

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.

The fund may invest in mortgage- and asset-backed securities. These securities are subject to prepayment or call risk, which is the risk that payments from the borrower may be received earlier or later than expected due to changes in the rate at which the underlying loans are prepaid.

The fund may engage in active and frequent trading of portfolio securities to achieve its investment objective. If the fund engages in this type of trading, it may incur increased costs, which can lower the actual return of the fund. Active trading may also increase short-term gains and losses, which may affect taxes owed.

Because 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.

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 Barclays Capital Global Aggregate ex-U.S. Index is an unmanaged index considered representative of bonds of foreign countries. An investment cannot be made directly in an index.

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

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