



AIM Mid Cap Basic Value Fund

Semiannual Report to Shareholders ▪ June 30, 2008



AIM Investments became **Invesco Aim** on March 31, 2008.

For more details, go to invescoaim.com

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For the most current month-end Fund performance and commentary, please visit invescoaim.com.

Unless otherwise noted, all data provided by Invesco Aim.

This report must be accompanied or preceded by a currently effective Fund prospectus, which contains more complete information, including sales charges and expenses. Investors should read it carefully before investing.

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

Fund Performance

Performance summary

Fund vs. Indexes

Cumulative total returns, 12/31/07 to 6/30/08, at net asset value (NAV). Performance shown does not include applicable contingent deferred sales charges (CDSC) or front-end sales charges, which would have reduced performance.

Class A Shares	-21.87%
Class B Shares	-22.15
Class C Shares	-22.09
Class R Shares	-21.89
S&P 500 Index [▼] (Broad Market Index)	-11.90
Russell Midcap Value Index [▼] (Style-Specific Index)	-8.58
Lipper Mid-Cap Value Funds Index [▼] (Peer Group Index)	-7.62

[▼]Lipper Inc.

The **S&P 500[®] Index** is a market capitalization-weighted index covering all major areas of the U.S. economy. It is not the 500 largest companies, but rather the most widely held 500 companies chosen with respect to market size, liquidity, and their industry.

The **Russell Midcap[®] Value Index** measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values. The Russell Midcap Value Index is a trademark/service mark of the Frank Russell Company. Russell[®] is a trademark of the Frank Russell Company.

The **Lipper Mid-Cap Value Funds Index** is an equally weighted representation of the largest funds in the Lipper Mid-Cap Value Funds category. These funds have a below-average price-to-earnings ratio, price-to-book ratio, and three-year sales-per-share growth value, compared to the S&P MidCap 400 Index.

The Fund is not managed to track the performance of any particular index, including the indexes defined here, and consequently, the performance of the Fund may deviate significantly from the performance of the indexes.

A direct investment cannot be made in an index. Unless otherwise indicated, index results include reinvested dividends, and they do not reflect sales charges. Performance of an index of funds reflects fund expenses; performance of a market index does not.

mum sales charge unless otherwise stated. Performance figures do not reflect deduction of taxes a shareholder would pay on Fund distributions or sale of Fund shares. Investment return and principal value will fluctuate so that you may have a gain or loss when you sell shares.

The total annual Fund operating expense ratio set forth in the most recent Fund prospectus as of the date of this report for Class A, Class B, Class C and Class R shares was 1.43%, 2.18%, 2.18% and 1.68%, respectively. The expense ratios presented above may vary from the expense ratios presented in other sections of this report that are based on expenses incurred during the period covered by this report.

Class A share performance reflects the maximum 5.50% sales charge, and Class B and Class C share performance reflects the applicable contingent deferred sales charge (CDSC) for the period involved. The CDSC on Class B shares declines from 5% beginning at the time of purchase to 0% at the beginning of the seventh year. The CDSC on Class C shares is 1% for the first year after purchase. Class R shares do not have a front-end sales charge; returns shown are at net asset value and do not reflect a 0.75% CDSC that may be imposed on a total redemption of retirement plan assets within the first year.

The performance of the Fund's share classes will differ primarily due to different sales charge structures and class expenses.

Average Annual Total Returns

As of 6/30/08, including maximum applicable sales charges

Class A Shares

Inception (12/31/01)	3.72%
5 Years	6.05
1 Year	-30.57

Class B Shares

Inception (12/31/01)	3.90%
5 Years	6.18
1 Year	-30.37

Class C Shares

Inception (12/31/01)	3.90%
5 Years	6.50
1 Year	-27.68

Class R Shares

Inception	4.44%
5 Years	7.06
1 Year	-26.64

Class R shares' inception date is April 30, 2004. Returns since that date are historical returns. All other returns are blended returns of historical Class R share performance and restated Class A share performance (for periods prior to the inception date of Class R shares) at net asset value, adjusted to reflect the higher Rule 12b-1 fees applicable to Class R shares. Class A shares' inception date is December 31, 2001.

The performance data quoted represent past performance and cannot guarantee comparable future results; current performance may be lower or higher. Please visit invescoaim.com for the most recent month-end performance. Performance figures reflect reinvested distributions, changes in net asset value and the effect of the maxi-



Bruce Crockett

Dear Fellow Shareholders:

As I write this letter in July 2008, turbulent financial markets are causing considerable investor anxiety, reminding us again that markets are cyclical and the correction of excess is often painful, at least in the short-term. Your Board of Trustees believes in the wisdom of a long-term perspective and consistent investment discipline. We continue to put your interests first in the effort to improve investment performance, contain shareholder costs and uphold the highest ethical standards.

We remain enthusiastic about the global reach and investment expertise that Invesco, a leading independent global investment management company, brings to the management of AIM Funds as the parent company of the advisors. The diverse investment strategies deployed throughout the worldwide network of Invesco investment centers has helped strengthen the management of many AIM Funds. The rebranding of the Funds' management company as Invesco Aim was followed by the launch of an upgraded, investor-friendly Web site (invescoaim.com); a new mountain logo using a Himalayan peak to symbolize stability, endurance, strength and longevity; and a new ad

campaign. Emphasizing Invesco Aim's focus and investment quality, the ads will appear in financial publications such as *Barron's* and *Investment News* through the end of 2008.

At its June meeting, your Board reviewed and renewed the investment advisory contracts between the AIM Funds and Invesco Aim Advisors, Inc. You can find the results of this rigorous annual process at invescoaim.com. Go to "Products & Performance" and click on "Investment Advisory Agreement Renewals."

We have recently completed another active proxy voting season during which we acted on your behalf to double the number of votes in favor of separating the roles of chairman and CEO at the companies whose shares your Funds hold. We also continued to support the movement for shareholders to have a bigger role in approving executive compensation, initiatives known as "say on pay." Like virtually all other mutual fund complexes, AIM Funds abstain from voting on social issues as a matter of policy, and I would be interested to hear your thoughts on this policy.

As always, you are welcome to e-mail your questions or comments to me at bruce@brucecrockett.com. The dialogue that has been established in this way has been instructive for your Board, and we want it to continue. Although the production schedule for Fund annual reports and prospectuses allows me to write these letters of general report and response just twice a year, please be assured that your comments are received, welcomed and heard in the interim.

We look forward to hearing from you and to representing you.

Sincerely,

Bruce L. Crockett
Independent Chair
AIM Funds Board of Trustees

August 11, 2008

Portfolio Composition

By sector, based on Net Assets
as of June 30, 2008

Consumer Discretionary	24.3%
Information Technology	21.0
Financials	19.9
Health Care	18.8
Industrials	8.3
Consumer Staples	5.5
Materials	1.0
Money Market Funds Plus Other Assets Less Liabilities	1.2

Schedule of Investments^(a)

June 30, 2008
(Unaudited)

	Shares	Value
Common Stocks & Other Equity Interests—98.83%		
Advertising—3.75%		
Interpublic Group of Cos., Inc. (The) ^(b)	782,801	\$ 6,732,089
Apparel Retail—2.85%		
Men's Wearhouse, Inc. (The) ^(c)	314,255	5,119,214
Apparel, Accessories & Luxury Goods—2.69%		
Liz Claiborne, Inc. ^(c)	341,624	4,833,980
Brewers—3.48%		
Molson Coors Brewing Co.—Class B	115,086	6,252,622
Communications Equipment—2.97%		
Plantronics, Inc.	239,396	5,343,319
Computer Hardware—3.45%		
Dell Inc. ^(b)	283,112	6,194,490
Construction & Engineering—4.06%		
Shaw Group Inc. (The) ^(b)	118,206	7,303,949
Consumer Finance—1.41%		
AmeriCredit Corp. ^{(b)(c)}	294,864	2,541,728
Data Processing & Outsourced Services—2.50%		
DST Systems, Inc. ^{(b)(c)}	81,723	4,498,851
Diversified Commercial & Professional Services—1.17%		
ChoicePoint Inc. ^(b)	43,449	2,094,242
Education Services—3.01%		
Apollo Group Inc.—Class A ^(b)	122,148	5,406,270

	Shares	Value
Health Care Distributors—5.49%		
Cardinal Health, Inc.	103,994	\$ 5,364,011
McKesson Corp.	80,562	4,504,221
		9,868,232
Health Care Equipment—3.56%		
Advanced Medical Optics, Inc. ^{(b)(c)}	121,945	2,285,249
Symmetry Medical Inc. ^(b)	253,818	4,116,928
		6,402,177
Home Furnishings—2.12%		
Tempur-Pedic International Inc. ^(c)	487,505	3,807,414
Household Appliances—2.33%		
Whirlpool Corp. ^(c)	67,743	4,181,775
Human Resource & Employment Services—3.11%		
Robert Half International, Inc.	233,451	5,595,820
Insurance Brokers—4.19%		
Marsh & McLennan Cos., Inc.	187,199	4,970,133
National Financial Partners Corp. ^(c)	128,814	2,553,094
		7,523,227
Investment Banking & Brokerage—1.71%		
FBR Capital Markets Corp. ^{(b)(c)}	609,493	3,065,750
Leisure Products—2.35%		
Brunswick Corp. ^(c)	397,911	4,217,857
Life Sciences Tools & Services—3.28%		
Waters Corp. ^(b)	91,350	5,892,075

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

	Shares	Value
Managed Health Care–6.48%		
Aetna Inc.	97,116	\$ 3,936,112
Coventry Health Care, Inc. ^(b)	159,708	4,858,317
UnitedHealth Group Inc.	108,592	2,850,540
		11,644,969
Packaged Foods & Meats–2.07%		
Cadbury PLC–ADR (United Kingdom)	73,964	3,721,844
Paper Packaging–0.98%		
Smurfit-Stone Container Corp. ^{(b)(c)}	432,019	1,758,317
Property & Casualty Insurance–1.65%		
Security Capital Assurance Ltd. ^{(b)(c)(d)}	258,339	74,918
XL Capital Ltd.–Class A	140,246	2,883,458
		2,958,376
Publishing–5.23%		
McGraw-Hill Cos., Inc. (The)	103,400	4,148,408
Valassis Communications, Inc. ^{(b)(c)}	419,855	5,256,585
		9,404,993
Regional Banks–3.75%		
Popular, Inc. ^(c)	461,580	3,041,812
Zions Bancorp. ^(c)	117,145	3,688,896
		6,730,708
Semiconductor Equipment–8.16%		
ASML Holding N.V. (Netherlands) ^(e)	215,563	5,250,065
Brooks Automation, Inc. ^(b)	159,921	1,322,547
KLA-Tencor Corp.	198,747	8,090,990
		14,663,602

