



Investment Philosophy and Process

AIM Select Real Estate Income Fund

Investment philosophy

We focus on real estate investment trusts (REITs) and other property-related securities whose values are driven by real property assets. Our goal is to create a portfolio that will provide attractive current income. We use a fundamentals-driven investment process that includes an evaluation of factors such as property market-cycle analysis, property evaluation, and management and structure review. This process helps identify securities with characteristics including:

- Attractive relative yields.
- Favorable property market outlook.
- Reasonable valuations relative to investment alternatives.

Investment Process

Universe Definition

Real estate securities



Qualified Universe

- At least \$100 million in market capitalization
- Sufficient trading volume to provide necessary liquidity



Real Estate Analysis

- Sound balance sheet and dividend coverage
- Companies with assets in stronger markets
- Lower risk profile relative to similar property types



Portfolio Construction

- Relative yield analysis
- Attractive valuation
- Diversification by region and property type



Target Portfolio

50 to 80 common holdings and multiple debt issuers

Universe definition

For the equity portion of the portfolio, we begin with the investable universe of about 200 real estate equities. We filter for the companies that meet our target liquidity, risk and diversification profiles (at least \$100 million in market capitalization and sufficient daily trading volume to provide liquidity).

For the fixed-income portion of the portfolio, including REIT preferred and commercial mortgage-backed securities (CMBS) issues, we follow a fundamentals-driven discipline to eliminate higher risk investments with weak collateral and sponsorship.

Security selection

We narrow the field by identifying property types we believe may benefit from long-term sector trends. We rely heavily on fundamental research when evaluating potential fund holdings, including property market-cycle analysis, property evaluation, and management and structure review.

Our research includes a variety of hands-on methods, including interviews with property management teams, visits to property locations and market intelligence data from our field offices involved with direct purchase of properties for institutions. This research helps us identify investments with appropriate capital structures, operating in the most attractive markets that we believe represent quality underlying properties, strong management or sponsorship, and attractive valuations relative to peer investment alternatives. This also helps us avoid weaker or higher risk investments.

We use proprietary quantitative models when evaluating securities, which allow us to assess valuations relative to one another and relative to our assessment of their underlying asset value.

The main objectives of our securities analysis are to:

- Systematically evaluate securities according to relative value.
- Efficiently survey the entire investment universe and identify occasions when investors may be overreacting to short-term market or industry events.

Portfolio construction

When constructing the portfolio, we consider each security's relative value and its contribution to the fund's overall risk profile.

We attempt to manage risk by:

- Allocating between property-related common stocks and fixed-income securities.
- Diversifying by property type and geographic location.
- Limiting the size of any one holding.

The resulting portfolio typically holds 50 to 80 equity securities with multiple debt issues, although we may occasionally increase or decrease the number of holdings to maintain our desired risk profile. The portfolio is typically a mix of REIT common stock, REIT preferred stock and CMBS issues.

Sell discipline

We will consider selling a holding when:

- Relative yield or valuation falls below desired levels.
- The risk and return relationship changes significantly.
- Investment fundamentals change (e.g., property, geography or management changes).
- A more attractive investment opportunity is identified.

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.

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.

Interest rate risk refers to the risk that bond prices generally fall as interest rates rise and vice versa.

A majority of the fund's assets are likely to be invested in loans and securities that are less liquid than those rated on national exchanges.

Lower rated securities may be more susceptible to real or perceived adverse economic and competitive industry conditions.

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.

Nondiversification increases the risk that the value of the fund's shares may vary more widely, and the fund may be subject to greater investment and credit risk than if it invested more broadly.

Because the fund concentrates its assets in the real estate industry, an investment in the fund will be closely linked to the performance of the real estate markets.

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.

The fund may use enhanced investment techniques such as short sales. Short sales carry the risk of buying a security back at a higher price at which the fund's exposure is unlimited.

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.

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