EQUITY STRATEGY FOCUS

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IN BRIEF: Investment Portfolio Strategy

In the cyclical arena (i.e. industrials, financials, and energy), earnings revisions have been on the downside in recent months due to European crisis woes, a slowdown of growth in China, and uncertainty surrounding the impact of the U.S. budget sequestration. As value investors, we are positioned in these sectors to take advantage of what we believe to be a continued cyclical recovery. Many of the companies in the cyclical sectors are levered to global growth and with low near-term expectations. We see opportunity for upside surprises here.

As illustrated in the following charts, earnings growth and revenue growth in the cyclical sectors appears to be forming a bottom, as expectations rise in the latter part of 2013 and into 2014. Investors throughout the quarter continued to favor defensive securities tilting portfolios towards heavier emphasis on sectors such as consumer staples, utilities, and telecom. Although the valuation spreads for value-style investing continued during Q1, market participants were unwilling to step up in lieu of the potential elevated risks from higher economic sensitivity coupled with tougher quarterly earnings comparisons.

The stretched valuations for defensive versus cyclical sectors, however, do not portend a market collapse within the context of history. Although aggregate earnings revision trends showed modest improvement in developed markets according to our sources, the more economically sensitive stocks in North America, Latin America and Europe saw some eroding expectations driving performance on a macro level. Over the next several quarters, we see easier comps with estimates that do not appear overly optimistic in the U.S. market. With policy sentiment increasingly leaning towards anti-austerity and monetary easing broadening across regions, we believe our pro-cyclical emphasis in portfolios will find favor once again.

We continue to see pricing power as critical in forecasting improving estimates, along with monitoring inventory levels and near term capital spending trends. We believe that the 7.0% earnings growth for the Standard and Poor's 500 for 2013 is still achievable with the potentially greatest risk in industrial cyclicals. Given this macro landscape, we slightly lowered our industrial exposure - offset with a comparable increase in the defensive healthcare sector.

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BENCHMARK PERFORMANCE HIGHLIGHTS

Exhibit I

S&P 500 Index – 1st Qtr 2013

	Sector Wgt. As % of S&P as of 3/28/2013	1st Qtr Return 12/31/2012 - 3/28/2013	1st QTR Total Return Contribution of S&P 500
S&P Index		10.6	
Consumer Discretionary	11.6	12.2	1.4
Consumer Staples	11.0	14.6	1.5
Energy	10.9	10.2	1.1
Financials	15.9	11.4	1.8
Health Care	12.5	15.8	1.9
Industrials	10.1	10.7	1.1
Information Technology	18.0	4.7	0.9
Materials	3.4	4.8	0.2
Telecommunication Services	3.0	9.5	0.3
Utilities	3.5	13.0	0.4

Source: Bloomberg

S&P 500 Index – 1st Qtr Sector Performance Summary

- The S&P 500 rebounded 10.6% in the 1st quarter of 2013 after stalling in the final quarter of 2012. Value stocks once again outpaced growth stocks in the quarter by 263 basis points. Small cap stocks represented by the Russell 2000 Index out-performed large caps by 179 basis points.
- Defensive sectors led the markets higher but cyclicals were not far behind with returns of 12.2%, 11.4, 10.7%, for Consumer Discretionary, Financials and Industrials.
- Similar to the prior quarter, the Information Technology sector did not follow its cyclical counterparts returning only modest gains of 4.7%.
- After falling over 2.5% in the prior quarter, Energy stocks regained their ground with a return of 10.2%.