	Shares	Value
Semiconductors–3.88%		
Maxim Integrated Products, Inc.	329,938	\$ 6,978,189
Specialized Finance–4.57%		
CIT Group, Inc. ^(c)	196,552	1,338,519
Moody's Corp. ^(c)	199,849	6,882,800
		8,221,319
Thrifts & Mortgage Finance–2.58%		
Fannie Mae	79,100	1,543,241
Freddie Mac	188,723	3,095,057
		4,638,298
Total Common Stocks & Other Equity Interests (Cost \$221,264,367)		177,595,696
Money Market Funds–1.75%		
Liquid Assets Portfolio–Institutional Class ^(f)	1,571,850	1,571,850
Premier Portfolio–Institutional Class ^(f)	1,571,850	1,571,850
Total Money Market Funds (Cost \$3,143,700)		3,143,700
TOTAL INVESTMENTS (excluding investments purchased with cash collateral from securities on loan)—100.58% (Cost \$224,408,067)		180,739,396
Investments Purchased with Cash Collateral from Securities on Loan		
Money Market Funds–20.63%		
Liquid Assets Portfolio–Institutional Class (Cost \$37,074,591) ^{(f)(g)}	37,074,591	37,074,591
TOTAL INVESTMENTS—121.21% (Cost \$261,482,658)		217,813,987
OTHER ASSETS LESS LIABILITIES—(21.21)%		(38,114,027)
NET ASSETS—100.00%		\$179,699,960

Investment Abbreviations:

ADR – American Depositary Receipt

Notes to Schedule of Investments:

- (a) Industry and/or sector classifications used in this report are generally according to the Global Industry Classification Standard, which was developed by and is the exclusive property and a service mark of MSCI Inc. and Standard & Poor's.
- (b) Non-income producing security.
- (c) All or a portion of this security was out on loan at June 30, 2008.
- (d) Security fair valued in good faith in accordance with the procedures established by the Board of Trustees. The value of this security at June 30, 2008 represented 0.04% of the Fund's Net Assets. See Note 1A.
- (e) In accordance with the procedures established by the Board of Trustees, the foreign security is fair valued using adjusted closing market prices. The value of this security at June 30, 2008 represented 2.92% of the Fund's Net Assets. See Note 1A.
- (f) The money market fund and the Fund are affiliated by having the same investment advisor.
- (g) The security has been segregated to satisfy the commitment to return the cash collateral received in securities lending transactions upon the borrower's return of the securities loaned. See Note 1I.

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

Statement of Assets and Liabilities

June 30, 2008
(Unaudited)

Assets:

Investments, at value (Cost \$221,264,367)*	\$177,595,696
Investments in affiliated money market funds (Cost \$40,218,291)	40,218,291
Total investments (Cost \$261,482,658)	217,813,987
Receivables for:	
Fund shares sold	154,367
Dividends	141,545
Investment for trustee deferred compensation and retirement plans	19,260
Other assets	30,100
Total assets	218,159,259

Liabilities:

Payables for:	
Investments purchased	538,650
Fund shares reacquired	608,216
Collateral upon return of securities loaned	37,074,591
Accrued fees to affiliates	127,582
Accrued other operating expenses	75,777
Trustee deferred compensation and retirement plans	34,483
Total liabilities	38,459,299
Net assets applicable to shares outstanding	\$179,699,960

Net assets consist of:

Shares of beneficial interest	\$187,127,327
Undistributed net investment income	176,652
Undistributed net realized gain	36,064,652
Unrealized appreciation (depreciation)	(43,668,671)
	\$179,699,960

Net Assets:

Class A	\$ 86,324,358
Class B	\$ 25,499,096
Class C	\$ 15,389,247
Class R	\$ 1,605,246
Institutional Class	\$ 50,882,013

Shares outstanding, \$0.01 par value per share, unlimited number of shares authorized:

Class A	8,079,531
Class B	2,509,081
Class C	1,515,159
Class R	151,496
Institutional Class	4,655,981
Class A:	
Net asset value per share	\$ 10.68
Maximum offering price per share (Net asset value of \$10.68 ÷ 94.50%)	\$ 11.30
Class B:	
Net asset value and offering price per share	\$ 10.16
Class C:	
Net asset value and offering price per share	\$ 10.16
Class R:	
Net asset value and offering price per share	\$ 10.60
Institutional Class:	
Net asset value and offering price per share	\$ 10.93

* At June 30, 2008, securities with an aggregate value of \$34,700,786 were on loan to brokers.

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

Statement of Operations

For the six months ended June 30, 2008
(Unaudited)

Investment income:

Dividends (net of foreign withholding taxes of \$10,464)	\$ 1,478,517
Dividends from affiliated money market funds (includes securities lending income of \$142,409)	266,420
Total investment income	1,744,937

Expenses:

Advisory fees	810,918
Administrative services fees	44,926
Custodian fees	6,995
Distribution fees:	
Class A	128,796
Class B	169,266
Class C	99,036
Class R	3,090
Transfer agent fees — A, B, C and R	280,806
Transfer agent fees — Institutional	299
Trustees' and officer's fees and benefits	11,191
Other	113,057
Total expenses	1,668,380
Less: Fees waived, expenses reimbursed and expense offset arrangement(s)	(15,689)
Net expenses	1,652,691
Net investment income	92,246

Realized and unrealized gain (loss) from:

Net realized gain from:	
Investment securities	23,379,801
Foreign currencies	4,065
	23,383,866
Change in net unrealized appreciation (depreciation) of:	
Investment securities	(75,952,020)
Foreign currencies	(11)
	(75,952,031)
Net realized and unrealized gain (loss)	(52,568,165)
Net increase (decrease) in net assets resulting from operations	\$(52,475,919)

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

Statement of Changes in Net Assets

For the six months ended June 30, 2008 and the year ended December 31, 2007
(Unaudited)

	June 30, 2008	December 31, 2007
Operations:		
Net investment income	\$ 92,246	\$ 1,213,784
Net realized gain	23,383,866	32,018,457
Change in net unrealized appreciation (depreciation)	(75,952,031)	(11,242,671)
Net increase (decrease) in net assets resulting from operations	(52,475,919)	21,989,570
Distributions to shareholders from net investment income:		
Class A	—	(465,258)
Class R	—	(2,312)
Institutional Class	—	(634,499)
Total distributions from net investment income	—	(1,102,069)
Distributions to shareholders from net realized gains:		
Class A	—	(10,506,012)
Class B	—	(4,087,313)
Class C	—	(2,383,619)
Class R	—	(92,324)
Institutional Class	—	(5,850,220)
Total distributions from net realized gains	—	(22,919,488)
Share transactions—net:		
Class A	(3,974,237)	2,313,585
Class B	(8,303,737)	(10,356,322)
Class C	(4,681,413)	(1,352,665)
Class R	921,271	652,416
Institutional Class	(1,089,737)	23,538,871
Net increase (decrease) in net assets resulting from share transactions	(17,127,853)	14,795,885
Net increase (decrease) in net assets	(69,603,772)	12,763,898
Net assets:		
Beginning of period	249,303,732	236,539,834
End of period (including undistributed net investment income of \$176,652 and \$84,406, respectively)	\$179,699,960	\$249,303,732

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

Notes to Financial Statements

June 30, 2008
(Unaudited)

NOTE 1—Significant Accounting Policies

AIM Mid Cap Basic Value Fund (the “Fund”) is a series portfolio of AIM Funds Group (the “Trust”). The Trust is a Delaware statutory trust registered under the Investment Company Act of 1940, as amended (the “1940 Act”), as an open-end series management investment company consisting of seven separate portfolios, each authorized to issue an unlimited number of shares of beneficial interest.

The Fund currently offers five different classes of shares: Class A, Class B, Class C, Class R and Institutional Class. Class A shares are sold with a front-end sales charge unless certain waiver criteria are met and under certain circumstances load waiver shares may be subject to a CDSC. Class B shares and Class C shares are sold with a CDSC. Class R shares and Institutional Class shares are sold at net asset value. Under certain circumstances, Class R shares are subject to a CDSC. Generally, Class B shares will automatically convert to Class A shares on or about the month-end which is at least eight years after the date of purchase. Matters affecting each portfolio or class will be voted on exclusively by the shareholders of such portfolio or class.

The assets, liabilities and operations of each portfolio are accounted for separately. Information presented in these financial statements pertains only to the Fund.

The Fund’s investment objective is long-term growth of capital.

A. Security Valuations — Securities, including restricted securities, are valued according to the following policy.

A security listed or traded on an exchange (except convertible bonds) is valued at its last sales price or official closing price as of the close of the customary trading session on the exchange where the security is principally traded, or lacking any sales or official closing price on a particular day, the security may be valued at the closing bid price on that day. Securities traded in the over-the-counter market are valued based on prices furnished by independent pricing services or market makers. When such securities are valued by an independent pricing service they may be considered fair valued. Futures contracts are valued at the final settlement price set by an exchange on which they are principally traded. Listed options are valued at the mean between the last bid and the ask prices from the exchange on which they are principally traded. Options not listed on an exchange are valued by an independent source at the mean between the last bid and ask prices. For purposes of determining net asset value per share, futures and option contracts generally are valued 15 minutes after the close of the customary trading session of the New York Stock Exchange (“NYSE”).

Investments in open-end and closed-end registered investment companies that do not trade on an exchange are valued at the end of day net asset value per share. Investments in open-end and closed-end registered investment companies that trade on an exchange are valued at the last sales price or official closing price as of the close of the customary trading session on the exchange where the security is principally traded.

