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INVESCO SHORT-TERM BOND FUND

Supplement to Prospectus
dated December 30, 1994

The section of the Fund's Prospectus entitled "Annual Fund Expenses" is amended to read as follows:

ANNUAL FUND EXPENSES

The Fund is no-load; there are no fees to purchase, exchange or redeem shares. The Fund, however, is authorized to pay a distribution fee pursuant to Rule 12b-1 under the Investment Company Act of 1940. (See "How Shares Can Be Purchased--Distribution Expenses.") Lower expenses benefit Fund shareholders by increasing the Fund's total return.

Shareholder Transaction Expenses	
Sales load "charge" on purchases	None
Sales load "charge" on reinvested dividends	None
Redemption fees	None
Exchange fees	None

Annual Fund Operating Expenses (after absorbed expenses)(1)
(as a percentage of average net assets)*

Management Fee(1)		0.50%
12b-1 Fees (1)		0.25%
Other Expenses (1)		0.00%
Transfer Agency Fee (1)(2)	0.00%	
General Services, Administrative Services, Registration, Postage (1)(3)	0.00%	
Total Fund Operating Expenses (1)		0.75%

(1) Certain Fund expenses are being voluntarily absorbed by the Fund's investment adviser in order to ensure that the Fund's total operating expenses do not exceed 0.30% (through April 30, 1995) and 0.75% (effective May 1, 1995) of the Fund's average net assets. In the absence of such voluntary expense limitation, the Fund's Other Expenses, Transfer Agency Fee, General Services, etc. expenses and Total Fund Operating Expenses in the above table would have been 1.41%, 0.37%, 1.04% and 2.16%, respectively, of the Fund's average net assets based on the actual expenses of the Fund for the fiscal year ended August 31, 1994.

(2) The 0.37% transfer agency fee referred to in footnote (1) assumes that the current transfer agency fee had been in effect during the entire fiscal year ended August 31, 1994. This fee is described under "Additional Information - Transfer and Dividend
Disbursing Agent."

(3) Includes, but is not limited to, fees and expenses of directors, custodian bank, legal counsel and auditors, a securities pricing service, costs of administrative services under an Administrative Services Agreement, costs of registration of Fund shares under applicable laws, and costs of printing and distributing reports to shareholders.

Example*

Based upon Total Operating Expenses as estimated above, a shareholder would pay the following expenses on a $1,000 investment for the periods shown, assuming (1) a 5% annual return and (2) redemption at the end of each time period:

1 Year	3 Years	5 Years	10 Years
$8	$24	$42	$93

The purpose of the foregoing table is to assist investors in understanding the various costs and expenses that an investor in the Fund will bear directly or indirectly. Such expenses are paid from the Fund's assets. (See "The Fund and Its Management.") The Fund charges no sales load, redemption fee, or exchange fee. The expense table and Example should not be considered a representation of past or future expenses, and actual expenses may be greater or less than those shown. The assumed 5% annual return is hypothetical and should not be considered a representation of past or future annual returns, which may be greater or less than the assumed amount.

As a result of the 0.25% Rule 12b-1 fee paid by the Fund, investors who own Fund shares for a long period of time may pay more than the economic equivalent of the maximum front-end sales charge permitted for mutual funds by the National Association of Securities Dealers, Inc.

*The expense information in the above tables has been presented on a basis that assumes that the Fund's current 0.75% expense limitation had been in effect during the year ended August 31, 1994.

The ninth paragraph in the section of the Fund's Prospectus entitled "The Fund and Its Management" is hereby amended to read as follows:

The Fund's expenses, which are accrued daily, are generally deducted from the Fund's total income before dividends are paid. Total expenses of the Fund for the fiscal year ended August 31, 1994, including investment advisory fees (but excluding brokerage commissions which are included as a cost of acquiring securities), amounted to 0.46% of the Fund's average net assets. In the absence of the voluntary expense limitation that applied during this period, the total expenses of the Fund, including investment advisory fees (but excluding brokerage commissions), would have been 2.04% of the Fund's average net assets. Certain Fund expenses will be absorbed voluntarily by INVESCO in order to ensure that the Fund's total operating expenses will not exceed 0.30% (through April 30, 1995) and 0.75% (effective May 1, 1995) of the Fund's average net assets.