AIM's ATTRIBUTION HIGHLIGHTS

Exhibit II

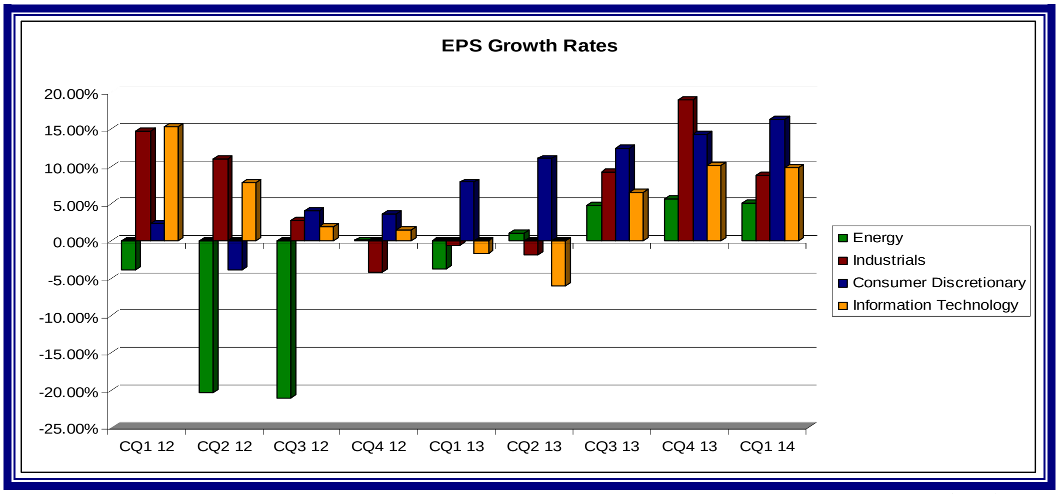
AIM LLC Composite – 1st Qtr 2013

	Sector Wgt. As % of Portfolio as of 3/28/2013	Relative Wgt. versus S&P 500 Index	1st Qtr. Total Return of AIM Composite	1st Qtr. Total Attribution of AIM Composite
AIM Composite			11.2	0.6
Consumer Discretionary	9.6	-2.0	8.1	-0.4
Consumer Staples	10.2	-0.8	21.1	0.6
Energy	14.1	3.2	10.3	0.0
Financials	18.5	2.6	11.5	0.0
Health Care	11.2	-1.3	14.3	-0.2
Industrials	12.0	1.9	8.1	-0.3
Information Technology	16.1	-1.9	8.5	0.8
Materials	2.0	-1.4	10.3	0.2
Telecommunication Services	2.8	-0.2	10.3	0.0
Utilities	2.2	-1.3	11.3	-0.1

