AIM Essentials™

FOUR ELEMENTS OF SUCCESSFUL INVESTING

AIM FUNDS™

TRIMARK INVESTMENTS™

FOCUS ON THE SIMPLICITY OF SUCCESSFUL INVESTING

Many Canadians are feeling confused by today's investment climate – financial products have grown in number and complexity and the markets are experiencing high levels of volatility. Knowing where and when to invest can seem overwhelming.

Building a long-term plan

Short-term market fluctuations should not be a concern when you have a sound long-term financial plan – one that includes a well-diversified portfolio, specific investment objectives and an appropriate time horizon.

No one can predict when markets will go up or down – but historically, the long-term trend has been up. Investing regularly is a good way to average out the highs and lows of the markets and staying focused is the best way to achieve your long-term goals.

Investing doesn't have to be complicated

And in reality, it isn't. Successful investing isn't much different today than it was 5, 10 or 50 years ago. Making the most of your money still boils down to a few essentials:

- **Diversify to manage risk**
  Diversification helps to increase potential returns over the long term while managing risk and reducing the effects of market volatility on your portfolio.

- **Reduce the impact of taxes**
  Taxes reduce the long-term returns of an investment portfolio. A key step to helping you reach your financial goals is managing your investments for maximum tax efficiency.

- **Start with core holdings**
  Core holdings are an integral and widely recommended part of an investment strategy that will help you to build a well-balanced portfolio and to realize your long-term financial goals.

- **Invest long term, think long term**
  The key to long-term investing is to continually think long term. This means that you should consider your timeframe and then get time on your side as it will enable you to take advantage of the power of compound growth.

Diversify to manage risk

Why is a diversified portfolio so important? Quite simply, it is the best way to increase potential returns over the long term and reduce the effects of market volatility on your portfolio.

Managing market volatility. While volatility is a fact of life in investing, holding a mix of investments eases the psychological impact of market ups and downs. Diversification effectively reduces the impact of volatility in any one investment. This can take the emotion out of investing and allow for rational decision making.

Increasing potential returns. Holding a mix of asset classes ensures that your portfolio takes part in the best-performing areas of the market. For broad based exposure, your assets should include stocks and bonds spread across domestic and foreign markets, as well as a variety of market capitalizations. Your financial advisor can help you select the right mix of assets for you.

Why diversification pays off

Year	Canadian equities (%)	Small-cap Canadian equities (%)	Large-cap U.S. equities (%)	International equities (%)	Canadian bonds (%)	Canadian T-Bills (%)
1980	30.13	42.86	35.53	27.27	6.57	14.97
1981	-10.25	-15.10	-5.85	-2.00	4.20	18.41
1982	5.54	4.55	27.03	3.62	35.36	15.42
1983	35.49	44.30	23.38	25.45	11.53	9.62
1984	-2.39	-2.33	12.52	14.20	14.66	11.59
1985	25.07	38.98	39.25	65.67	21.23	9.88
1986	8.95	12.33	17.35	68.06	14.70	9.33
1987	5.88	-5.47	-0.70	17.87	4.04	8.48
1988	11.08	5.46	7.02	18.01	9.79	9.41
1989	21.37	10.66	27.82	7.55	12.81	12.36
1990	-14.80	-27.32	-2.95	-23.20	7.54	13.48
1991	12.02	18.51	29.97	12.05	22.14	9.83
1992	-1.43	13.01	18.41	-3.01	9.85	7.08
1993	32.55	52.26	14.61	38.42	18.13	5.50
1994	-0.18	-9.21	7.36	14.50	-4.31	5.36
1995	14.53	12.55	33.82	8.51	20.67	7.39
1996	28.35	27.49	23.50	6.83	12.26	5.02
1997	14.98	2.60	39.18	6.51	9.65	3.18
1998	-1.58	-21.46	37.57	28.75	9.17	4.73
1999	31.71	16.42	14.24	20.15	-1.15	4.66
2000	7.41	-4.29	-5.67	-10.17	10.25	5.47

*Source: Standard & Poor's Micropal® ©Micropal, Inc. (2000) 1.800.596.5323 http://www.micropal.com

Canadian equities: Toronto Stock Exchange 300 Index; Small-cap Canadian equities: Nesbitt Burns Small Cap Index; Large-cap U.S. equities: Standard and Poor's 500 Index; International equities: Morgan Stanley Capital International Europe, Australasia & Far East Index; Canadian bonds: Scotia Capital Universe Bond Index; Canadian T-Bills: 91-day Government of Canada Treasury Bills. All returns are calendar year total returns (C$), which include reinvestment of dividends. Please note that an investment cannot be made directly in an index.