The date of this Supplement is July 21, 1995.

PROSPECTUS
December 30, 1994

INVESCO SHORT-TERM BOND FUND

INVESCO Short-Term Bond Fund (the "Fund") seeks to achieve the highest level of current income as is consistent with minimum fluctuation in principal value and with maintaining liquidity. The Fund invests primarily in short-term debt securities (having maturities of 3 years or less) and intermediate-term debt securities (having maturities of 3 to 10 years) and maintains a diversified portfolio with a dollar-weighted average maturity of not more than three years. The Fund pursues its investment objective by investing in a variety of debt securities consistent with the policies of this Fund.

The Fund is a series of INVESCO Income Funds, Inc. (the "Company"), a diversified, managed, no-load mutual fund consisting of four separate investment funds. This Prospectus relates to shares of the Fund. Separate Prospectuses are available upon request from INVESCO Funds Group, Inc. for the Company's other funds, INVESCO Select Income Fund, INVESCO High Yield Fund and INVESCO U.S. Government Securities Fund. Investors may purchase shares of any or all funds. Additional funds may be offered in the future.

This Prospectus provides you with the basic information you should know before investing in INVESCO Short-Term Bond Fund. You should read it and keep it for future reference. A Statement of Additional Information containing further information about the Fund has been filed with the Securities and Exchange Commission. You can obtain a copy without charge by writing INVESCO Funds Group, Inc., Post Office Box 173706, Denver, Colorado 80217-3706; or by calling 1-800-525-8085.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. SHARES OF THE FUND ARE NOT DEPOSITS OR OBLIGATIONS OF, OR GUARANTEED OR ENDORSED BY, ANY BANK OR OTHER FINANCIAL INSTITUTION. THE SHARES OF THE FUND ARE NOT FEDERALLY INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE FEDERAL RESERVE BOARD OR ANY OTHER AGENCY.

THE STATEMENT OF ADDITIONAL INFORMATION, DATED DECEMBER 30, 1994, IS HEREBY INCORPORATED BY REFERENCE INTO THIS PROSPECTUS.

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ANNUAL FUND EXPENSES

The Fund is no-load; there are no fees to purchase, exchange or redeem shares. The Fund, however, is authorized to pay a distribution fee pursuant to Rule 12b-1 under the Investment Company Act of 1940. (See "How Shares Can Be Purchased--Distribution Expenses.") Lower expenses benefit Fund shareholders by increasing the Fund's total return.

Shareholder Transaction Expenses

Sales load "charge" on purchases	None
Sales load "charge" on reinvested dividends	None
Redemption fees	None
Exchange fees	None

Annual Fund Operating Expenses (after absorbed expenses)(1)
(as a percentage of average net assets)

Management Fee(1)		0.30%
12b-1 Fees (1)		0.00%
Other Expenses (1)		0.00%
Transfer Agency Fee (1)(2)	0.00%	
General Services, Administrative Services, Registration, Postage (1)(3)	0.00%	
Total Fund Operating Expenses (1)		0.30%

(1) Certain Fund expenses are being voluntarily absorbed by the Fund's investment adviser and sub-adviser, in order to ensure that the Fund's total operating expenses do not exceed 0.30% of the Fund's average net assets. In the absence of such voluntary expense limitation, the Fund's Management Fees, 12b-1 Fees, Other Expenses, Transfer Agency Fees, General Services, etc. Fees and Total Fund Operating Expenses in the above table would have been 0.50%, 0.25%, 1.41%, 0.37%, 1.04% and 2.16%, respectively, of the Fund's average net assets based on the actual expenses of the Fund for the fiscal year ended August 31, 1994.

