AIM Limited Maturity Treasury Fund

Investment Process

Universe Definition
Direct obligations of the U.S. Treasury:
- U.S. Treasury bills
- U.S. Treasury notes

Fund Design
Dollar-weighted average maturity of three years or less

Sector Allocation
U.S. Treasury securities

Security Selection
U.S. Treasury securities with remaining maturities of five years or less

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
Several layers of oversight exist to evaluate the fund's:
- Excess return
- Macro recommendations
- Volatility

Invesco Aim[SM]

Investment philosophy

We believe dynamic and complex fixed-income markets may offer opportunities for investors that are best captured by independent specialist decision makers interconnected as a global team. We use this philosophy to help provide liquidity with minimum fluctuation of principal value and, consistent with the fund's objective, the highest total return achievable.

Universe definition

The fund's universe includes direct obligations of the U.S. Treasury, including bills, notes and bonds. The fund invests principally in U.S. treasury notes with stated maturities of five years or less and an average maturity of three years or less.

Security selection

Security selection is supported by a team of independent sector/macro specialists. Macroeconomic trends are evaluated to take into account overall economic conditions. A bottom-up analysis that includes an evaluation of individual bond issues is conducted, and security recommendations are communicated to portfolio managers. Recommendations are made using proprietary technology, which allows our 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 and 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 sector specialists 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's 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 mistakes. Finally, the fund is evaluated to determine if it's producing the desired level of return within the allowed risk parameters.

Sell discipline

Sell decisions are based on:
- A conscious decision to alter macrorisk exposure (e.g., duration, yield curve positioning and sector exposure).
- Realignment of a valuation target.
- Presentation of a better relative value opportunity.

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.

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.

Reinvestment risk is the risk that a bond's cash flows will be reinvested at an interest rate below that of the original bond.

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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