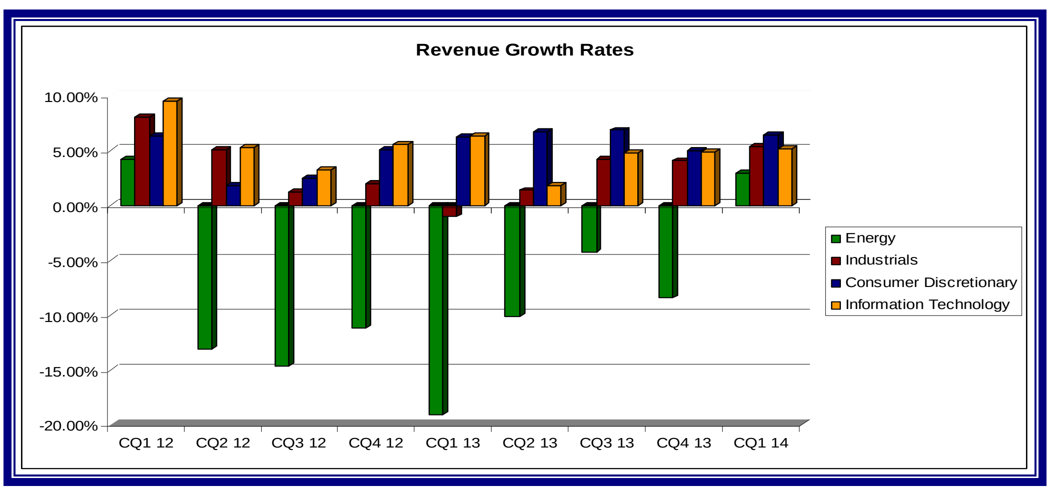
Source: Bloomberg

1st Qtr. Sector Performance Summary

- The AIM composite outperformed the benchmark S&P 500 Index in the 1st quarter by 60 basis point.
- Technology contributed most to our relative out-performance, due to strength in Applied Materials and Accenture up 18.6% and 14.2% respectively. In previous discussions we have pointed out Apple's impact on the market given its tremendous size. The stock was down 16.3% in the quarter also adding to our relative outperformance by not owning this company.
- Other stock specific highlights contributing most to relative performance were Conagra (+22.3%), Travelers (+ 17.9%), Honeywell (+19.4%), and Archer Daniels (+23.9%).
- On the flip side, the worst contributions to return during the quarter were Deere (+.07), Goodyear Tire (-8.7%), and Lowes (+7.2%).



Source: Bloomberg



Source: Bloomberg

Specific Portfolio Adjustments

- At the end of the quarter, we sold Goodyear Tire and used the proceeds to purchase Johnson Controls. This trade raised our Consumer Discretionary exposure by 80 basis points.
- Johnson Controls (JCI) is a global company specializing in the automotive interiors business (overhead systems, door systems, floor consoles, seating), along with building efficiencies (HVAC, management controls, security) and power solutions (auto batteries). Although pressures exist from lower European Union (EU) production and higher launch costs, JCI is a cyclical play that stands to benefit from a turnaround in EU and North American demand.

- Keeping our energy exposure at a relative overweight, we sold our positions in Anadarko Petroleum and Exxon and used the proceeds to purchase Occidental Petroleum (OXY).
- OXY primarily explores, develops, and produces oil and natural gas. The company also operates in two additional business segments: chemicals (basic chemicals, vinyl, and performance chemicals) and midstream & marketing. Management is focused on cost efficiencies and liquids growth after a challenging year of narrowing margins. Costs have been reduced via lower gas drilling activity as well as drilling efficiencies. Additionally, production on the Shah gas project off the shore of Abu Dhabi (currently 10% of planned capital spend) is expected to begin in 2014 positively impacting future operating cash flows.