(2) The 0.37% transfer agency fee referred to in footnote (1) assumes that the current transfer agency fee had been in effect during the entire fiscal year ended August 31, 1994. This fee is described under "Additional Information - Transfer and Dividend Disbursing Agent."

(3) Includes, but is not limited to, fees and expenses of directors, custodian bank, legal counsel and auditors, a securities pricing service, costs of administrative services under an Administrative Services Agreement, costs of registration of Fund shares under applicable laws, and costs of printing and distributing reports to shareholders.

Example

Based upon Total Operating Expenses as estimated above, a shareholder would pay the following expenses on a $1,000 investment for the periods shown, assuming (1) a 5% annual return and (2) redemption at the end of each time period:

1 Year	3 Years	5 Years	10 Years
$3	$10	$17	$38

The purpose of the foregoing table and is to assist investors in understanding the various costs and expenses that an investor in the Fund will bear directly or indirectly. Such expenses are paid from the Fund's assets. (See "The Fund and Its Management.") The Fund charges no sales load, redemption fee, or exchange fee. The expense table and Example should not be considered a representation of past or future expenses, and actual expenses may be greater or less than those shown. The assumed 5% annual return is hypothetical and should not be considered a representation of past or future annual returns, which may be greater or less than the assumed amount.

As a result of the 0.25% Rule 12b-1 fee paid by the Fund, investors who own Fund shares for a long period of time may pay more than the economic equivalent of the maximum front-end sales charge permitted for mutual funds by the National Association of Securities Dealers, Inc.

Financial Highlights
(For a Fund Share Outstanding throughout the Period)

The following information has been audited by Price Waterhouse LLP, independent accountants. This information should be read in conjunction with the audited financial statements and report of independent accountants thereon appearing in the Fund's 1994 Annual Report to Shareholders and Statement of Additional Information, both of which are available without charge by contacting INVESCO Funds Group, Inc. at the address or telephone number shown below.

	Period Ended August 31
	1994~
PER SHARE DATA	
Net Asset Value -- Beginning of Period	$10.00
INCOME FROM INVESTMENT OPERATIONS	
Net Investment Income	0.47
Net Losses on Securities (Both Realized and Unrealized)	(0.54)
Total from Investment Operations	(0.07)
LESS DISTRIBUTIONS	
Dividends from Net Investment Income	0.47
Net Asset Value -- End of Period	$ 9.46

TOTAL RETURN	(0.72%)+
RATIOS	
Net Assets -- End of Period ($000 Omitted)	$7,878
Ratio of Expenses to Average Net Assets#	0.46%*
Ratio of Net Investment Income to Average Net Assets#	5.50%*
Portfolio Turnover Rate	69%+

~ From September 30, 1993, commencement of operations, to August 31, 1994.

+ These amounts are based on operations for the period shown and, accordingly, are not representative of a full year.

Various expenses of the Short-Term Bond Fund were voluntarily absorbed by INVESCO Funds Group, Inc. for the period ended August 31, 1994. If such expenses had not been voluntarily absorbed, annualized ratio of expenses to average net assets would have been 2.04%, and annualized ratio of net investment income to average net assets would have been 3.92%.

* Annualized

Further information about the performance of the Fund is contained in the Fund's annual report to shareholders, which may be obtained without charge by writing INVESCO Funds Group, Inc., P.O. Box 173706, Denver, Colorado 80217-3706; or by calling 1-800-525-8085.

PERFORMANCE DATA

From time to time, the Fund advertises its yield and total return performance. These figures are based upon historical investment results and are not intended to indicate future performance. The "yield" of the Fund refers to the income generated by an investment in the Fund over a 30-day or one-month period (which period will be stated in the advertisement). Yield quotations are computed by dividing the net investment income per share earned during the period as calculated according to a prescribed formula by the net asset value per share at the end of the period, then adjusting the result to provide for semiannual compounding.

