



Investment Philosophy and Process

AIM Municipal Bond Fund

Investment philosophy

We believe an actively managed portfolio of municipal bonds may provide a steady stream of tax-exempt income, consistent with the preservation of principal. We believe active management may provide the additional benefit of managing capital gains and losses to minimize taxable income to shareholders and provide competitive income in a variety of market environments.

Universe definition

We invest primarily in high-quality municipal debt securities that we believe have favorable prospects for high current income that pays interest excluded from gross income for federal income tax purposes. Up to 20% of the fund's assets may be invested in municipal debt securities that are determined to be below investment-grade quality.

A portion of the fund's income may be subject to some state and local taxes. This information does not constitute tax advice. Please consult your tax adviser for more complete information.

Portfolio construction

We approach the portfolio construction process with a macro view of the economy and a micro view of the municipal bond market. From that point, the universe of available supply is evaluated on criteria that include price, credit quality, maturity, rich/cheap analysis, taxability, liquidity and sector.

We may shorten or lengthen the duration of the fund's portfolio to protect or enhance principal in the event of rising or falling interest rates.

Security selection

We assess creditworthiness of individual securities based upon financial characteristics and covenants of the issues. Geographic considerations are evaluated to assess the potential for future tax and revenue streams for the municipality or taxing authority backing the bond.

Risk management

We seek to manage risk by monitoring macroeconomic conditions and the economic health of the municipal bond market. Credit analysts conduct additional research on individual issuers that have lower-quality credit ratings (Aa/AA or lower). Finally, the fund is evaluated to ensure the fund is producing the desired level of return and income within the allowed risk parameters.

Sell discipline

We intend to purchase and hold municipal bonds to maturity to avoid selling-related capital gains. However, there are times when we will sell securities, based on factors such as:

- Degradation in credit quality.
- A conscious decision to shorten or lengthen the fund's duration.
- A decision to limit or reduce exposure to a particular sector or issuer.

Investment Process

Macroeconomic Outlook Municipal Market Outlook

Investment Restrictions

- Bonds rated BBB or better (80% of total fund assets)
- No restrictions to maturity or duration

Qualitative Research

- Financial statements
- Cash flow analysis
- Market sector
- Taxability

Security Evaluation

- Covenants
- Rich/cheap analysis
- Liquidity
- Price

Portfolio Construction

Seek attractive yield with limited fluctuation of principal value

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.

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 value of, payment of interest on and repayment of principal for the fund as well as the fund's ability to sell a municipal security may be affected by constitutional amendments, legislative enactments, executive orders, administrative regulations, voter initiatives and the economics of the regions where the issuers in which the fund invests are located.

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

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.

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