The chart above shows how various asset classes have performed in different years. Looking at the range of the fluctuations from year to year for the different asset classes, it's clear why you wouldn't want your entire portfolio invested in just one or two areas.

Asset classes

For investment purposes, assets are classified as:

- **Cash.** This includes any short-term interest-bearing investments including T-bills, term deposits and savings accounts
- **Fixed Income.** These are loans to governments and corporations for which you receive fixed interest income payments for a specified period of time
- **Equity.** These are assets that you own, such as shares in a company. They have the potential to grow and produce capital gains

Asset allocation refers to the distribution of investments among different asset classes. It's a diversifying technique used to manage risk and increase potential returns over the long term.

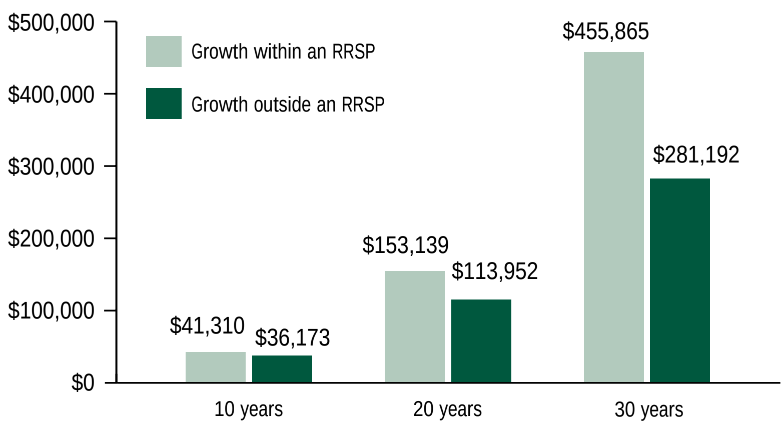
Reduce the impact of taxes

One of the most effective ways to increase your investment returns is to decrease the amount of tax you pay on them. That's why you and your financial advisor need to manage your investments for maximum tax efficiency.

How do you do this? Your financial advisor can help you take advantage of all of the investment opportunities the world has to offer, while minimizing the tax you pay. To start, here are three tax-efficient ideas:

- Focus on investments that generate capital gains or dividend income if you're investing outside of a registered plan, as they're both taxed more favourably than interest income
- Consider investing within a mutual fund corporation to defer potential capital gains tax. You can transfer between funds within the same mutual fund corporation without triggering capital gains. This is an effective way to defer your tax bill into the future
- Invest within a tax-deferred environment, such as a Registered Retirement Savings Plan (RRSP), where your investments can grow sheltered from tax

The advantage of tax deferral for your investments. Investments in RRSPs grow faster than those outside of registered plans. Earnings on RRSP investments are not taxed as long as they remain in the plan. The chart below illustrates the growth of a monthly contribution of $200 within an RRSP and one outside an RRSP over 30 years.



This example assumes a monthly contribution of $200 (invested at the beginning of each month) for 30 years that earns an annual rate of return of 10 per cent. The capital gains tax rate of 24 per cent is the highest combined federal and provincial marginal capital gains tax rate in Canada as at January 1, 2001.

After 30 years, the RRSP investment would be worth $455,865, while a taxable investment producing the same return would be worth $281,192. The difference results from the RRSP investment's earnings compounding on a tax-deferred basis.