"Total return" refers to the average annual rate of return of an investment in the Fund. This figure is computed by calculating the percentage change in value of an investment of $1,000, assuming reinvestment of all income dividends and capital gains distributions, to the end of a specified period. Periods of one year, five years, and ten years are used to the extent possible.

Statements of the Fund's total return performance are based upon investment results during a specified period and assume reinvestment of all dividends and capital gains, if any, paid during that period. Thus, any given report of total return performance should not be considered as representative of future performance. The Fund charges no sales load, redemption fee, or exchange fee which would affect the total return computation.

In conjunction with performance reports and/or analyses of shareholder service for the Fund, comparative data between the Fund's performance for a given period and recognized indices of investment results for the same period, and/or assessments of the quality of shareholder service, may be provided to shareholders. Such indices include indices provided by Dow Jones & Company, Standard & Poor's, Lipper Analytical Services, Inc., Lehman Brothers, National Association of Securities Dealers Automated Quotations, Frank Russell Company, Value Line Investment Survey, the American Stock Exchange, Morgan Stanley Capital International, Wilshire Associates, the Financial Times-Stock Exchange, the New York Stock Exchange, the Nikkei Stock Average and the Deutcher Aktienindex, all of which are unmanaged market indicators. In addition, rankings, ratings, and comparisons of investment performance and/or assessments of the quality of shareholder service appearing in publications such as Money, Forbes, Kiplinger's Personal Finance, Morningstar, and similar sources which utilize information compiled (i) internally; (ii) by Lipper Analytical Services, Inc.; or (iii) by other recognized analytical services, may be used in advertising. The Lipper Analytical Services, Inc. mutual fund rankings and comparisons, which may be used by the Fund in performance reports, will be drawn from the "Corporate Bond Funds - BBB Rated" Lipper mutual fund groupings, in addition to the broad-based Lipper general fund grouping.

INVESTMENT OBJECTIVE AND POLICIES

The Company consists of four separate portfolios of investments, each represented by a different class of the Company's common stock. This Prospectus relates to INVESCO Short-Term Bond Fund; separate Prospectuses for INVESCO Select Income Fund, INVESCO High Yield Fund, and INVESCO U.S. Government Securities Fund are available. The investment objective of the Fund, which is fundamental and may not be changed without a vote of the Fund's shareholders, is to seek to achieve the highest level of current income as is consistent with minimum fluctuation in principal value and with liquidity. The Fund invests primarily in short-term debt securities (having maturities of 3 years or less) and intermediate- term debt securities (having maturities of 3 to 10 years) and maintains a diversified portfolio with a dollar-weighted average maturity of not more than three years. When the investment adviser or sub-adviser deems it appropriate, the Fund may invest in debt securities having maturities in excess of ten years. The investment adviser or sub-adviser will seek to adjust the portfolio of debt securities held by the Fund to maximize current income consistent with the investment objective of the Fund. Debt securities in which the Fund invests will be selected on the basis of the adviser's assessment of interest rate trends and the liquidity of various instruments under prevailing market conditions. The potential for capital appreciation is an incidental factor that may also be considered in selecting investments for the Fund.

In determining the maturity of debt securities held by the Fund for purposes of the maturity limitations described above, debt securities may be treated as having maturities that are shorter than their actual stated maturities if the securities have special features that produce characteristics similar to those associated with securities having shorter maturities. Securities having these features include: securities with a "put" or "demand" feature entitling the Fund to obtain repayment of principal from the issuer of the security or from a third party on demand at any time or on specified dates (subject to any applicable notice requirements); variable and floating rate securities on which coupon rates of interest are adjusted on specified dates in response to changes in market rates of interest or adjust periodically upon such changes; mortgage pass-through obligations on which principal pay downs and prepayments reduce the outstanding principal amount of such obligations over time as the obligations approach maturity; and other securities having interest rate, cash flow, prepayment, demand or other features that affect the maturity of a security. The Fund's dollar-weighted average portfolio maturity represents an average based on the actual stated maturity dates of the debt securities in the Fund's portfolio, except that (i) variable-rate securities are deemed to mature at the next interest rate adjustment date, (ii) debt securities with put features are deemed to mature at the next put exercise date, (iii) the maturity of mortgage-backed securities is determined on an "expected life" basis, and (iv) securities being hedged with futures contracts may be deemed to have a longer maturity, in the case of purchases of futures contracts, and a shorter maturity, in the case of sales of futures contracts, than they would otherwise be deemed to have.

