Mutual Funds Made Simple
Brighten your future with investments
About Invesco Aim

When it comes to investing, your sights are set on a financial summit – a college diploma, new home or secure retirement. One of the best ways to ensure you reach your goal is to partner with a strong team. A financial advisor can be your best guide – providing sound guidance based on your individual needs. And an investment company that can deliver a broad range of investment capabilities is a valuable partner to bring along.

Whether your financial journey is just beginning or well under way, Invesco Aim can provide distinctive capabilities to help you along the way:

■ **World-class investments.** From our introduction of the first underwritten high-yield bond fund in the late 1970s, Invesco Aim has laid a solid foundation of world-class products to support your investment needs.

■ **Global reach.** As part of Invesco, one of the world’s largest and most diversified global investment management firms, we’re able to draw on worldwide investment resources to bring you the expertise of specialized investment teams.

■ **Client focus.** As an independent firm we have a single focus: managing your money. We’re not a bank, an insurance company or brokerage firm. All our financial and intellectual capital goes into pursuing top investment performance.
Do you want to invest in stocks and bonds but don’t know where to start? Perhaps you’re hesitant to invest because you don’t understand stocks, bonds and mutual funds.

If getting a toehold in the world of investments seems like a big step to you, mutual funds may offer convenient, cost-effective access to the world of professional money management.

**What are mutual funds?**
Simply stated, mutual funds pool money from you and other investors to buy securities – stocks, bonds and other investment vehicles – that are publicly traded in financial markets around the world.

A mutual fund:
- Is run by investment professionals.
- Invests according to the fund’s investment objective.
- Can have an investment objective ranging from conservative to aggressive – conservative funds generally earn smaller returns with less risk, while aggressive funds generally offer potentially higher returns with greater risk.

**What types of mutual funds should you invest in?**
A financial advisor can help you determine the types of funds that are most appropriate for you based on your current financial circumstances, investment goals, time horizon and attitude toward risk.

The first mutual fund in the U.S. was created in 1924 by three Boston securities executives – it was called the Massachusetts Investors’ Trust and is still in existence.

In the U.S., the Securities and Exchange Commission (SEC) regulates mutual funds.
Four Reasons to Own Mutual Funds

1. Growth potential
As the chart below illustrates, the long-term growth of stocks and bonds has historically been greater than that of six-month certificates of deposit (CDs).*

Get the Most From Your Money
(as of Dec. 31, 2007)

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<thead>
<tr>
<th></th>
<th>0</th>
<th>10 Years</th>
<th>20 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Annual Total Returns</td>
<td>2</td>
<td>4.07</td>
<td>7.56</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>5.97</td>
<td>5.91</td>
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<tr>
<td></td>
<td>6</td>
<td>5.13</td>
<td>11.80</td>
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<td>8</td>
<td>7.56</td>
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<tr>
<td></td>
<td>10</td>
<td></td>
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<tr>
<td></td>
<td>12%</td>
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Source: Lipper Inc.

Past performance cannot guarantee comparable future results. In this illustration, CDs are represented by the 6-month CD Rate Index. Bank CDs, which are insured by the FDIC for up to $100,000, are short-term investments that pay fixed principal and interest, but are subject to fluctuating rollover rates and early withdrawal penalties. Fund shares are not insured, and their value will vary with market conditions. Bonds are represented by the Lehman Brothers U.S. Aggregate Bond Index, an unmanaged index considered representative of the U.S. investment-grade, fixed-rate bond market. Stocks are represented by the S&P 500® Index, an unmanaged index considered representative of the U.S. stock market. Performance reflects reinvestment of dividends. An investment cannot be made directly in an index. This chart is for illustrative purposes only and does not reflect the performance of a specific investment or fund.

* CDs purchased for a period longer than six months can provide a higher rate of return.
Mutual funds may earn money for you in three ways:

- **Appreciation.** Your fund shares increase in value—or appreciate—when securities the fund owns increase in total value.

- **Capital gains distributions.** Capital gains result when fund managers sell securities owned by the fund at a profit. Capital gains are distributed to the fund’s shareholders annually or semiannually. As a shareholder, you can choose to reinvest the distribution in additional fund shares or receive cash.

