



## Investment Philosophy and Process

### AIM LIBOR Alpha Fund

#### Investment Process

##### Universe Definition

- U.S. investment-grade debt (government, corporate, asset-backed securities and mortgage-backed securities) >65%
- Foreign debt securities (developed and emerging markets) <35%
- Noninvestment-grade debt (domestic and foreign) <25%
- Foreign currencies

##### Fund Design

Designed to outperform the three-month U.S. dollar Libor

##### Sector Allocation

Analysts determine relative value through:

- Global macroeconomic factors
- Foreign currency
- Corporate outlook
- Supply and demand for capital
- Political environment

##### Security Selection

Analysts and portfolio managers evaluate opportunities within issuers based on:

- Credit quality
- Security structure
- Cash flow analysis
- Relative value
- Liquidity

##### Portfolio Construction

Portfolio managers evaluate recommendations from analysts within the context of the fund design to determine the timing and amount of each recommendation for the fund.

##### Evaluation

Ongoing oversight process reviews:

- 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. We use this philosophy to seek an attractive level of total return.

#### Universe definition

We invest in a diversified portfolio of domestic and foreign government debt securities, corporate debt securities and currencies that we believe may outperform the three-month U.S. dollar London Interbank Offered Rate (Libor). We may invest in debt securities that include government, corporate or agency securities, including securitizations such as asset-backed and mortgage-backed securities. We may also invest in derivative instruments such as futures contracts and swap agreements, including but not limited to 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

Security selection is supported by a team of independent specialists. Team members conduct top-down macroeconomic as well as bottom-up individual security analysis. Recommendations are communicated to portfolio managers through proprietary technology that allows all investment professionals to communicate in a timely manner within a common language.

#### Portfolio construction

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

#### Risk management

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

#### 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 and currency exposure).
- The need to limit or reduce exposure to a particular sector or issuer.
- Degradation in an issuer's credit quality.
- Realignment of a valuation target.
- Presentation of a better relative value opportunity.

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## 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.

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.

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.

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.

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.

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.

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

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.

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.

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## 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.

Libor is the interest rate the world's most creditworthy banks charge one another for large loans and is used as a base interest rate for loans made to major corporations.

The U.S. Three-Month Libor is an unmanaged floating rate index at which U.S. dollar deposits are offered on the London Interbank market. An investment cannot be made directly in an index.

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

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

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## Supplemental Information

After the close of business on Dec. 31, 2009, Invesco Aim Advisors, Inc., Invesco Aim Capital Management, Inc., Invesco Aim Private Asset Management, Inc. and Invesco Global Asset Management (N.A.), Inc. merged into Invesco Institutional (N.A.), Inc., which was renamed Invesco Advisers, Inc.

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