The Fund should provide higher yields than money market funds and many other fixed-price investments, but will not provide the same stability of principal as money market funds. The Fund is designed for investors seeking higher yields than those available from shorter-term, higher-quality money market funds and who can tolerate modest share price fluctuations. The Fund's share price, yield, and total return fluctuate, and your investment may be worth more or less than your original cost when you redeem your shares.

The Fund limits its investments in debt securities to securities that are of investment-grade quality. Debt securities are deemed to be of investment-grade quality if they are rated at least Baa by Moody's Investors Service, Inc. ("Moody's"), at least BBB by Standard & Poor's Ratings Group ("S&P"), at least BBB by Fitch Investors Service, Inc. ("Fitch"), or BBB by Duff & Phelps, Inc. ("D&P") or, if unrated, they are judged by the investment adviser to be equivalent in quality to debt securities having such ratings. Investment-grade debt securities range in quality from medium to high quality. Those rated in the lower end of the investment-grade category (Baa/BBB) have certain speculative characteristics and may be more sensitive to economic changes and changes in the financial condition of issuers. (See the Appendix to this Prospectus for a description of bond ratings.) The investment return to shareholders of the Fund is based solely upon the income earned and gains realized on the debt securities held by the Fund, net of Fund expenses. This policy of only investing in investment grade debt securities will prevent the Fund from investing in non-investment grade debt securities that offer the possibility of higher current income, but present greater risk of principal loss.

Subject to its policy of investing at least 65% of its assets in bonds and debentures other than when it has assumed a defensive position, the Fund may invest in all types of investment-grade variable and fixed rate debt securities in any proportion, including foreign and domestic corporate bonds, notes, and convertible bonds; mortgage-backed, stripped mortgage-backed, and asset-backed securities; domestic and foreign government and government agency securities; zero coupon bonds, and short-term obligations, such as commercial paper and notes, bank deposits and other financial institution obligations and repurchase agreements. Up to 25% of the Fund's total assets, measured at the time of purchase may be invested directly in foreign debt securities; securities of Canadian issuers are not subject to this limitation. Investments in foreign securities involve certain risks. See "Risk Factors."

The Fund may purchase mortgage-backed securities issued by government and non-government entities such as banks, mortgage lenders, or other financial institutions. A mortgage-backed security may be an obligation of the issuer backed by a mortgage or pool of mortgages or a direct interest in an underlying pool of mortgages. Some mortgage-backed securities, such as collateralized mortgage obligations or CMOs, make payments of both principal and interest at a variety of intervals; others make semiannual interest payments at a predetermined rate and repay principal at maturity (like a typical bond). Mortgage-backed securities are based on different types of mortgages including those on commercial real estate or residential properties. Other types of mortgage-backed securities will likely be developed in the future, and the Fund may invest in them if the investment adviser determines they are consistent with the Fund's investment objective and policies.

Stripped mortgage-backed securities are created when a U.S. government agency or a financial institution separates the interest and principal components of a mortgage-backed security and sells them as individual securities. The holder of the "principal-only" security (PO) receives the principal payments made by the underlying mortgage-backed security, while the holder of the "interest-only" security (IO) receives interest payments from the same underlying security. The prices of stripped mortgage-backed securities may be particularly affected by changes in interest rates. As interest rates fall, prepayment rates tend to increase, which tends to reduce prices of IOs and increase prices of POs. Rising interest rates can have the opposite effect.