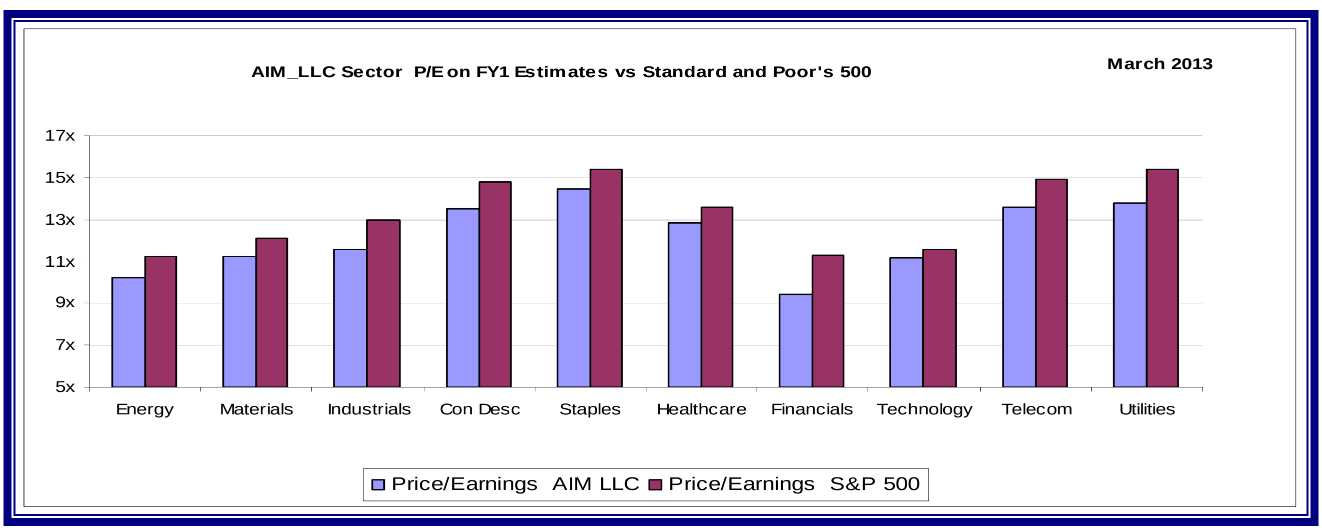
S&P 500 –SECTOR VALUATION CHARACTERISTICS

Exhibit III

	SPX	Energy	Materials	Industrials	Con Desc	Staples	Healthcare	Fincl	Tech	Telecom	Utilities
# holdings	500	43	30	60	82	42	53	86	70	8	31
Beta	1.00	1.24	1.26	1.15	1.03	0.50	0.71	1.32	1.05	0.65	0.46
P/B	2.37	1.94	2.78	2.98	3.96	4.23	3.08	1.16	3.27	2.57	1.65
TTM P/E	15.42	13.24	15.66	15.36	19.27	18.27	16.07	13.22	14.70	18.64	16.08
P/E cur	14.17	12.39	14.09	14.54	17.08	16.94	14.72	12.51	12.93	16.32	16.03
P/E FY1	12.75	11.24	12.11	12.97	14.76	15.40	13.59	11.28	11.59	14.89	15.36
P/S TTM	1.45	1.14	1.20	1.31	1.27	1.10	1.52	1.68	2.38	1.34	1.50
Div yield	2.18%	2.18%	2.36%	2.30%	1.60%	2.73%	2.00%	1.90%	1.75%	4.36%	3.97%
P/CF	9.24	7.18	10.16	10.90	11.61	13.55	13.08	6.64	9.96	5.00	6.42