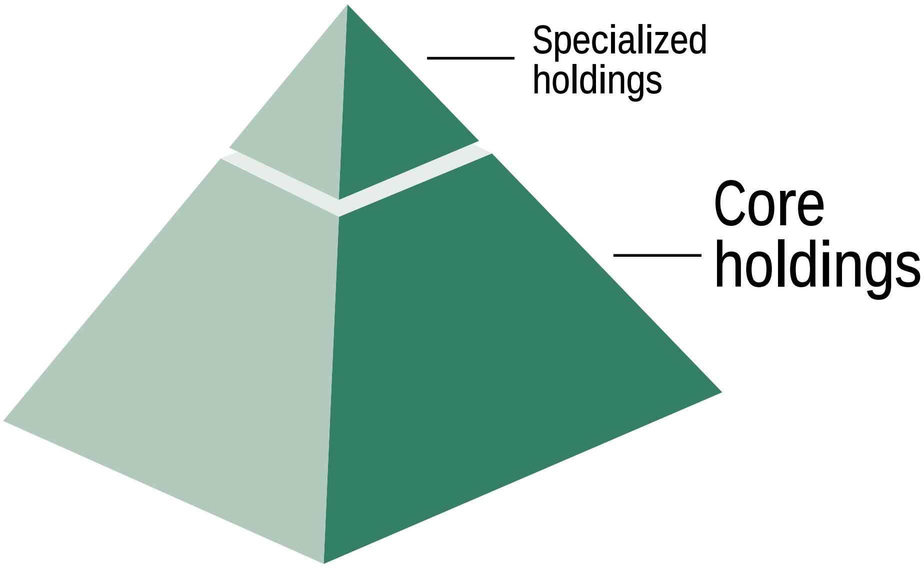
Plan for no refund next tax season

Large refunds usually come about because deductions withheld at source – tax on employment income, for example – are higher than necessary. In essence, the government is getting an interest-free loan on your money. You'll get back most of the money at tax time the following year, but by then you've lost the benefit of having the money earlier.

Start with core holdings

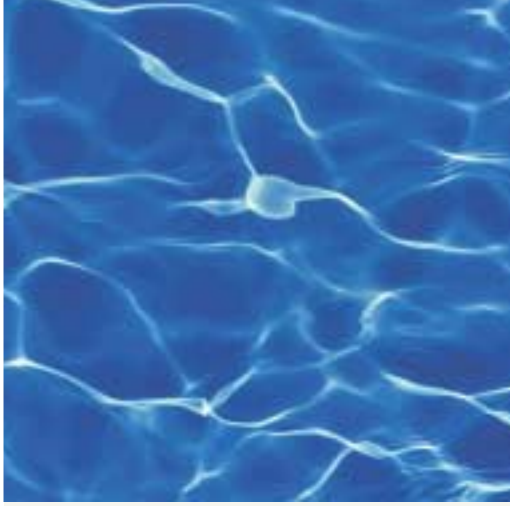
You'll often get investment advice that the foundation of your portfolio should be built with core "holdings." Core holdings usually display lower levels of volatility, have a broader representation of industry sectors and hold a larger number of securities.

This diversified approach to investing is designed to deliver more consistent performance and lower relative volatility over the long term compared to more specialized investments. As indicated in the diagram below, core holdings should typically constitute a significant portion of your overall investment portfolio.



Add specialized holdings to the foundation. Specialized investments typically focus on specific industry sectors, geographic regions or companies of a particular market capitalization. They allow you to place greater emphasis on areas of the market that you believe will outperform. At the same time, focusing your portfolio in a single area of the market comes with additional risks, which include higher relative volatility and lower consistency and predictability of returns.

In building a well-balanced investment portfolio, work with your financial advisor to develop the right foundation with core holdings, potentially complemented by allocations to more specialized investments.



What to look for when choosing core investments

Your portfolio's core investments should have the following characteristics:

- A relatively broad mandate. For example, a core global equity mutual fund should invest across many geographic regions and industry sectors
- It should perform relatively well through all types of market conditions
- Historical performance should be more consistent and the investment should have lower relative risk

Invest long term, think long term

The ups and downs of financial markets can be unsettling. It is not uncommon to react to market volatility with hasty decisions that can jeopardize a sound investment strategy.

The cycle of market emotions. The chart below illustrates the cycle of market emotions you may feel as you track the performance of your investments through market ups and downs. It's no surprise that you feel great when your investments are performing well and uncertain about them when they are down in value. While these are natural feelings, some actions you might consider may not be logical when you take into consideration your long-term financial plan.