Asset-backed securities represent interests in pools of consumer loans (generally unrelated to mortgage loans) and most often are structured as pass-through securities. Interest and principal payments ultimately depend on payment of the underlying loans by individuals, although the securities may be supported by letters of credit or other credit enhancements. The value of asset-backed securities also may depend on the creditworthiness of the servicing agent for the loan pool, the originator of the loans, or the financial institution providing the credit enhancement.

Zero coupon bonds do not make interest payments; instead, they are sold at a deep discount from their face value and are redeemed at face value when they mature. Because zero coupon bonds do not pay current income, their prices can be very volatile when interest rates change. In calculating its daily dividend, the

Fund takes into account as income a portion of the difference between a zero coupon bond's purchase price and its face value.

A broker-dealer creates a derivative zero by separating the interest and principal components of a U.S. Treasury security and selling them as two individual securities. CATS (Certificates of Accrual on Treasury Securities), TIGRs (Treasury Investment Growth Receipts), and TRs (Treasury Receipts) are examples of derivative zeros.

The Federal Reserve Bank creates STRIPS (Separate Trading of Registered Interest and Principal of Securities) by separating the interest and principal components of an outstanding U.S. Treasury bond and selling them as individual securities. Bonds issued by the Resolution Funding Corporation (REFCORP) and the Financing Corporation (FICO) can also be separated in this fashion. Original issue zeros are zero coupon securities originally issued by the U.S. Government, a government agency, or a corporation in zero coupon form.

The Fund also may buy and sell interest rate future contracts relating to the debt securities in which it invests for the purpose of hedging the value of its securities portfolio. The Fund will not enter into futures contracts for which the aggregate initial margins exceed 5% of the fair market value of the Fund's assets. The Fund will not use futures contracts for speculation, but only to attempt to hedge (i.e., protect) against future changes in interest rates which might otherwise adversely affect the value of the debt securities held in the Fund. Such adverse effects could occur because either (i) the value of the Fund's debt securities declines due to a rise in interest rates; or (ii) the Fund's debt securities or cash are not fully included in (i.e., do not participate in) an increase in value of such debt securities due to a decline in interest rates at times when the Fund is not fully invested in such debt securities.

The Fund may not purchase securities which are not readily marketable. However, certain securities that are not registered for sale to the general public, but that can be resold to institutional investors ("Rule 144A Securities"), may be purchased if an institutional trading market exists. The liquidity of the Fund's investments in Rule 144A Securities could be impaired if dealers or institutional investors become uninterested in purchasing these securities. The Company's board of directors has delegated to the adviser the authority to determine the liquidity of Rule 144A Securities pursuant to guidelines approved by the board. In the event that a Rule 144A Security subsequently is determined to be illiquid, the security will be sold as soon as that can be done in an orderly fashion consistent with the best interests of the Fund's shareholders. For more information concerning Rule 144A Securities, see the Statement of Additional Information.

Securities in which the Fund invests may at times be purchased or sold on a delayed delivery, or a when-issued basis (i.e., securities may be purchased or sold by the Fund with settlement taking place in the future, often a month or more later). The Fund may invest up to ten percent of its total net assets in when-issued securities. The payment obligation and the interest rate that will be received on the securities purchased or sold on a when-issued or delayed delivery basis generally are fixed at the time the Fund enters into the commitment. As is described in the "Risk Factors" section of this Prospectus, purchasing or selling securities on such a basis involves risks. The Fund attempts to limit these risks when it purchases securities on a when-issued basis by maintaining in a segregated account with its custodian until payment is made, cash, U.S. Government securities or other high-grade debt obligations readily convertible into cash having an aggregate value equal to the amount of such purchase commitments.