- **Dividends.** Shareholders may receive dividends—usually quarterly—when companies the fund invests in distribute a portion of their profits or the fund receives other investment income. As a shareholder, you can choose to receive dividend checks or reinvest dividends in the fund. As the chart below illustrates, reinvesting dividends may significantly increase the value of your assets.

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**To Reinvest or Not to Reinvest?**

Assuming an initial investment of $10,000 and an annualized hypothetical total return of 8%, the chart shows the difference between a portfolio with dividends taken as cash and one in which dividends were reinvested.

<table>
<thead>
<tr>
<th></th>
<th>10 Years</th>
<th>20 Years</th>
<th>30 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income with dividends taken as cash</td>
<td>$7,721</td>
<td>$15,442</td>
<td>$23,163</td>
</tr>
<tr>
<td>Income with dividends reinvested</td>
<td>$11,589</td>
<td>$36,610</td>
<td>$90,627</td>
</tr>
</tbody>
</table>

Data shown do not include principal amount of $10,000. This chart is for illustrative purposes only and does not reflect the performance of a specific investment or fund. Source: Invesco Aim Management Group, Inc.

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1 Please note that mutual funds have the potential to lose value.

2 Please consult your tax advisor for information about capital gains and dividends.
2. Diversification
Diversification may help protect you from market highs and lows because you’re not too heavily invested in one company or industry. In other words, all of your eggs aren’t in one basket. Mutual funds allow you to spread out, or diversify, your assets among a variety of investments so you can take advantage of strong areas of the market and minimize your risk when other areas of the market perform poorly.

Because there is no way for anyone to predict which companies and industries will perform well, diversification is the best way to balance your portfolio and is a key component of financial success.

3. Professional money management
Mutual funds are typically headed by a portfolio manager who is supported by a team of experienced investment professionals. This team bases its buying decisions on extensive, ongoing research and analysis. This means that you don’t have to spend thousands of hours performing your own research.

In 1940, there were 68 U.S. mutual funds. By 2006, the number of U.S. mutual funds had increased to 8,120.
Source: Investment Company Institute (ICI)

U.S. mutual funds had combined assets exceeding $12 trillion as of December 2007.
Source: ICI
4. Convenience and flexibility

Mutual funds offer a number of convenient features, including:

- **Liquidity.** Buying and selling mutual fund shares is as easy as picking up the phone or going online. Your money is readily accessible because mutual funds are liquid assets. Shares may be redeemed for current market value any day the New York Stock Exchange is open.

- **Exchange privileges.** Within a fund company, you can generally move portions of your investment into other funds with different objectives as your financial situation changes — with no additional sales charge.

- **Automatic investment plans.** Investing the same amount of money on a regular basis, such as weekly or monthly, is a convenient way to benefit from changing market prices. As market prices go up and down, your regular investment will buy some shares at a lower price and some at a higher price. Over time, the price per share will average out. This is called dollar-cost averaging. It allows you to potentially own more shares over time at a cheaper price than if you bought all of your shares on one day with one lump sum of money.

It’s important to note that dollar-cost averaging does not ensure a profit or protect against loss in declining markets. Since dollar-cost averaging involves continuous investing regardless of fluctuating security prices, you should consider your ability to invest over an extended period of time.
Establish Your Financial Goals

Before you enter the world of mutual funds, it’s crucial that you meet with a financial advisor to discuss your financial goals. Your advisor uses these goals to help you create a plan for building wealth. Periodic meetings with your advisor – especially when your financial goals or circumstances change – help ensure that your investment strategy meets your needs.

As you prepare to meet with your financial advisor, ask yourself the following questions:

**What are my financial goals, and when will I need the money?**
Perhaps you’re saving for a house, your child’s college education or retirement. These are all considerations that affect how much risk you can afford to take and what funds you buy.

**How much can I afford to invest?**
You may not have much to invest right now, but you may be able to invest as little as $50 per month in mutual funds. Whatever your situation, a financial advisor can help you create a plan to start saving to achieve your goals.
Which is more important to me: the stability of the investment (potentially less risk and lower returns) or higher returns on my investment (potentially higher risk)?