Source: Bloomberg

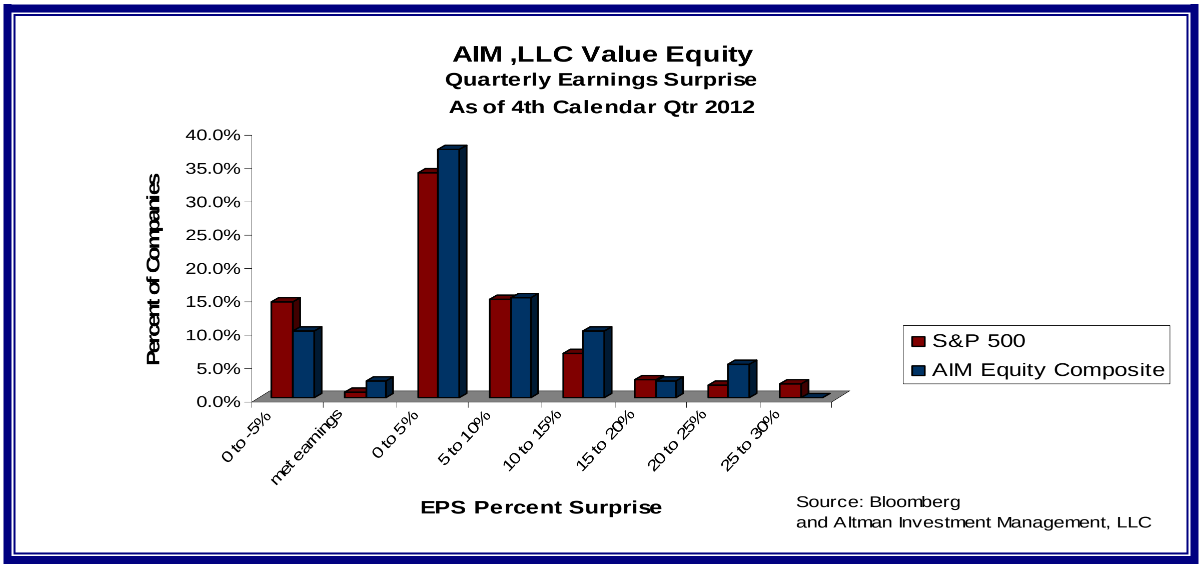
Exhibit IV



Source: Bloomberg

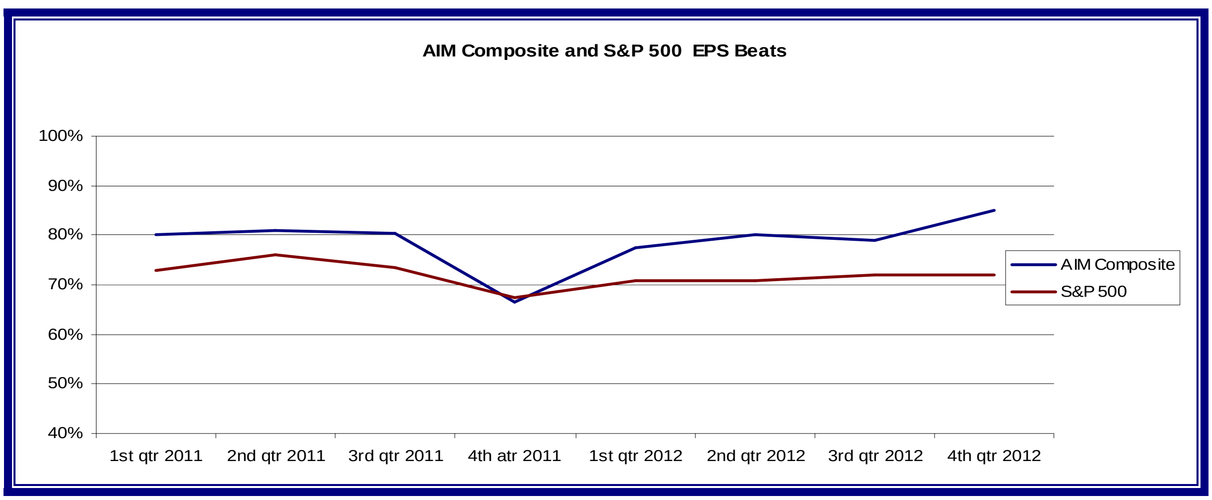
THE MOST RECENT QUARTERLY COMPANY PERFORMANCE RECORD

Exhibit V
First Quarter Earnings Surprises Versus Market



Source: Bloomberg

Exhibit VI
One Year Earnings Surprises Versus Market

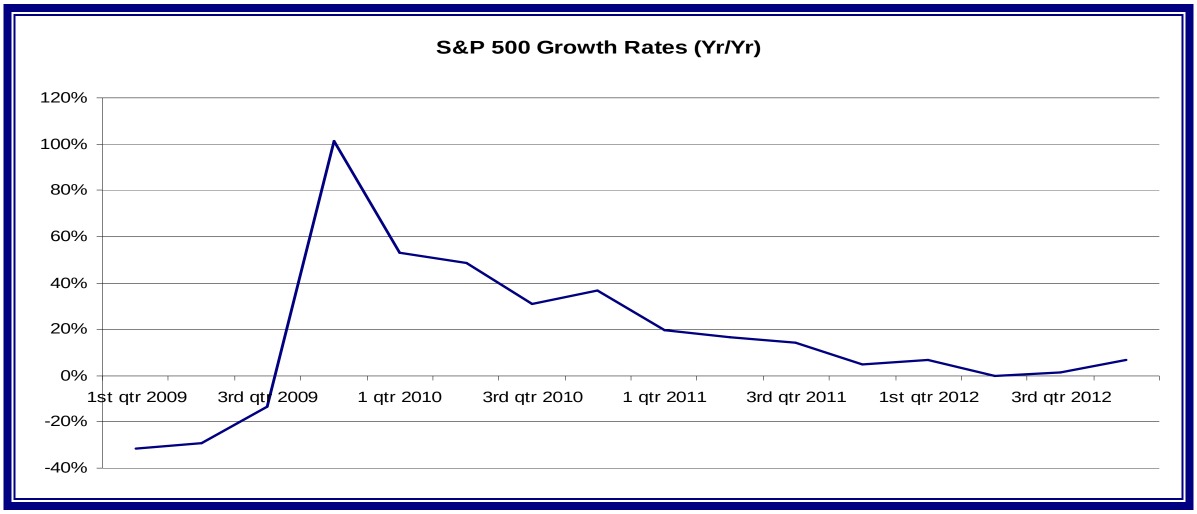


Source: Bloomberg

The chart above illustrates the percentage of investment holdings within our value portfolio that exceeded street earnings estimates during the 4th calendar quarter of 2012. Most notably, 85% of our investments exceeded street estimates and 72% of the companies in the S&P 500 exceeded street estimates. The level of EPS surprise for the composite and the benchmark index has continued to improve with the number of surprises in the AIM portfolio reaching its highest level in 2 years.

The rate of growth in EPS for the S&P index bottomed in the second quarter of 2012. The overall current rate of growth stands at 6.75% for the S&P with the strongest growth coming from the Financial sector (growing at 34%), followed by Utilities (19%), and Materials (11%). After two solid quarters of negative EPS growth, the Energy sector appears to have stabilized.