Debt obligations (including convertible bonds) and unlisted equities are fair valued using an evaluated quote provided by an independent pricing service. Evaluated quotes provided by the pricing service may be determined without exclusive reliance on quoted prices, and may reflect appropriate factors such as institution-size trading in similar groups of securities, developments related to specific securities, dividend rate, yield, quality, type of issue, coupon rate, maturity, individual trading characteristics and other market data. Short-term obligations, including commercial paper, having 60 days or less to maturity are recorded at amortized cost which approximates value. Debt securities are subject to interest rate and credit risks. In addition, all debt securities involve some risk of default with respect to interest and/or principal payments.

Foreign securities (including foreign exchange contracts) are converted into U.S. dollar amounts using the applicable exchange rates as of the close of the NYSE. If market quotations are available and reliable for foreign exchange traded equity securities, the securities will be valued at the market quotations. Because trading hours for certain foreign securities end before the close of the NYSE, closing market quotations may become unreliable. If between the time trading ends on a particular security and the close of the customary trading session on the NYSE, events occur that are significant and may make the closing price unreliable, the Fund may fair value the security. If the event is likely to have affected the closing price of the security, the security will be valued at fair value in good faith using procedures approved by the Board of Trustees. Adjustments to closing prices to reflect fair value may also be based on a screening process of an independent pricing service to indicate the degree of certainty, based on historical data, that the closing price in the principal market where a foreign security trades is not the current value as of the close of the NYSE. Foreign securities meeting the approved degree of certainty that the price is not reflective of current value will be priced at the indication of fair value from the independent pricing service. Multiple factors may be considered by the independent pricing service in determining adjustments to reflect fair value and may include information relating to sector indices, American Depositary Receipts and domestic and foreign index futures. Foreign securities may have additional risks including exchange rate changes, potential for sharply devalued currencies and high inflation, political and economical upheaval, the relative lack of issuer information, relatively low market liquidity and the potential lack of strict financial and accounting controls and standards.

Securities for which market prices are not provided by any of the above methods may be valued based upon quotes furnished by independent sources and are valued at the last bid price in the case of equity securities and in the case of debt obligations, the mean between the last bid and asked prices.

Securities for which market quotations are not readily available or are unreliable are valued at fair value as determined in good faith by or under the supervision of the Trust’s officers following procedures approved by the Board of Trustees. Issuer specific events, market trends, bid/ask quotes of brokers and information providers and other market data may be reviewed in the course of making a good faith determination of a security’s fair value.

Valuations change in response to many factors including the historical and prospective earnings of the issuer, the value of the issuer’s assets, general economic conditions, interest rates, investor perceptions and market liquidity.

B. Securities Transactions and Investment Income — Securities transactions are accounted for on a trade date basis. Realized gains or losses on sales are computed on the basis of specific identification of the securities sold. Interest income is recorded on the accrual basis from settlement date. Dividend income is recorded on the ex-dividend date.

The Fund may periodically participate in litigation related to Fund investments. As such, the Fund may receive proceeds from litigation settlements. Any proceeds as received are included in the Statement of Operations as realized gain/loss for investments no longer held and as unrealized gain/loss for investments still held.

Brokerage commissions and mark ups are considered transaction costs and are recorded as an increase to the cost basis of securities purchased and/or a reduction of proceeds on a sale of securities. Such transaction costs are included in the determination of realized and unrealized gain (loss) from investment securities reported in the Statement of Operations and the Statement of Changes in Net Assets and the realized and unrealized net gains (losses) on securities per share in the Financial Highlights. Transaction costs are included in the calculation of the Fund's net asset value and, accordingly, they reduce the Fund's total returns. These transaction costs are not considered operating expenses and are not reflected in net investment income reported in the Statement of Operations and Statement of Changes in Net Assets, or the net investment income per share and ratios of expenses and net investment income reported in the Financial Highlights, nor are they limited by any expense limitation arrangements between the Fund and the advisor.

The Fund allocates income and realized and unrealized capital gains and losses to a class based on the relative net assets of each class.

- C. Country Determination** — For the purposes of making investment selection decisions and presentation in the Schedule of Investments, the investment advisor may determine the country in which an issuer is located and/or credit risk exposure based on various factors. These factors include the laws of the country under which the issuer is organized, where the issuer maintains a principal office, the country in which the issuer derives 50% or more of its total revenues and the country that has the primary market for the issuer's securities, as well as other criteria. Among the other criteria that may be evaluated for making this determination are the country in which the issuer maintains 50% or more of its assets, the type of security, financial guarantees and enhancements, the nature of the collateral and the sponsor organization. Country of issuer and/or credit risk exposure has been determined to be the United States of America unless otherwise noted.
- D. Distributions** — Distributions from income and net realized capital gain, if any, are generally paid annually and recorded on ex-dividend date. The Fund may elect to treat a portion of the proceeds from redemptions as distributions for federal income tax purposes.
- E. Federal Income Taxes** — The Fund intends to comply with the requirements of Subchapter M of the Internal Revenue Code necessary to qualify as a regulated investment company and to distribute substantially all of the Fund's taxable earnings to shareholders. As such, the Fund will not be subject to federal income taxes on otherwise taxable income (including net realized capital gain) that is distributed to shareholders. Therefore, no provision for federal income taxes is recorded in the financial statements.
- The Fund files tax returns in the U.S. Federal jurisdiction and certain other jurisdictions. Generally the Fund is subject to examinations by such taxing authorities for up to three years after the filing of the return for the tax period.
- F. Expenses** — Fees provided for under the Rule 12b-1 plan of a particular class of the Fund are charged to the operations of such class. Transfer agency fees and expenses and other shareholder recordkeeping fees and expenses attributable to the Institutional Class are charged to such class. Transfer agency fees and expenses and other shareholder recordkeeping fees and expenses relating to all other classes are allocated among those classes based on relative net assets. All other expenses are allocated among the classes based on relative net assets.
- G. Accounting Estimates** — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period including estimates and assumptions related to taxation. Actual results could differ from those estimates by a significant amount.
- H. Indemnifications** — Under the Trust's organizational documents, each Trustee, officer, employee or other agent of the Trust (including the Trust's investment manager) is indemnified against certain liabilities that may arise out of performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts that contain a variety of indemnification clauses. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. The risk of material loss as a result of such indemnification claims is considered remote.
- I. Securities Lending** — The Fund may lend portfolio securities having a market value up to one-third of the Fund's total assets. Such loans are secured by collateral equal to no less than the market value of the loaned securities determined daily by the securities lending provider. Such collateral will be cash or debt securities issued or guaranteed by the U.S. Government or any of its sponsored agencies. Cash collateral received in connection with these loans is invested in short-term money market instruments or affiliated money market funds and is shown as such on the Schedule of Investments. It is the Fund's policy to obtain additional collateral from or return excess collateral to the borrower by the end of the next business day, following the valuation date of the securities loaned. Therefore, the value of the collateral held may be temporarily less than the value of the securities on loan. Lending securities entails a risk of loss to the Fund if and to the extent that the market value of the securities loaned were to increase and the borrower did not increase the collateral accordingly, and the borrower fails to return the securities. The Fund could also experience delays and costs in gaining access to the collateral. The Fund bears the risk of any deficiency in the amount of the collateral available for return to the borrower due to any loss on the collateral invested. Dividends received on cash collateral investments for securities lending transactions, which are net of compensation to counterparties, is included in Dividends from affiliates on the Statement of Operations. The aggregate value of securities out on loan is shown as a footnote on the Statement of Assets and Liabilities.
- J. Foreign Currency Translations** — Foreign currency is valued at the close of the NYSE based on quotations posted by banks and major currency dealers. Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at date of valuation. Purchases and sales of portfolio securities (net of foreign taxes withheld on disposition) and income items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions. The Fund does not separately account for the portion of the results of operations resulting from changes in foreign exchange rates on investments and the fluctuations arising from changes in market prices of securities held. The combined results of changes in foreign exchange rates and the fluctuation of market prices on investments (net of estimated foreign tax withholding) are included with the net realized and unrealized gain or loss from investments in the Statement of Operations. Reported net realized foreign currency gains or losses arise from (i) sales of foreign currencies, (ii) currency gains or losses realized between the trade and settlement dates on securities transactions, and

(iii) the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign currency gains and losses arise from changes in the fair values of assets and liabilities, other than investments in securities at fiscal period end, resulting from changes in exchange rates.

The Fund may invest in foreign securities which may be subject to foreign taxes on income, gains on investments or currency repatriation, a portion of which may be recoverable.

K. Foreign Currency Contracts — A foreign currency contract is an obligation to purchase or sell a specific currency for an agreed-upon price at a future date. The Fund may enter into a foreign currency contract to attempt to minimize the risk to the Fund from adverse changes in the relationship between currencies. The Fund may also enter into a foreign currency contract for the purchase or sale of a security denominated in a foreign currency in order to “lock in” the U.S. dollar price of that security. Fluctuations in the value of these contracts are recorded as unrealized appreciation (depreciation) until the contracts are closed. When these contracts are closed, realized gains (losses) are recorded. Realized and unrealized gains and losses on these contracts are included in the Statement of Operations. The Fund could be exposed to risk, which may be in excess of the amount reflected in the Statement of Assets and Liabilities, if counterparties to the contracts are unable to meet the terms of their contracts or if the value of the foreign currency changes unfavorably.

NOTE 2—Advisory Fees and Other Fees Paid to Affiliates

The Trust has entered into a master investment advisory agreement with Invesco Aim Advisors, Inc. (the “Advisor” or “Invesco Aim”). Under the terms of the investment advisory agreement, the Fund pays an advisory fee to the Advisor based on the annual rate of the Fund's average daily net assets as follows:

Average Net Assets	Rate
First \$250 million	0.745%
Next \$250 million	0.73%
Next \$500 million	0.715%
Next \$1.5 billion	0.70%
Next \$2.5 billion	0.685%
Next \$2.5 billion	0.67%
Next \$2.5 billion	0.655%
Over \$10 billion	0.64%

Under the terms of a master sub-advisory agreement approved by shareholders of the Fund on February 29, 2008, effective May 1, 2008, between the Advisor and each of Invesco Asset Management Deutschland GmbH, Invesco Asset Management Limited, Invesco Asset Management (Japan) Limited, Invesco Australia Limited, Invesco Global Asset Management (N.A.), Inc., Invesco Hong Kong Limited, Invesco Institutional (N.A.), Inc., Invesco Senior Secured Management, Inc. and Invesco Trimark Ltd. (collectively, the “Affiliated Sub-Advisors”) the Advisor, not the Fund, may pay 40% of the fees paid to the Advisor to any such Affiliated Sub-Advisor(s) that provide discretionary investment management services to the Fund based on the percentage of assets allocated to such Sub-Advisor(s).