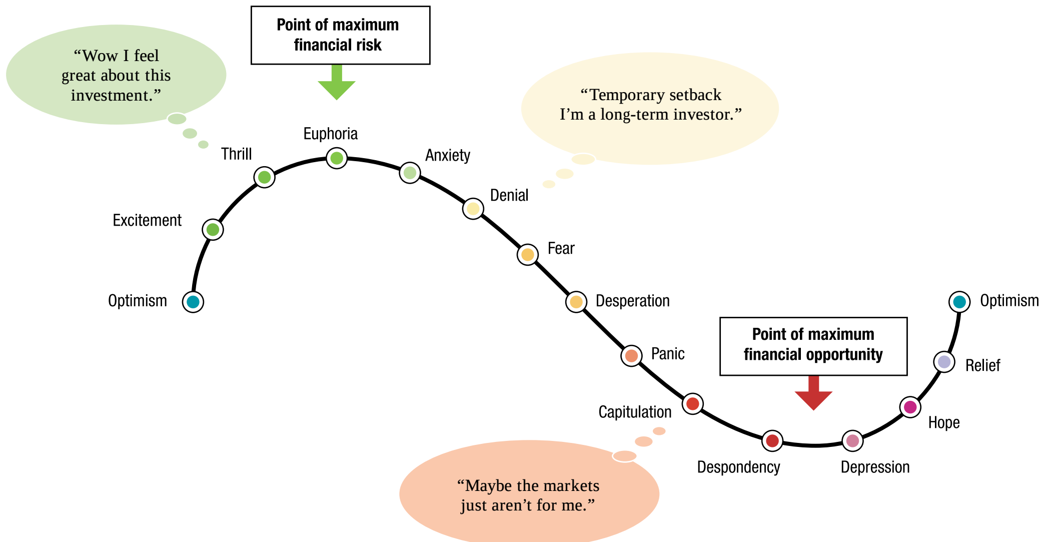


Chart source: Westcore Funds / Denver Investment Advisers LLC, 1998

The reality is that seeing beyond the day-to-day fluctuations in the markets is the best way to reach your financial goals over the long term. This strategy is particularly important in today's investment climate, where market volatility has become a fact of life.

Consider your timeframe. Look at your investment goals. If you are investing for the long term (retirement savings, for example), then what happens in the markets today may mean little to you 10 or 15 years down the road. If you are investing for the short term – say, saving for a big purchase five years from now – you might want to consider more conservative investments. Work with your financial advisor to determine the most appropriate investments for reaching your goals.

Get time on your side. A look at market history shows that the longer you hold your investments, the lower the impact of volatility on your portfolio. What you are currently thinking of as long term may not be long enough. In fact, recent data from Bogle Financial Markets Research Center shows that the average investor holds a mutual fund for less than three years. Twenty years ago, the average holding period was closer to eight years.

The hazards of short-term thinking

The age-old expression, "It's time in the market, not timing the market, that counts," still holds true. Here's an example that demonstrates the wisdom of staying invested.

Suppose you had invested a hypothetical $10,000 in the Toronto Stock Exchange 300 Total Return (TSE) Index on November 30, 1990. Over 10 years, it would have grown to $35,204 – an average annual compound return of 13.41 per cent.

But what if, instead of staying invested, you had hopped in and out of the markets, hoping to ride the price swings? The odds are definitely not in your favour. Missing just the 20 best days, out of a total 2,519 trading days over that 10-year period, would have cut your average annual compound return to 6.17 per cent from 13.41 per cent.

The most effective strategy is also one of the simplest: Be patient, and focus on the long term.

Take advantage of compound growth. Building a diversified portfolio of investments and staying invested allows you to benefit from compounding returns over the long term. When the investments are held in a tax-sheltered environment, such as a Registered Retirement Savings Plan, the benefits are even more pronounced.

The power of compounding. The following example demonstrates the power of compounding for those who invest early and stay invested over the long term.