All mutual funds carry a certain amount of risk, including the possible loss of your investment. Generally, the longer it is until you need your money, the more risk you can afford to take. Your financial advisor can help you decide how much – or how little – risk is appropriate for your situation.

Once you have answered these questions, you’ll have a good outline of where you want to be financially. Now you and your financial advisor can explore which mutual funds may help you get there.

The first U.S.-based international mutual fund was introduced in 1955. Money market mutual funds were introduced in 1971. Municipal bond funds were introduced in 1976.

An estimated 96 million individuals and 55 million households in the U.S. owned mutual funds in 2006.

Source: ICI
Four Basic Types of Mutual Funds

With so many types of mutual funds, how do you know which ones to choose? That depends on your financial goals, time frame and risk tolerance. Your financial advisor can help you create a well-balanced portfolio that includes a mix of different types of mutual funds.

1. **Stock or equity funds** invest primarily in shares of U.S. or foreign company stocks, and some even focus on companies within a specific industry or sector. Companies range from small, emerging businesses that show promise to large, well-established companies with strong financial structures. There are many types of stock funds that offer varying degrees of risk and return potential.

2. **Bond funds** invest primarily in corporate, municipal or government bonds and are either taxable or nontaxable. They are typically designed to protect principal and provide income through regular dividend payments. While most bond funds are on the conservative end of the risk spectrum, some fall into higher risk categories.
3. **Balanced funds** invest in both stocks and bonds to balance the growth potential of stocks with the relative stability of bonds.

4. **Money market funds** invest in securities such as U.S. Treasury bills and CDs that mature in about one year or less. They are considered to have minimal risk, and their returns are typically just a bit higher than those of savings accounts. *Investments in money market funds are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.*

Although mutual funds are not guaranteed or insured, they are heavily regulated under federal and state securities laws.

No mutual funds have gone bankrupt since the Investment Company Act was passed in 1940.
Asset Allocation: A Key Component of Portfolio Performance

Spreading your mutual fund investments across different asset classes — such as stock, bond and money market funds — is called asset allocation. This strategy is an important part of investing because it helps balance the risk and return of your portfolio to meet your financial goals.

Your risk tolerance and time horizon — or when you will need your money — help determine how you should allocate your assets. For example, if your goal is to save for a down payment on a house in three years, you would invest your money differently than if your goal is retirement in 15 years. Your financial advisor can help you determine the best asset allocation plan for you.

The charts on the next page illustrate hypothetical allocations for conservative, moderate and growth investors.
Conservative Portfolio
The conservative investor is typically interested in preservation of capital, receiving steady investment income and beating inflation over the long term. This investor has a low risk tolerance and is particularly sensitive to short-term volatility.

Moderate Portfolio
The moderate investor is less sensitive to short-term volatility than the conservative investor and is interested in receiving steady investment income and preserving capital.

Growth Portfolio
The growth investor is typically seeking higher relative return. Because he or she usually has a relatively long time horizon and high risk tolerance, the growth investor is not as concerned about short-term volatility.
How Do I Get Started?

Now that you’ve learned a bit about mutual funds, you want to get started. Don’t go it alone.

Of all the investment decisions you’ll make, the most important one may be to work with a financial advisor, who will help you establish a customized investment plan and maintain your strategy when markets become volatile. It’s only human for investors to become distracted by short-term events or market trends. An experienced advisor can keep you focused on the long term.

A snapshot of U.S. mutual fund investors in 2006:
- Their median age is 48.
- 49% are baby boomers, and 24% are Generation X.
- They own four mutual funds on average.
- 92% are saving for retirement.
- 70% bought their first fund more than 10 years ago.
- 58% purchased their first mutual fund through a retirement plan.
A Word About Risk

- Interest rate risk refers to the risk that bond prices generally fall as interest rates rise and vice versa.
- An investment in commodities has special risks associated with it, including market price fluctuations, regulatory changes, interest changes, credit risk, economic changes and the effect of adverse political or financial factors.
- Foreign securities have additional risks, including exchange rate changes, political and economic upheaval, the relative lack of information about these companies, relatively low market liquidity and the potential lack of strict financial and accounting controls and standards.

All data provided by Invesco Aim Management Group, Inc. unless otherwise noted.

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Note: Not all products, materials or services available at all firms. Advisors, please contact your home office.