The Advisor has contractually agreed, through at least June 30, 2009, to waive the advisory fee payable by the Fund in an amount equal to 100% of the net advisory fees the Advisor receives from the affiliated money market funds on investments by the Fund of uninvested cash (but not cash collateral from securities lending) in such affiliated money market funds.

For the six months ended June 30, 2008, the Advisor waived advisory fees of \$5,455.

At the request of the Trustees of the Trust, Invesco Ltd. (“Invesco”) agreed to reimburse expenses incurred by the Fund in connection with market timing matters in the AIM Funds, which may include legal, audit, shareholder reporting, communications and trustee expenses. These expenses along with the related expense reimbursement are included in the Statement of Operations. For the six months ended June 30, 2008, Invesco reimbursed expenses of the Fund in the amount of \$630.

The Trust has entered into a master administrative services agreement with Invesco Aim pursuant to which the Fund has agreed to pay Invesco Aim for certain administrative costs incurred in providing accounting services to the Fund. For the six months ended June 30, 2008, expenses incurred under the agreement are shown in the Statement of Operations as administrative services fees.

The Trust has entered into a transfer agency and service agreement with Invesco Aim Investment Services, Inc. (“IAIS”) pursuant to which the Fund has agreed to pay IAIS a fee for providing transfer agency and shareholder services to the Fund and reimburse IAIS for certain expenses incurred by IAIS in the course of providing such services. IAIS may make payments to intermediaries that provide omnibus account services, sub-accounting services and/or networking services. All fees payable by IAIS to intermediaries that provide omnibus account services or sub-accounting are charged back to the Fund, subject to certain limitations approved by the Trust's Board of Trustees. For the six months ended June 30, 2008, expenses incurred under the agreement are shown in the Statement of Operations as transfer agent fees.

The Trust has entered into master distribution agreements with Invesco Aim Distributors, Inc. (“IADI”) to serve as the distributor for the Class A, Class B, Class C, Class R and Institutional Class shares of the Fund. The Trust has adopted plans pursuant to Rule 12b-1 under the 1940 Act with respect to the Fund's Class A, Class B, Class C and Class R shares (collectively the “Plans”). The Fund, pursuant to the Plans, pays IADI compensation at the annual rate of 0.25% of the Fund's average daily net assets of Class A shares, 1.00% of the average daily net assets of Class B and Class C shares and 0.50% of the average daily net assets of Class R shares. Of the Plan payments, up to 0.25% of the average daily net assets of each class of shares may be paid to furnish continuing personal shareholder services to customers who purchase and own shares of such classes. Any amounts not paid as a service fee under the Plans would constitute an asset-based sales charge. Rules of the Financial Industry Regulatory Authority (“FINRA”) impose a cap on the total sales charges, including asset-based sales

charges that may be paid by any class of shares of the Fund. For the six months ended June 30, 2008, expenses incurred under the Plans are shown in the Statement of Operations as distribution fees.

Front-end sales commissions and contingent deferred sales charges (“CDSC”) (collectively the “sales charges”) are not recorded as expenses of the Fund. Front-end sales commissions are deducted from proceeds from the sales of Fund shares prior to investment in Class A shares of the Fund. CDSC are deducted from redemption proceeds prior to remittance to the shareholder. During the six months ended June 30, 2008, IADI advised the Fund that IADI retained \$17,682 in front-end sales commissions from the sale of Class A shares and \$752, \$18,006, \$2,403 and \$0 from Class A, Class B, Class C and Class R shares, respectively, for CDSC imposed on redemptions by shareholders.

Certain officers and trustees of the Trust are officers and directors of Invesco Aim, IAIS and/or IADI.

NOTE 3—Supplemental Information

The Fund adopted the provisions of Statement of Financial Accounting Standards No. 157, “Fair Value Measurements” (SFAS 157), effective with the beginning of the Fund’s fiscal year. SFAS 157 establishes a hierarchy that prioritizes the inputs to valuation methods giving the highest priority to readily available unadjusted quoted prices in an active market for identical assets (level 1) and the lowest priority to unobservable inputs (level 3) market prices are not readily available or are unreliable. Based on the inputs the securities or other instruments are tiered into three levels of hierarchy under SFAS 157. Changes in valuation methods may result in transfers in or out of an investment’s assigned level within the hierarchy,

Level 1 — Quoted prices in an active market for identical assets.

Level 2 — Prices are determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3 — Prices are determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Fund’s own assumptions about the factors market participants would use in determining fair value of the securities or instruments and would be based on the best available information.

Below is a summary of the tiered input levels, as of the end of the reporting period, June 30, 2008. The inputs or methods used for valuing securities may not be an indication of the risk associated with investing in those securities.

Input Level	Investments in Securities
Level 1	\$212,563,922
Level 2	5,250,065
Level 3	—
	\$217,813,987

NOTE 4—Security Transactions with Affiliated Funds

The Fund is permitted to purchase or sell securities from or to certain other AIM Funds under specified conditions outlined in procedures adopted by the Board of Trustees of the Trust. The procedures have been designed to ensure that any purchase or sale of securities by the Fund from or to another fund or portfolio that is or could be considered an affiliate by virtue of having a common investment advisor (or affiliated investment advisors), common Trustees and/or common officers complies with Rule 17a-7 of the 1940 Act. Further, as defined under the procedures, each transaction is effected at the current market price. Pursuant to these procedures, for the six months ended June 30, 2008, the Fund engaged in securities purchases of \$2,184,735.

NOTE 5—Expense Offset Arrangements

The expense offset arrangements are comprised of (i) transfer agency credits which result from balances in Demand Deposit Accounts (DDA) used by the transfer agent for clearing shareholder transactions and (ii) custodian credits which result from periodic overnight cash balances at the custodian. For the six months ended June 30, 2008, the Fund received credits from these arrangements, which resulted in the reduction of the Fund’s total expenses of \$9,604.

NOTE 6—Trustees’ and Officer’s Fees and Benefits

“Trustees’ and Officer’s Fees and Benefits” include amounts accrued by the Fund to pay remuneration to certain Trustees and Officers of the Fund. Trustees have the option to defer compensation payable by the Fund, and “Trustees’ and Officer’s Fees and Benefits” also include amounts accrued by the Fund to fund such deferred compensation amounts. Those Trustees who defer compensation have the option to select various AIM Funds in which their deferral accounts shall be deemed to be invested. Finally, certain current Trustees are eligible to participate in a retirement plan that provides for benefits to be paid upon retirement to Trustees over a period of time based on the number of years of service. The Fund may have certain former Trustees who also participate in a retirement plan and receive benefits under such plan. “Trustees’ and Officer’s Fees and Benefits” include amounts accrued by the Fund to fund such retirement benefits. Obligations under the deferred compensation and retirement plans represent unsecured claims against the general assets of the Fund.

During the six months ended June 30, 2008, the Fund paid legal fees of \$1,795 for services rendered by Kramer, Levin, Naftalis & Frankel LLP as counsel to the Independent Trustees. A member of that firm is a Trustee of the Trust.

NOTE 7—Cash Balances

The Fund is permitted to temporarily carry a negative or overdrawn balance in its account with The State Street Bank and Trust Company (“SSB”), the custodian bank. To compensate the custodian bank for such overdrafts, the overdrawn Fund may either (i) leave funds as a compensating balance in the account so the custodian bank can be compensated by earning the additional interest; or (ii) compensate by paying the custodian bank at a rate agreed upon by the custodian bank and Invesco Aim, not to exceed the contractually agreed upon rate.

NOTE 8—Tax Information

The amount and character of income and gains to be distributed are determined in accordance with income tax regulations, which may differ from generally accepted accounting principles. Reclassifications are made to the Fund’s capital accounts to reflect income and gains available for distribution (or available capital loss carryforward) under income tax regulations. The tax character of distributions paid during the year and the tax components of net assets will be reported at the Fund’s fiscal year-end.

The Fund did not have a capital loss carryforward as of December 31, 2007.

NOTE 9—Investment Securities

The aggregate amount of investment securities (other than short-term securities, U.S. Treasury obligations and money market funds, if any) purchased and sold by the Fund during the six months ended June 30, 2008 was \$87,319,428 and \$102,369,040, respectively. Cost of investments on a tax basis includes the adjustments for financial reporting purposes as of the most recently completed Federal income tax reporting period end.

Unrealized Appreciation (Depreciation) of Investment Securities on a Tax Basis

Aggregate unrealized appreciation of investment securities	\$ 19,177,664
Aggregate unrealized (depreciation) of investment securities	(64,182,364)
Net unrealized appreciation (depreciation) of investment securities	\$(45,004,700)

Cost of investments for tax purposes is \$262,818,687.