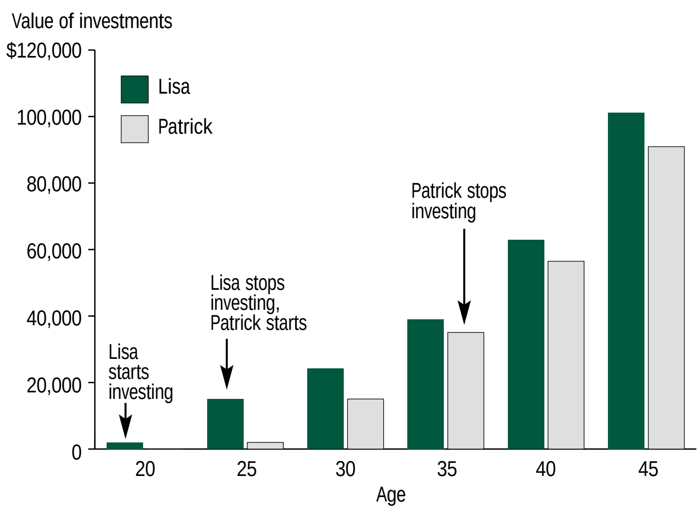
Patrick and Lisa are 45-year-old twins, who have very different ideas about how to invest their money. When she was 20, Lisa began setting aside $2,000 every year and investing it in a diversified portfolio that generated an average annual compound rate of return of 10 per cent. After five years, she stopped and simply let the money grow.

Patrick waited those five years before he began investing. Then, in an effort to catch up to Lisa, he invested $2,000 a year for the next 10 years. His portfolio, like Lisa's, generated an average annual compounded rate of return of 10 per cent.

The chart below illustrates how they are doing today.

The power of compounding for those who invest early

Total principal invested: Lisa $10,000 Patrick $20,000



Assumes $2,000 invested at the beginning of the year. Average annual compound rate of return of 10 per cent. All investment income reinvested. Investments are sheltered from tax.

Lisa has $101,195. Patrick has only $90,942 – even though Patrick has invested twice as much, Lisa is still ahead.

Put dollar cost averaging to work for you

With monthly living expenses and bills, many people find it difficult to purchase investments or make lump-sum contributions to their RRSPs or savings. An excellent option is making regular, monthly contributions to an investment. Not only is it easier to set aside a small amount of money each month, but by investing on a regular basis, you can also benefit from dollar cost averaging.

Say you decide to make regular, monthly contributions in a mutual fund. When the net asset value of your fund rises, your regular contributions will buy fewer shares. When the net asset value of your fund goes down, your regular contributions will buy more shares. Over time, if the net asset value of your fund rises, the value of all your shares will rise. With dollar cost averaging you effectively average your cost per share. Talk to your financial advisor today about how to start investing regularly.

Invest long term, think long term

This graph helps to illustrate that despite historical negative events, the markets have continually bounced back and provi
is key to maintaining proper focus in the face of inevitable short-term market fluctuations. When you look to the long-term
timing the market that counts. If you stick with your long-term plan, you can take advantage of the power of compound gro

The following graphs show the growth of $5,000 invested in the various key indices as at September 1, 1981 with no costs

1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 199

1981
- 52 American hostages released from Iran after 444 days
- Terry Fox dies

1982
- Lech Walesa released after 11 months in prison
- Canadians reach summit of Mt. Everest
- Constitution gets royal assent

1983
- U.S. Embassy in Beirut bombed
- Canada designs and builds Canadarm
- Space shuttle Challenger completes its first successful mission

1984
- First untethered space walk
- PCs win huge majority
- Jeanne Sauvé appointed Canada's first woman Governor General

1985
- Mikhail Gorbachev new Soviet leader
- State of emergency declared in South Africa
- Reagan and Gorbachev hold first summit

1986
- Space shuttle Challenger explodes shortly after launch, killing all seven crew members
- Explosion at the Chernobyl Nuclear Power Station

1987
- Wheelchair athlete Rick Hansen completes round-the-world marathon
- Black Monday drives Dow Jones Industrial Average down by 508 points

1988
- Canadian Vicki Keith swims all five Great Lakes
- Canada and U.S. ratify free trade agreement effective Jan. 1, 1989
- Seoul / Calgary Olympics

1989
- Demand for democracy in China
- Opening of Berlin Wall crossing points
- Exxon Valdez oil spill in Alaska

1990
- Iraq invades and occupies Kuwait
- Nelson Mandela freed after 27 years
- Native land dispute in Oka, Quebec