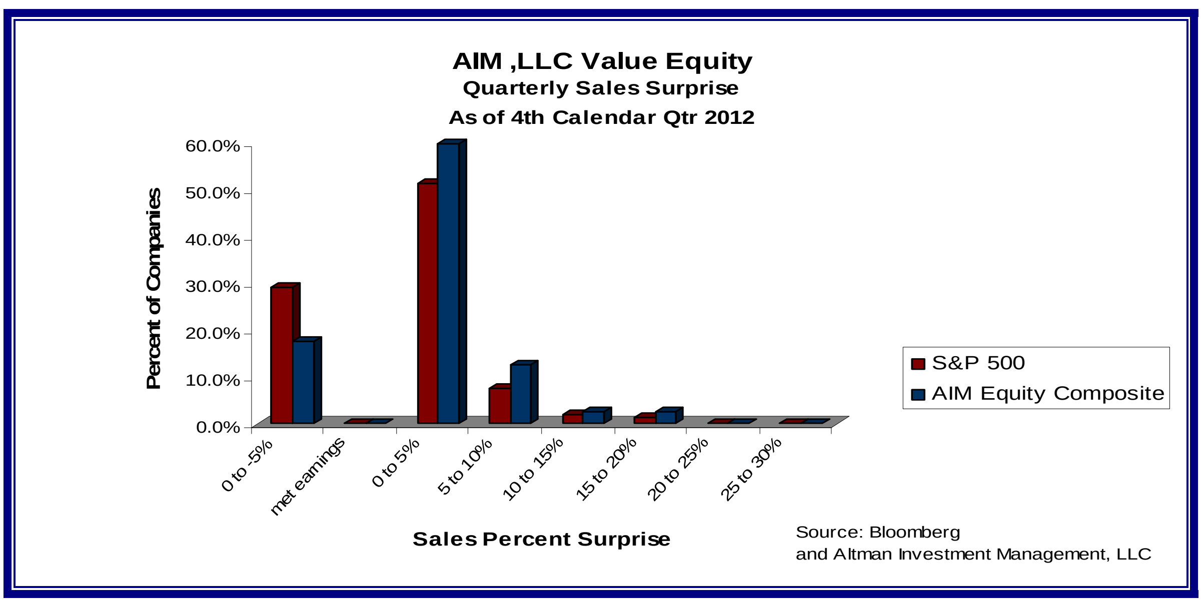
Exhibit VII



Source: Bloomberg

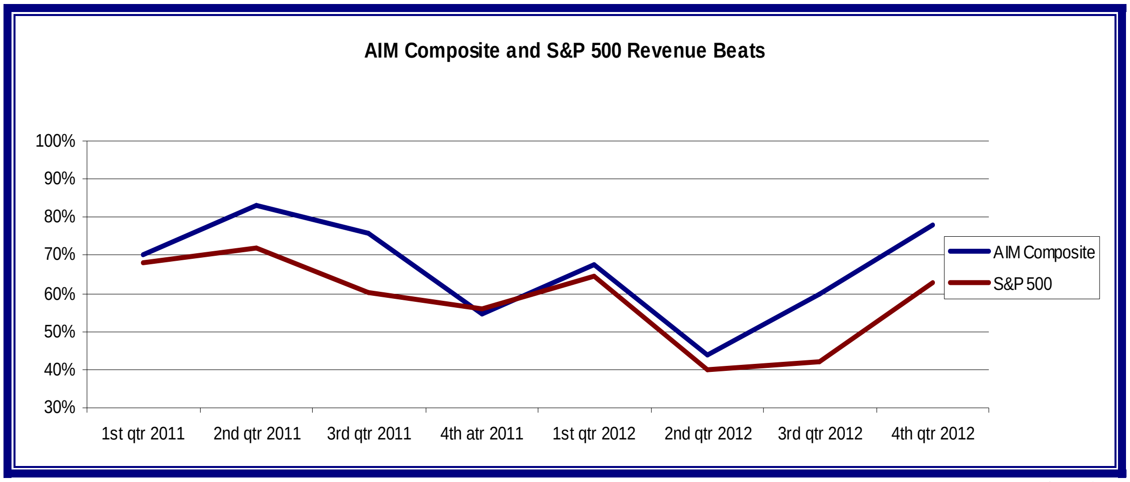
Exhibit VIII

First Quarter Revenue Surprises Versus Market



Source: Bloomberg

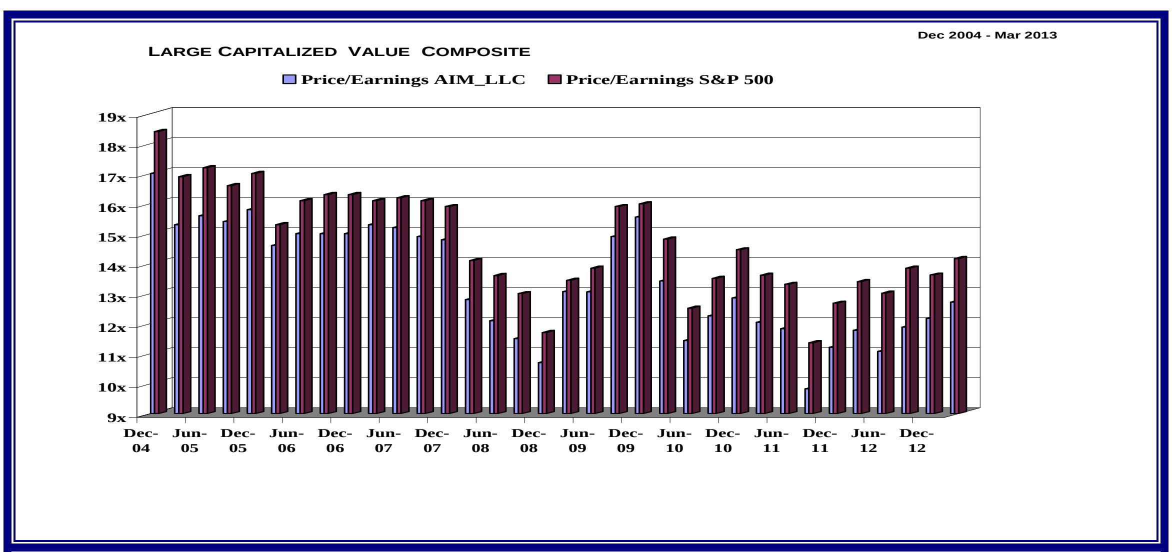
Exhibit IX
ONE YEAR REVENUE SURPRISES VERSUS MARKET



Source: Bloomberg

Exhibit VIII illustrates the percentage of investment holdings within our value portfolio that exceeded street revenue estimates during the 4th calendar quarter of 2012. 78% of our investments exceeded street estimates as compared to 65% for the S&P. This marks the 5th consecutive gain in revenue surprise for the AIM composite. Revenue beats for the market bounced off the low 40% range seen in the prior 2 quarters.

Exhibit X



Source: Bloomberg

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