NOTE 10—Share Information
Changes in Shares Outstanding

	Six months ended June 30, 2008 ^(a)		Year ended December 31, 2007	
	Shares	Amount	Shares	Amount
Sold:				
Class A	1,053,983	\$ 13,178,783	2,160,406	\$ 32,888,783
Class B	169,542	1,995,555	482,044	6,979,030
Class C	130,034	1,526,173	454,282	6,524,442
Class R	97,891	1,193,600	47,353	721,142
Institutional Class	439,955	5,601,971	1,564,505	23,793,276
Issued as reinvestment of dividends:				
Class A	—	—	774,788	10,537,114
Class B	—	—	298,586	3,878,626
Class C	—	—	170,194	2,209,130
Class R	—	—	7,010	94,634
Institutional Class	—	—	467,873	6,484,715
Automatic conversion of Class B shares to Class A shares:				
Class A	310,446	3,815,822	387,795	5,834,239
Class B	(325,769)	(3,815,822)	(404,613)	(5,834,239)
Reacquired:				
Class A	(1,711,874)	(20,968,842)	(3,118,165)	(46,946,551)
Class B	(553,475)	(6,483,470)	(1,064,161)	(15,379,739)
Class C	(527,620)	(6,207,586)	(700,064)	(10,086,237)
Class R	(22,649)	(272,329)	(10,758)	(163,360)
Institutional Class	(526,070)	(6,691,708)	(417,049)	(6,739,120)
	(1,465,606)	\$(17,127,853)	1,100,026	\$ 14,795,885

^(a) There is an entity that is a record owner of more than 5% of the outstanding shares of the Fund that owns 6% of the outstanding shares of the Fund. IADI has an agreement with this entity to sell Fund shares. The Fund, Invesco Aim and/or Invesco Aim affiliates may make payments to this entity, which is considered to be related to the Fund, for providing services to the Fund, Invesco Aim and/or Invesco Aim affiliates including but not limited to services such as, securities brokerage, distribution, third party record keeping and account servicing. The Trust has no knowledge as to whether all or any portion of the shares owned of record by this entity is owned beneficially.

In addition, 26% of the outstanding shares of the Fund are owned by affiliated mutual funds. Affiliated mutual funds are other mutual funds that are also advised by Invesco Aim.

NOTE 11—Financial Highlights

The following schedule presents financial highlights for a share of the Fund outstanding throughout the periods indicated.

	Class A					
	Six months ended June 30, 2008	Year ended December 31,				
		2007	2006	2005	2004	2003
Net asset value, beginning of period	\$ 13.67	\$ 13.83	\$ 14.48	\$ 13.12	\$ 11.28	\$ 8.23
Income from investment operations:						
Net investment income (loss)	0.01 ^(a)	0.09	(0.04) ^(a)	(0.07)	(0.10) ^(a)	(0.08)
Net gains (losses) on securities (both realized and unrealized)	(3.00)	1.19	1.25	1.43	1.93	3.13
Net increase from payments by affiliates	—	—	—	—	0.01	—
Total from investment operations	(2.99)	1.28	1.21	1.36	1.84	3.05
Less distributions:						
Dividends from net investment income	—	(0.06)	—	—	—	—
Distributions from net realized gains	—	(1.38)	(1.86)	—	—	—
Total distributions	—	(1.44)	(1.86)	—	—	—
Net asset value, end of period	\$ 10.68	\$ 13.67	\$ 13.83	\$ 14.48	\$ 13.12	\$ 11.28
Total return ^(b)	(21.87)%	9.30%	8.47%	10.37%	16.31% ^(c)	37.06%
Ratios/supplemental data:						
Net assets, end of period (000s omitted)	\$86,324	\$115,198	\$113,672	\$127,775	\$115,164	\$55,372
Ratio of expenses to average net assets:						
With fee waivers and/or expense reimbursements	1.51% ^(d)	1.43%	1.52%	1.51%	1.67%	1.80%
Without fee waivers and/or expense reimbursements	1.52% ^(d)	1.46%	1.58%	1.57%	1.69%	1.92%
Ratio of net investment income (loss) to average net assets	0.10% ^(d)	0.55%	(0.30)%	(0.51)%	(0.85)%	(1.00)%
Portfolio turnover rate ^(e)	41%	44%	46%	29%	34%	52%

^(a) Calculated using average shares outstanding.

^(b) Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Does not include sales charges and is not annualized for periods less than one year.

^(c) Total return is after reimbursement the advisor has agreed to pay for an economic loss due to a trading error. Total return before reimbursement by the advisor was 16.22%.

^(d) Ratios are annualized and based on average daily net assets of \$103,602,974.

^(e) Portfolio turnover is calculated at the fund level and is not annualized for periods less than one year.

	Class B					
	Six months ended June 30, 2008	Year ended December 31,				
		2007	2006	2005	2004	2003
Net asset value, beginning of period	\$ 13.05	\$ 13.30	\$ 14.10	\$ 12.87	\$ 11.14	\$ 8.18
Income from investment operations:						
Net investment income (loss)	(0.04) ^(a)	(0.03)	(0.15) ^(a)	(0.16)	(0.18) ^(a)	(0.13)
Net gains (losses) on securities (both realized and unrealized)	(2.85)	1.16	1.21	1.39	1.90	3.09
Net increase from payments by affiliates	—	—	—	—	0.01	—
Total from investment operations	(2.89)	1.13	1.06	1.23	1.73	2.96
Less distributions from net realized gains	—	(1.38)	(1.86)	—	—	—
Net asset value, end of period	\$ 10.16	\$ 13.05	\$ 13.30	\$ 14.10	\$ 12.87	\$ 11.14
Total return ^(b)	(22.15)%	8.53%	7.63%	9.56%	15.53% ^(c)	36.19%
Ratios/supplemental data:						
Net assets, end of period (000s omitted)	\$25,499	\$42,012	\$51,970	\$69,594	\$63,374	\$38,165
Ratio of expenses to average net assets:						
With fee waivers and/or expense reimbursements	2.26% ^(d)	2.18%	2.27%	2.21%	2.32%	2.45%
Without fee waivers and/or expense reimbursements	2.27% ^(d)	2.21%	2.33%	2.27%	2.34%	2.57%
Ratio of net investment income (loss) to average net assets	(0.65)% ^(d)	(0.20)%	(1.05)%	(1.21)%	(1.50)%	(1.65)%
Portfolio turnover rate ^(e)	41%	44%	46%	29%	34%	52%

^(a) Calculated using average shares outstanding.

^(b) Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Does not include sales charges and is not annualized for periods less than one year.

^(c) Total return is after reimbursement the advisor has agreed to pay for an economic loss due to a trading error. Total return before reimbursement by the advisor was 15.44%.

^(d) Ratios are annualized and based on average daily net assets of \$34,039,244.

^(e) Portfolio turnover is calculated at the fund level and is not annualized for periods less than one year.

NOTE 11—Financial Highlights—(continued)

	Class C					
	Six months ended June 30, 2008	Year ended December 31,				
		2007	2006	2005	2004	2003
Net asset value, beginning of period	\$ 13.04	\$ 13.30	\$ 14.09	\$ 12.86	\$ 11.13	\$ 8.18
Income from investment operations:						
Net investment income (loss)	(0.04) ^(a)	(0.03)	(0.15) ^(a)	(0.16)	(0.18) ^(a)	(0.12)
Net gains (losses) on securities (both realized and unrealized)	(2.84)	1.15	1.22	1.39	1.90	3.07
Net increase from payments by affiliates	—	—	—	—	0.01	—
Total from investment operations	(2.88)	1.12	1.07	1.23	1.73	2.95
Less distributions from net realized gains	—	(1.38)	(1.86)	—	—	—
Net asset value, end of period	\$ 10.16	\$ 13.04	\$ 13.30	\$ 14.09	\$ 12.86	\$ 11.13
Total return ^(b)	(22.09)%	8.45%	7.70%	9.56%	15.54% ^(c)	36.06%
Ratios/supplemental data:						
Net assets, end of period (000s omitted)	\$15,389	\$24,950	\$26,435	\$29,946	\$27,601	\$13,422
Ratio of expenses to average net assets:						
With fee waivers and/or expense reimbursements	2.26% ^(d)	2.18%	2.27%	2.21%	2.32%	2.45%
Without fee waivers and/or expense reimbursements	2.27% ^(d)	2.21%	2.33%	2.27%	2.34%	2.57%
Ratio of net investment income (loss) to average net assets	(0.65)% ^(d)	(0.20)%	(1.05)%	(1.21)%	(1.50)%	(1.65)%
Portfolio turnover rate ^(e)	41%	44%	46%	29%	34%	52%

^(a) Calculated using average shares outstanding.

^(b) Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Does not include sales charges and is not annualized for periods less than one year.

^(c) Total return is after reimbursement the advisor has agreed to pay for an economic loss due to a trading error. Total return before reimbursement by the advisor was 15.45%.

^(d) Ratios are annualized and based on average daily net assets of \$19,916,076.

^(e) Portfolio turnover is calculated at the fund level and is not annualized for periods less than one year.

	Class R				
	Six months ended June 30, 2008	Year ended December 31,			April 30, 2004 (commencement date) to December 31, 2004
		2007	2006	2005	
Net asset value, beginning of period	\$ 13.57	\$13.75	\$14.44	\$13.11	\$11.88
Income from investment operations:					
Net investment income (loss)	(0.01) ^(a)	0.03	(0.08) ^(a)	(0.05)	(0.08) ^(a)
Net gains (losses) on securities (both realized and unrealized)	(2.96)	1.20	1.25	1.38	1.30
Net increase from payments by affiliates	—	—	—	—	0.01
Total from investment operations	(2.97)	1.23	1.17	1.33	1.23
Less distributions:					
Dividends from net investment income	—	(0.03)	—	—	—
Distributions from net realized gains	—	(1.38)	(1.86)	—	—
Total distributions	—	(1.41)	(1.86)	—	—
Net asset value, end of period	\$ 10.60	\$13.57	\$13.75	\$14.44	\$13.11
Total return ^(b)	(21.89)%	9.01%	8.22%	10.15%	10.35% ^(c)
Ratios/supplemental data:					
Net assets, end of period (000s omitted)	\$ 1,605	\$1,035	\$ 449	\$ 175	\$ 33
Ratio of expenses to average net assets:					
With fee waivers and/or expense reimbursements	1.76% ^(d)	1.68%	1.77%	1.71%	1.78% ^(e)
Without fee waivers and/or expense reimbursements	1.77% ^(d)	1.71%	1.83%	1.77%	1.80% ^(e)
Ratio of net investment income (loss) to average net assets	(0.15)% ^(d)	0.30%	(0.55)%	(0.71)%	(0.96)% ^(e)
Portfolio turnover rate ^(f)	41%	44%	46%	29%	34%

^(a) Calculated using average shares outstanding.

^(b) Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Not annualized for periods less than one year.

^(c) Total return is after reimbursement the advisor has agreed to pay for an economic loss due to a trading error. Total return before reimbursement by the advisor was 10.27%.