1991
- Ethnic conflict in Yugoslavia
- War in the Persian Gulf
- New Year rings in GST

199
- UN Security C deploys peace to Yugoslavia
- UN Index rates Canada world best place to l
- Canada celebr 125th birthday

Dow Jones Industrial Average (DJIA): A price-weighted index of 30 of the largest, most widely held stocks traded on the New York Stock Exchange (NYSE) and NASDAQ. Standard
NASDAQ Total Return Index: A market capitalization-weighted index of over 4,000 over-the-counter issues traded on the NASDAQ market. Morgan Stanley Capital International (MS
is comprised of approximately 1,600 companies from 22 countries. Scotia Capital Universe Bond Index: A broad measure of the total return for the Canadian bond market, covering a
greater than one year. Toronto Stock Exchange (TSE) 300 Total Return Index: A broad-based market capitalization-weighted index of 300 of the largest, most widely held stocks trade

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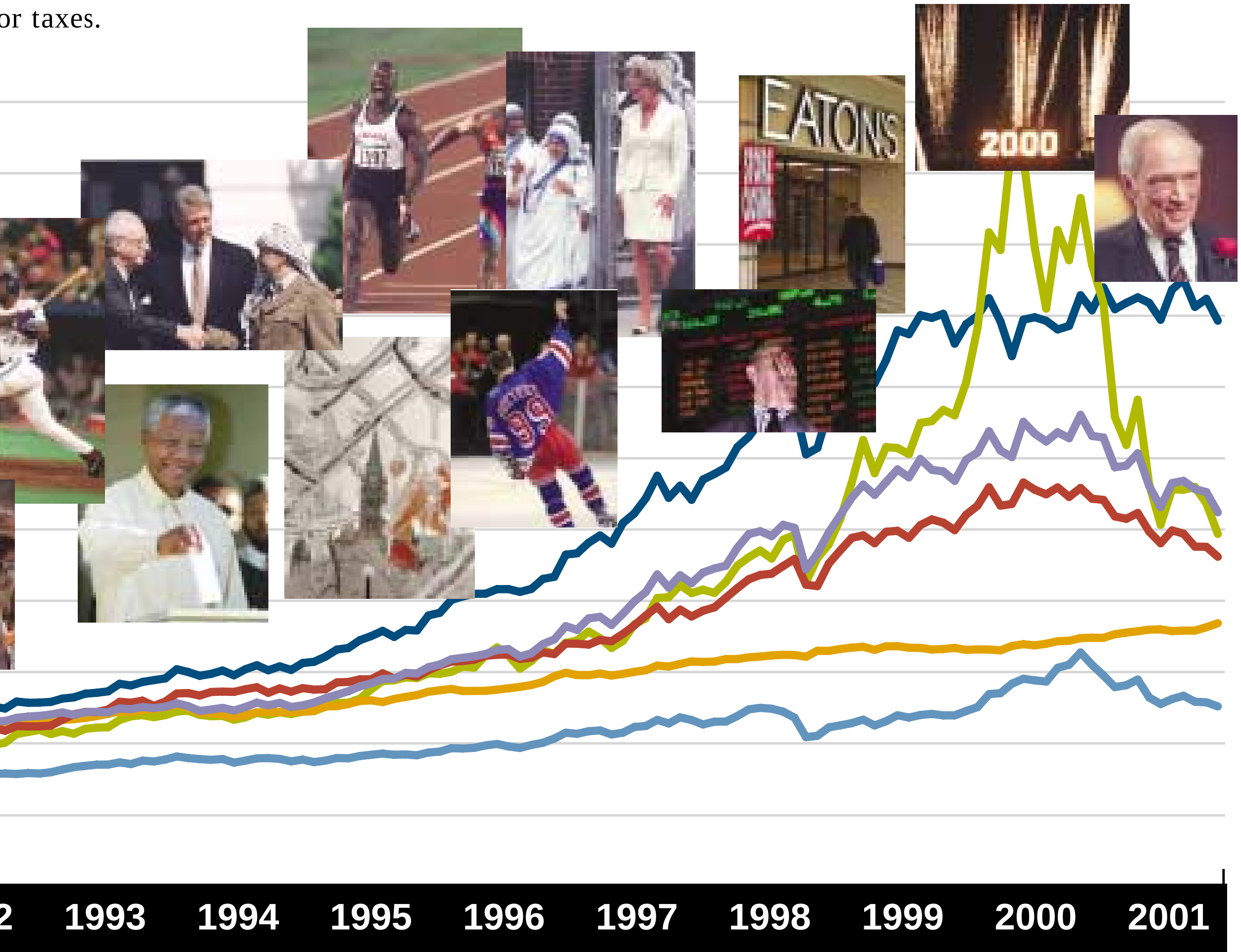