^(d) Ratios are annualized and based on average daily net assets of \$1,242,910.

^(e) Annualized.

^(f) Portfolio turnover is calculated at the fund level and is not annualized for periods less than one year.

NOTE 11—Financial Highlights—(continued)

	Institutional Class				April 30, 2004 (commencement date) to December 31, 2004
	Six months ended June 30, 2008	Year ended December 31, 2007 2006 2005			
Net asset value, beginning of period	\$ 13.94	\$ 14.08	\$ 14.62	\$ 13.17	\$11.88
Income from investment operations:					
Net investment income (loss)	0.04 ^(a)	0.16	0.05 ^(a)	0.01	(0.02) ^(a)
Net gains (losses) on securities (both realized and unrealized)	(3.05)	1.23	1.27	1.44	1.30
Net increase from payments by affiliates	—	—	—	—	0.01
Total from investment operations	(3.01)	1.39	1.32	1.45	1.29
Less distributions:					
Dividends from net investment income	—	(0.15)	—	—	—
Distributions from net realized gains	—	(1.38)	(1.86)	—	—
Total distributions	—	(1.53)	(1.86)	—	—
Net asset value, end of period	\$ 10.93	\$ 13.94	\$ 14.08	\$ 14.62	\$13.17
Total return ^(b)	(21.59)%	9.91%	9.15%	11.01%	10.86% ^(c)
Ratios/supplemental data:					
Net assets, end of period (000s omitted)	\$50,882	\$66,109	\$44,013	\$25,174	\$7,530
Ratio of expenses to average net assets:					
With fee waivers and/or expense reimbursements	0.90% ^(d)	0.87%	0.92%	0.92%	1.03% ^(e)
Without fee waivers and/or expense reimbursements	0.91% ^(d)	0.90%	0.98%	0.98%	1.05% ^(e)
Ratio of net investment income (loss) to average net assets	0.71% ^(d)	1.11%	0.30%	(0.08)%	(0.21)% ^(e)
Portfolio turnover rate ^(f)	41%	44%	46%	29%	34%

^(a) Calculated using average shares outstanding.

^(b) Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Not annualized for periods less than one year.

^(c) Total return is after reimbursement the advisor has agreed to pay for an economic loss due to a trading error. Total return before reimbursement by the advisor was 10.77%.

^(d) Ratios are annualized and based on average daily net assets of \$60,090,990.

^(e) Annualized.

^(f) Portfolio turnover is calculated at the fund level and is not annualized for periods less than one year.

NOTE 12—Legal Proceedings

Terms used in the Legal Proceedings Note are defined terms solely for the purpose of this note.

Pending Litigation and Regulatory Inquiries

On August 30, 2005, the West Virginia Office of the State Auditor — Securities Commission (“WVASC”) issued a Summary Order to Cease and Desist and Notice of Right to Hearing to Invesco Aim and IADI (Order No. 05-1318). The WVASC makes findings of fact that Invesco Aim and IADI entered into certain arrangements permitting market timing of the AIM Funds and failed to disclose these arrangements in the prospectuses for such Funds, and conclusions of law to the effect that Invesco Aim and IADI violated the West Virginia securities laws. The WVASC orders Invesco Aim and IADI to cease any further violations and seeks to impose monetary sanctions, including restitution to affected investors, disgorgement of fees, reimbursement of investigatory, administrative and legal costs and an “administrative assessment,” to be determined by the Commissioner. Initial research indicates that these damages could be limited or capped by statute. By agreement with the Commissioner of Securities, Invesco Aim’s time to respond to that Order has been indefinitely suspended.

Civil lawsuits, including purported class action and shareholder derivative suits, have been filed against certain of the AIM Funds, Invesco Funds Group, Inc. (“IFG”), Invesco Aim, IADI and/or related entities and individuals, depending on the lawsuit, alleging:

- that the defendants permitted improper market timing and related activity in the AIM Funds; and
- that certain AIM Funds inadequately employed fair value pricing.

These lawsuits allege as theories of recovery, depending on the lawsuit, violations of various provisions of the Federal and state securities laws Employee Retirement Income Security Act of 1974, as amended (“ERISA”), negligence, breach of fiduciary duty and/or breach of contract. These lawsuits seek remedies that include, depending on the lawsuit, damages, restitution, injunctive relief, imposition of a constructive trust, removal of certain directors and/or employees, various corrective measures under ERISA, rescission of certain AIM Funds’ advisory agreements and/or distribution plans and recovery of all fees paid. The case pending in Illinois State Court regarding fair value pricing was dismissed with prejudice on May 6, 2008.

All lawsuits based on allegations of market timing, late trading and related issues have been transferred to the United States District Court for the District of Maryland (the “MDL Court”). Pursuant to an Order of the MDL Court, plaintiffs in these lawsuits consolidated their claims for pre-trial purposes into three amended complaints against various Invesco Aim- and IFG-related parties: (i) a Consolidated Amended Class Action Complaint purportedly brought on behalf of shareholders of the AIM Funds; (ii) a Consolidated Amended Fund Derivative Complaint purportedly brought on behalf of the AIM Funds and fund registrants; and (iii) an Amended Class Action Complaint for Violations of ERISA purportedly brought on behalf of participants in the Invesco 401(k) plan. Based on orders issued by the MDL Court, all claims asserted against the AIM Funds that have been transferred to the MDL Court have been dismissed, although certain Funds

NOTE 12—Legal Proceedings—(continued)

remain nominal defendants in the Consolidated Amended Fund Derivative Complaint. On September 15, 2006, the MDL Court granted the Invesco defendants' motion to dismiss the Amended Class Action Complaint for Violations of ERISA and dismissed such Complaint. Plaintiff appealed this ruling. On June 16, 2008, the Fourth Court of Appeals reversed the dismissal and remanded this lawsuit back to the MDL Court for further proceedings.

IFG, Invesco Aim, IADI and/or related entities and individuals have received inquiries from numerous regulators in the form of subpoenas or other oral or written requests for information and/or documents related to one or more of the following issues, among others, some of which concern one or more AIM Funds: market timing activity, late trading, fair value pricing, excessive or improper advisory and/or distribution fees, mutual fund sales practices, including revenue sharing and directed-brokerage arrangements, investments in securities of other registered investment companies, contractual plans, issues related to Section 529 college savings plans and procedures for locating lost security holders. IFG, Invesco Aim and IADI have advised the Fund that they are providing full cooperation with respect to these inquiries. Regulatory actions and/or additional civil lawsuits related to these or other issues may be filed against the AIM Funds, IFG, Invesco Aim and/or related entities and individuals in the future.

At the present time, management of Invesco Aim and the Fund are unable to estimate the impact, if any, that the outcome of the Pending Litigation and Regulatory Inquiries described above may have on Invesco Aim, IADI or the Fund.

Calculating your ongoing Fund expenses

Example

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, which may include sales charges (loads) on purchase payments or contingent deferred sales charges on redemptions, and redemption fees, if any; and (2) ongoing costs, including management fees; distribution and/or service (12b-1) fees; and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with ongoing costs of investing in other mutual funds. The example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period January 1, 2008, through June 30, 2008.

Actual expenses

The table below provides information about actual account values and actual expenses. You may use the information in this table, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the table under the heading entitled “Actual Expenses Paid During Period” to estimate the expenses you paid on your account during this period.

Hypothetical example for comparison purposes

The table below also provides information about hypothetical account values and hypothetical expenses based on the Fund’s actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund’s actual return.

The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transaction costs, such as sales charges (loads) on purchase payments, contingent deferred sales charges on redemptions, and redemption fees, if any. Therefore, the hypothetical information is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transaction costs were included, your costs would have been higher.

Class	Beginning Account Value (01/01/08)	ACTUAL		HYPOTHETICAL (5% annual return before expenses)		Annualized Expense Ratio
		Ending Account Value (06/30/08) ¹	Expenses Paid During Period ²	Ending Account Value (06/30/08)	Expenses Paid During Period ²	
A	\$1,000.00	\$781.30	\$ 6.69	\$1,017.35	\$ 7.57	1.51%
B	1,000.00	778.50	9.99	1,013.63	11.31	2.26
C	1,000.00	779.10	10.00	1,013.63	11.31	2.26
R	1,000.00	781.10	7.79	1,016.11	8.82	1.76

¹ The actual ending account value is based on the actual total return of the Fund for the period January 1, 2008, through June 30, 2008, after actual expenses and will differ from the hypothetical ending account value which is based on the Fund’s expense ratio and a hypothetical annual return of 5% before expenses.

² Expenses are equal to the Fund’s annualized expense ratio as indicated above multiplied by the average account value over the period, multiplied by 182/366 to reflect the most recent fiscal half year.

Approval of Investment Advisory Agreement

The Board of Trustees (the Board) of AIM Funds Group is required under the Investment Company Act of 1940 to approve annually the renewal of the AIM Mid Cap Basic Value Fund (the Fund) investment advisory agreement with Invesco Aim Advisors, Inc. (Invesco Aim). During contract renewal meetings held on June 18-19, 2008, the Board as a whole and the disinterested or "independent" Trustees, voting separately, approved the continuance of the Fund's investment advisory agreement for another year, effective July 1, 2008. In doing so, the Board determined that the Fund's investment advisory agreement is in the best interests of the Fund and its shareholders and that the compensation to Invesco Aim under the Fund's investment advisory agreement is fair and reasonable.

The independent Trustees met separately during their evaluation of the Fund's investment advisory agreement with independent legal counsel from whom they received independent legal advice, and the independent Trustees also received assistance during their deliberations from the independent Senior Officer, a full-time officer of the AIM Funds who reports directly to the independent Trustees.

The Board's Fund Evaluation Process

The Board's Investments Committee has established three Sub-Committees that are responsible for overseeing the management of a number of the series portfolios of the AIM Funds. This Sub-Committee structure permits the Trustees to focus on the performance of the AIM Funds that have been assigned to them. The Sub-Committees meet throughout the year to review the performance of their assigned funds, and the Sub-Committees review monthly and quarterly comparative performance information and periodic asset flow data for their assigned funds. These materials are prepared under the direction and supervision of the independent Senior Officer. Over the course of each year, the Sub-Committees meet with portfolio managers for their assigned funds and other members of management and review with these individuals the performance, investment objective(s), policies, strategies and limitations of these funds.

In addition to their meetings throughout the year, the Sub-Committees meet at designated contract renewal meetings each year to conduct an in-depth review of the performance, fees and expenses of their assigned funds. During the contract

renewal process, the Trustees receive comparative performance and fee data regarding the AIM Funds prepared by an independent company, Lipper, Inc. (Lipper), under the direction and supervision of the independent Senior Officer who also prepares a separate analysis of this information for the Trustees. Each Sub-Committee then makes recommendations to the Investments Committee regarding the performance, fees and expenses of their assigned funds. The Investments Committee considers each Sub-Committee's recommendations and makes its own recommendations regarding the performance, fees and expenses of the AIM Funds to the full Board. The Investments Committee also considers each Sub-Committee's recommendations in making its annual recommendation to the Board whether to approve the continuance of each AIM Fund's investment advisory agreement and sub-advisory agreements for another year.

The independent Trustees are assisted in their annual evaluation of the Fund's investment advisory agreement by the independent Senior Officer. One responsibility of the Senior Officer is to manage the process by which the AIM Funds' proposed management fees are negotiated during the annual contract renewal process to ensure that they are negotiated in a manner that is at arms' length and reasonable. Accordingly, the Senior Officer must either supervise a competitive bidding process or prepare an independent written evaluation. The Senior Officer has recommended that an independent written evaluation be provided and, at the direction of the Board, has prepared an independent written evaluation.

During the annual contract renewal process, the Board considered the factors discussed below under the heading "Factors and Conclusions and Summary of Independent Written Fee Evaluation" in evaluating the fairness and reasonableness of the Fund's investment advisory agreement and sub-advisory agreements at the contract renewal meetings and at their meetings throughout the year as part of their ongoing oversight of the Fund. The Fund's investment advisory agreement and sub-advisory agreements were considered separately, although the Board also considered the common interests of all of the AIM Funds in their deliberations. The Board considered all of the information provided to them and did not identify any particular factor that was controlling. Each Trustee may have evaluated the information provided differently

from one another and attributed different weight to the various factors. The Trustees recognized that the advisory arrangements and resulting advisory fees for the Fund and the other AIM Funds are the result of years of review and negotiation between the Trustees and Invesco Aim, that the Trustees may focus to a greater extent on certain aspects of these arrangements in some years than in others, and that the Trustees' deliberations and conclusions in a particular year may be based in part on their deliberations and conclusions of these same arrangements throughout the year and in prior years.

Factors and Conclusions and Summary of Independent Written Fee Evaluation

The discussion below serves as a summary of the Senior Officer's independent written evaluation with respect to the Fund's investment advisory agreement as well as a discussion of the material factors and related conclusions that formed the basis for the Board's approval of the Fund's investment advisory agreement and sub-advisory agreements. Unless otherwise stated, information set forth below is as of June 19, 2008 and does not reflect any changes that may have occurred since that date, including but not limited to changes to the Fund's performance, advisory fees, expense limitations and/or fee waivers.

I. Investment Advisory Agreement

A. Nature, Extent and Quality of

Services Provided by Invesco Aim

The Board reviewed the advisory services provided to the Fund by Invesco Aim under the Fund's investment advisory agreement, the performance of Invesco Aim in providing these services, and the credentials and experience of the officers and employees of Invesco Aim who provide these services. The Board's review of the qualifications of Invesco Aim to provide these services included the Board's consideration of Invesco Aim's portfolio and product review process, various back office support functions provided by Invesco Aim and its affiliates, and Invesco Aim's equity and fixed income trading operations. The Board concluded that the nature, extent and quality of the advisory services provided to the Fund by Invesco Aim were appropriate and that Invesco Aim currently is providing satisfactory advisory services in accordance with the terms of the Fund's investment advisory agreement. In addition, based on their ongoing meetings throughout the year with the Fund's portfolio manager or

managers, the Board concluded that these individuals are competent and able to continue to carry out their responsibilities under the Fund's investment advisory agreement.

In determining whether to continue the Fund's investment advisory agreement, the Board considered the prior relationship between Invesco Aim and the Fund, as well as the Board's knowledge of Invesco Aim's operations, and concluded that it was beneficial to maintain the current relationship, in part, because of such knowledge. The Board also considered the steps that Invesco Aim and its affiliates have taken over the last several years to improve the quality and efficiency of the services they provide to the AIM Funds in the areas of investment performance, product line diversification, distribution, fund operations, shareholder services and compliance. The Board concluded that the quality and efficiency of the services Invesco Aim and its affiliates provide to the AIM Funds in each of these areas have generally improved, and support the Board's approval of the continuance of the Fund's investment advisory agreement.

B. Fund Performance

The Board compared the Fund's performance during the past one, three and five calendar years to the performance of funds in the Fund's performance group that are not managed by Invesco Aim, and against the performance of all funds in the Lipper Mid-Cap Value Funds Index. The Board also reviewed the criteria used by Invesco Aim to identify the funds in the Fund's performance group for inclusion in the Lipper reports. The Board noted that the Fund's performance was in the first quintile of its performance group for the one year period and in the third quintile for the three and five year periods (the first quintile being the best performing funds and the fifth quintile being the worst performing funds). The Board noted that the Fund's performance was above the performance of the Index for the one and three year periods, and below the performance of the Index for the five year period. The Board also considered the steps Invesco Aim has taken over the last several years to improve the quality and efficiency of the services that Invesco Aim provides to the AIM Funds. The Board concluded that Invesco Aim continues to be responsive to the Board's focus on fund performance. Although the independent written evaluation of the Fund's Senior Officer only considered

Fund performance through the most recent calendar year, the Board also reviewed more recent Fund performance and this review did not change their conclusions.

C. Advisory Fees and Fee Waivers

The Board compared the Fund's contractual advisory fee rate to the contractual advisory fee rates of funds in the Fund's Lipper expense group that are not managed by Invesco Aim, at a common asset level and as of the end of the past calendar year. The Board noted that the Fund's contractual advisory fee rate was below the median contractual advisory fee rate of funds in its expense group. The Board also reviewed the methodology used by Lipper in determining contractual fee rates. The Board noted that Invesco Aim does not serve as an advisor to other mutual funds or other clients with investment strategies comparable to those of the Fund.

The Board noted that Invesco Aim has not proposed any advisory fee waivers or expense limitations for the Fund; however Invesco Aim informed the Board that it had analyzed the total expenses of the Fund, which are impacted by transfer agent fees, and determined that the total expenses are currently appropriate. Based upon amendments to the Fund's contractual advisory fee schedule in recent years, the Board concluded that it was not necessary at this time to discuss with Invesco Aim whether to amend the contractual advisory fee schedule or implement any fee waivers or expense limitations for the Fund.

After taking account of the Fund's contractual advisory fee rate, as well as the comparative advisory fee information discussed above, the Board concluded that the Fund's advisory fees were fair and reasonable.

D. Economies of Scale and Breakpoints

The Board considered the extent to which there are economies of scale in Invesco Aim's provision of advisory services to the Fund. The Board also considered whether the Fund benefits from such economies of scale through contractual breakpoints in the Fund's advisory fee schedule or through advisory fee waivers or expense limitations. The Board noted that the Fund's contractual advisory fee schedule includes seven breakpoints and that the level of the Fund's advisory fees, as a percentage of the Fund's net assets, has decreased as net assets increased because of the breakpoint. Based on this information, the Board concluded that

the Fund's advisory fees appropriately reflect economies of scale at current asset levels. The Board also noted that the Fund shares directly in economies of scale through lower fees charged by third party service providers based on the combined size of all of the AIM Funds and affiliates.

E. Profitability and Financial Resources of Invesco Aim

The Board reviewed information from Invesco Aim concerning the costs of the advisory and other services that Invesco Aim and its affiliates provide to the Fund and the profitability of Invesco Aim and its affiliates in providing these services. The Board also reviewed information concerning the financial condition of Invesco Aim and its affiliates. The Board also reviewed with Invesco Aim the methodology used to prepare the profitability information. The Board considered the overall profitability of Invesco Aim, as well as the profitability of Invesco Aim in connection with managing the Fund. The Board noted that Invesco Aim continues to operate at a net profit, although increased expenses in recent years have reduced the profitability of Invesco Aim and its affiliates. The Board concluded that the Fund's fees were fair and reasonable, and that the level of profits realized by Invesco Aim and its affiliates from providing services to the Fund was not excessive in light of the nature, quality and extent of the services provided. The Board considered whether Invesco Aim is financially sound and has the resources necessary to perform its obligations under the Fund's investment advisory agreement, and concluded that Invesco Aim has the financial resources necessary to fulfill these obligations.

F. Independent Written Evaluation of the Fund's Senior Officer

The Board noted that, at their direction, the Senior Officer of the Fund, who is independent of Invesco Aim and Invesco Aim's affiliates, had prepared an independent written evaluation to assist the Board in determining the reasonableness of the proposed management fees of the AIM Funds, including the Fund. The Board noted that they had relied upon the Senior Officer's written evaluation instead of a competitive bidding process. In determining whether to continue the Fund's investment advisory agreement, the Board considered the Senior Officer's written evaluation.

G. Collateral Benefits to Invesco Aim and its Affiliates

The Board considered various other benefits received by Invesco Aim and its affiliates resulting from Invesco Aim's relationship with the Fund, including the fees received by Invesco Aim and its affiliates for their provision of administrative, transfer agency and distribution services to the Fund. The Board considered the performance of Invesco Aim and its affiliates in providing these services and the organizational structure employed by Invesco Aim and its affiliates to provide these services. The Board also considered that these services are provided to the Fund pursuant to written contracts which are reviewed and approved on an annual basis by the Board. The Board concluded that Invesco Aim and its affiliates were providing these services in a satisfactory manner and in accordance with the terms of their contracts, and were qualified to continue to provide these services to the Fund.