at September 1, 2001

Dow Jones Industrial Average	$138,599.84
S&P 500 Index	$84,820.47
NASDAQ Index	$78,760.99
MSCI World Index	$72,347.65
Scotia Capital Universe Bond Index	$53,697.76
TSE 300 Index	$30,350.04

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- Bill Clinton takes oath of office as 42nd U.S. President
- Israel and the PLO seal peace agreement with historic handshake

- Mexico joins Canada and the U.S. in NAFTA
- Channel Tunnel opens
- Nelson Mandela sworn in as President of South Africa

- Nick Leeson brings down British merchant bank Barings
- Quebec referendum a No by the narrowest possible margin

- Donovan Bailey "the world's fastest man"
- Atlanta Olympics
- Bill Clinton re-elected as President of the U.S.

- Hong Kong returned to China after 156 years as a British colony
- Bre-X fraud exposed
- 195 countries ban use of land mines

- "Ice Storm" covers eastern Ontario, Quebec, New Brunswick and Nova Scotia
- Vote to impeach President Bill Clinton

- Eaton's files for bankruptcy
- Wayne Gretzky retires
- John F. Kennedy Jr., his wife & her sister die in a plane crash
- Y2K frenzy

- Pierre Trudeau dies
- The bubble bursts on technology stocks
- 19 days after U.S. election, George W. Bush is declared the winner

- Stock markets experience steep declines
- Chris Hadfield is first Canadian to walk in space
- Summit of the Americas in Quebec City

& Poor's (S&P) 500 Total Return Index: A market capitalization-weighted index of the largest and most widely held stocks in the U.S.
CI) World Index: Measures the total returns (dividends reinvested) of equity securities available in developed markets globally. The index
pproximately 700 marketable Canadian federal, provincial, municipal and corporate bonds that are rated BBB or higher with a maturity of
d on The Toronto Stock Exchange.

AIM FUNDS℠

TRIMARK INVESTMENTS™

Successful investing starts with a professional

In this day and age, investors are inundated with investment information. It's difficult not to be alarmed by some of the headlines you read in the business press. The bottom line is that it's simply a daunting task to build an investment portfolio from scratch, or restructure an existing portfolio. So why face it alone?

A financial advisor is trained to stay on top of all the information about the markets and the direction of the economy. He or she can work with you to build and maintain a well-balanced, diversified portfolio that will help you reach your long-term goals, at a level of risk that's acceptable to you. You'll have the peace of mind just knowing that you have a handle on today's volatile financial markets.

And remember, your financial advisor can help you with a multitude of investment needs, including:

- Retirement planning
- Education savings
- Estate planning
- Income protection

Call your financial advisor today. Or, if you need a financial advisor, visit **www.aimfunds.ca** for a listing of financial advisors in your area.

AIM Funds Management Inc.

AIM Funds Management Inc. (AIM) is one of Canada's largest mutual fund companies with over $33 billion* in assets under management. A subsidiary of U.K.-based AMVESCAP PLC, one of the world's largest independent investment managers, AIM employs more than 1,000 people in its Calgary, Montreal, Toronto and Vancouver offices.

AMVESCAP is dedicated to helping people worldwide build their financial security, offering a broad array of investment products and services to individuals and institutional investors in 150 countries. Its securities trade on the London, Frankfurt, New York, Paris and Toronto stock exchanges. AIM and its associated companies under the AMVESCAP umbrella draw on the talents and expertise of more than 550 investment professionals in more than 25 countries to manage over $625 billion* in assets worldwide.

*As at June 30, 2001

A member of the AMVESCAP Group.

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