The Board considered the benefits realized by Invesco Aim as a result of portfolio brokerage transactions executed through "soft dollar" arrangements. Under these arrangements, portfolio brokerage commissions paid by the Fund and/or other funds advised by Invesco Aim are used to pay for research and execution services. The Board noted that soft dollar arrangements shift the payment obligation for the research and execution services from Invesco Aim to the funds and therefore may reduce Invesco Aim's expenses. The Board also noted that research obtained through soft dollar arrangements may be used by Invesco Aim in making investment decisions for the Fund and may therefore benefit Fund shareholders. The Board concluded that Invesco Aim's soft dollar arrangements were appropriate. The Board also concluded that, based on their review and representations made by Invesco Aim, these arrangements were consistent with regulatory requirements.

The Board considered the fact that the Fund's uninvested cash and cash collateral from any securities lending arrangements may be invested in money market funds advised by Invesco Aim pursuant to procedures approved by the Board. The Board noted that Invesco Aim will receive advisory fees from these affiliated money market funds attributable to such investments, although Invesco Aim has contractually agreed to waive through at least June 30, 2009, the advisory fees payable by the Fund in an amount equal

to 100% of the net advisory fees Invesco Aim receives from the affiliated money market funds with respect to the Fund's investment of uninvested cash, but not cash collateral. The Board considered the contractual nature of this fee waiver and noted that it remains in effect until at least June 30, 2009. The Board concluded that the Fund's investment of uninvested cash and cash collateral from any securities lending arrangements in the affiliated money market funds is in the best interests of the Fund and its shareholders.

II. Sub-Advisory Agreements

A. Nature, Extent and Quality of Services Provided by Affiliated Sub-Advisors

The Board reviewed the services to be provided by Invesco Trimark Ltd., Invesco Asset Management Deutschland, GmbH, Invesco Asset Management Limited, Invesco Asset Management (Japan) Limited, Invesco Australia Limited, Invesco Global Asset Management (N.A.), Inc., Invesco Hong Kong Limited, Invesco Institutional (N.A.), Inc. and Invesco Senior Secured Management, Inc. (collectively, the "Affiliated Sub-Advisors") under the sub-advisory agreements and the credentials and experience of the officers and employees of the Affiliated Sub-Advisors who will provide these services. The Board concluded that the nature, extent and quality of the services to be provided by the Affiliated Sub-Advisors were appropriate. The Board noted that the Affiliated Sub-Advisors, which have offices and personnel that are geographically dispersed in financial centers around the world, have been formed in part for the purpose of researching and compiling information and making recommendations on the markets and economies of various countries and securities of companies located in such countries or on various types of investments and investment techniques, and providing investment advisory services. The Board concluded that the sub-advisory agreements will benefit the Fund and its shareholders by permitting Invesco Aim to utilize the additional resources and talent of the Affiliated Sub-Advisors in managing the Fund.

B. Fund Performance

The Board did not view Fund performance as a relevant factor in considering whether to approve the sub-advisory agreements for the Fund, as no Affiliated Sub-Adviser currently manages any portion of the Fund's assets.

C. Sub-Advisory Fees

The Board considered the services to be provided by the Affiliated Sub-Advisors pursuant to the sub-advisory agreements and the services to be provided by Invesco Aim pursuant to the Fund's investment advisory agreement, as well as the allocation of fees between Invesco Aim and the Affiliated Sub-Advisors pursuant to the sub-advisory agreements. The Board noted that the sub-advisory fees have no direct effect on the Fund or its shareholders, as they are paid by Invesco Aim to the Affiliated Sub-Advisors, and that Invesco Aim and the Affiliated Sub-Advisors are affiliates. After taking account of the Fund's contractual sub-advisory fee rate, as well as other relevant factors, the Board concluded that the Fund's sub-advisory fees were fair and reasonable.

D. Financial Resources of the Affiliated Sub-Advisors

The Board considered whether each Affiliated Sub-Adviser is financially sound and has the resources necessary to perform its obligations under its respective sub-advisory agreement, and concluded that each Affiliated Sub-Adviser has the financial resources necessary to fulfill these obligations.

Proxy Results

A Special Meeting (“Meeting”) of Shareholders of AIM Mid Cap Basic Value Fund, an investment portfolio of AIM Funds Group, a Delaware statutory trust (“Trust”), was held on February 29, 2008. The Meeting was held for the following purposes:

- (1) Elect 13 trustees to the Board of Trustees of the Trust, each of whom will serve until his or her successor is elected and qualified.
- (2) Approve an amendment to the Trust’s Agreement and Declaration of Trust that would permit the Board of Trustees of the Trust to terminate the Trust, the Fund, and each other series portfolio of the Trust, or a share class without a shareholder vote.
- (3) Approve a new sub-advisory agreement between Invesco Aim Advisors, Inc. and each of AIM Funds Management, Inc.; Invesco Asset Management Deutschland, GmbH; Invesco Asset Management Limited; Invesco Asset Management (Japan) Limited; Invesco Australia Limited; Invesco Global Asset Management (N.A.), Inc.; Invesco Hong Kong Limited; Invesco Institutional (N.A.), Inc.; and Invesco Senior Secured Management, Inc.

The results of the voting on the above matters were as follows:

Matters	Votes For	Withheld/ Abstentions**		
(1)* Bob R. Baker	136,849,147	4,123,920		
Frank S. Bayley	136,856,960	4,116,107		
James T. Bunch	136,850,068	4,122,999		
Bruce L. Crockett	136,834,285	4,138,782		
Albert R. Dowden	136,851,266	4,121,801		
Jack M. Fields	136,893,917	4,079,150		
Martin L. Flanagan	136,889,028	4,084,039		
Carl Frischling	136,837,466	4,135,601		
Prema Mathai-Davis	136,840,379	4,132,688		
Lewis F. Pennock	136,853,427	4,119,640		
Larry Soll, Ph.D.	136,708,623	4,264,444		
Raymond Stickel, Jr.	136,747,468	4,225,599		
Philip A. Taylor	136,731,527	4,241,540		
	Votes For	Votes Against	Withheld/ Abstentions	Broker Non-Votes
(2)* Approve an amendment to the Trust’s Agreement and Declaration of Trust that would permit the Board of Trustees of the Trust to terminate the Trust, the Fund, and each other series portfolio of the Trust, or a share class without a shareholder vote	89,092,876	12,597,596	4,024,351	35,258,244
(3) Approve a new sub-advisory agreement between Invesco Aim Advisors, Inc. and each of AIM Funds Management, Inc.; Invesco Asset Management Deutschland, GmbH; Invesco Asset Management Limited; Invesco Asset Management (Japan) Limited; Invesco Australia Limited; Invesco Global Asset Management (N.A.), Inc.; Invesco Hong Kong Limited; Invesco Institutional (N.A.), Inc.; and Invesco Senior Secured Management, Inc.	8,149,837	264,691	314,672	2,077,242

* Proposals 1 and 2 required approval by a combined vote of all of the portfolios of AIM Funds Group.

** Includes Broker Non-Votes.

eDelivery

invescoaim.com/edelivery

Register for eDelivery – eDelivery is the process of receiving your fund and account information via e-mail. Once your quarterly statements, tax forms, fund reports, and prospectuses are available, we will send you an e-mail notification containing links to these documents. For security purposes, you will need to log in to your account to view your statements and tax forms.

Why sign up?

Register for eDelivery to:

- save your Fund the cost of printing and postage.
- reduce the amount of paper you receive.
- gain access to your documents faster by not waiting for the mail.
- view your documents online anytime at your convenience.
- save the documents to your personal computer or print them out for your records.

This service is provided by Invesco Aim Investment Services, Inc.

How do I sign up?

It's easy. Just follow these simple steps:

1. Log in to your account.
2. Click on the "Service Center" tab.
3. Select "Register for eDelivery" and complete the consent process.

Fund holdings and proxy voting information

The Fund provides a complete list of its holdings four times in each fiscal year, at the quarter-ends. For the second and fourth quarters, the lists appear in the Fund's semiannual and annual reports to shareholders. For the first and third quarters, the Fund files the lists with the Securities and Exchange Commission (SEC) on Form N-Q. The most recent list of portfolio holdings is available at invescoaim.com. From our home page, click on Products & Performance, then Mutual Funds, then Fund Overview. Select your Fund from the drop-down menu and click on Complete Quarterly Holdings. Shareholders can also look up the Fund's Forms N-Q on the SEC Web site at sec.gov. Copies of the Fund's Forms N-Q may be reviewed and copied at the SEC Public Reference Room in Washington, D.C. You can obtain information on the operation of the Public Reference Room, including information about duplicating fee charges, by calling 202 942 8090 or 800 732 0330, or by electronic request at the following e-mail address: publicinfo@sec.gov. The SEC file numbers for the Fund are 811-01540 and 002-27334.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available without charge, upon request, from our Client Services department at 800 959 4246 or on the Invesco Aim Web site, invescoaim.com. On the home page, scroll down and click on Proxy Policy. The information is also available on the SEC Web site, sec.gov.

Information regarding how the Fund voted proxies related to its portfolio securities during the 12 months ended June 30, 2008, is available at our Web site. Go to invescoaim.com, access the About Us tab, click on Required Notices and then click on Proxy Voting Activity. Next, select the Fund from the drop-down menu. The information is also available on the SEC Web site, sec.gov.

If used after October 20, 2008, this report must be accompanied by a Fund fact sheet or Invesco Aim Quarterly Performance Review for the most recent quarter-end. Invesco AimSM is a service mark of Invesco Aim Management Group, Inc. Invesco Aim Advisors, Inc., Invesco Aim Capital Management, Inc., Invesco Aim Private Asset Management, Inc. and Invesco PowerShares Capital Management LLC are the investment advisors for the products and services represented by Invesco Aim; they each provide investment advisory services to individual and institutional clients and do not sell securities. Invesco Institutional (N.A.), Inc., Invesco Senior Secured Management, Inc., Invesco Global Asset Management (N.A.), Inc., Invesco Trimark Ltd., Invesco Asset Management (Japan) Ltd. and Invesco Hong Kong Ltd. are affiliated investment advisors that serve as the subadvisor for some of the products and services represented by Invesco Aim. Invesco Aim Distributors, Inc. is the distributor for the retail mutual funds, exchange-traded funds and U.S. institutional money market funds represented by Invesco Aim. All entities are indirect, wholly owned subsidiaries of Invesco Ltd.