The Fund may enter into repurchase agreements with respect to debt instruments eligible for investment by the Fund. These agreements are entered into with member banks of the Federal Reserve System, registered broker-dealers, and registered government securities dealers, which are deemed creditworthy. A repurchase agreement is a means of investing monies for a short period. In a repurchase agreement, the Fund acquires a debt instrument (generally a security issued by the U.S. government or an agency thereof, a banker's acceptance, or a certificate of deposit) subject to resale to the seller at an agreed upon price and date (normally, the next business day). In the event that the original seller defaults on its obligation to repurchase the security, the Fund could incur costs or delays in seeking to sell such securities. To minimize risks, the securities underlying each repurchase agreement will be maintained with the Fund's custodian in an amount at least equal to the repurchase price under the agreement (including accrued interest), and such agreements will be effected only with parties that meet certain creditworthiness standards established by the Company's board of directors. The Fund will not enter into a repurchase agreement maturing in more than seven days if as a result more than 10% of its net assets would be invested in such repurchase agreements. The Fund has not adopted any limit on the amount of its net assets that may be invested in repurchase agreements maturing in seven days or less.

The Fund also may lend its securities to qualified brokers, dealers, banks, or other financial institutions. This practice permits the Fund to earn income, which, in turn, can be invested in additional securities to pursue the Fund's investment objective. Loans of securities by the Fund will be collateralized by cash, letters of credit, or securities issued or guaranteed by the U.S. government or its agencies equal to at least 100% of the current market value of the loaned securities, determined on a daily basis. Lending securities involves certain risks, the most significant of which is the risk that a borrower may fail to return a portfolio security. The Fund monitors the creditworthiness of borrowers in order to minimize such risks. The Fund will not lend any security if, as a result of the loan, the aggregate value of securities then on loan would exceed 33-1/3% of the Fund's total net assets (taken at market value).

The Fund also may hold cash or invest all or a portion of its assets in securities issued or guaranteed by the U.S. government or its agencies (which may or may not be backed by the full faith and credit of the United States) and bank certificates of deposit, if the investment adviser determines it to be appropriate for purposes of preserving liquidity or capital in light of prevailing market or economic conditions. The Fund also may invest in corporate short-term notes rated at the time of purchase at least A-1 by S&P, Prime-1 by Moody's, F-1 by Fitch's, or Duff 1 by D&P, and municipal short-term notes rated at the time of purchase at least SP-1 by S&P, MIG-1 by Moody's, F-1 by Fitch's, or Duff 1 by D&P, (the highest rating categories for such notes, indicating a very strong capacity to make timely payments of principal and interest).

As one way of managing its exposure to different types of investments, the Fund may enter into interest rate swaps, currency swaps, and other types of swap agreements such as caps, collars, and floors. In a typical interest rate swap, one party agrees to make regular payments equal to a floating interest rate times a "notional principal amount," in return for payments equal to a fixed rate times the same amount, for a specified period of time. If a swap agreement provides for payments in different currencies, the parties might agree to exchange the notional principal amount as well. Swaps also may depend on other prices or rates, such as the value of an index or mortgage prepayment rates. In a typical cap or floor agreement, one party agrees to make payments only under specified circumstances, usually in return for payment of a fee by the other party. For example, the buyer of an interest rate cap obtains the right to receive payments to the extent that a specified interest rate exceeds an agreed-upon level, while the seller of an interest rate floor is obligated to make payments to the extent that a specified interest rate falls below an agreed-upon level. An interest rate collar combines elements of buying a cap and selling a floor.

Swap agreements will tend to shift the Fund's investment exposure from one type of investment to another. For example, if the Fund agreed to exchange payments in dollars for payments in foreign currency, the swap agreement would tend to decrease the Fund's exposure to U.S. interest rates and increase its exposure to foreign currency and interest rates. Caps and floors have an effect similar to buying or writing options. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the Funds' investments and their share price and yield.

Investment Restrictions

The Fund is subject to certain restrictions regarding its investments, which are set forth in the Statement of Additional Information, which may not be altered without the approval of the Fund's shareholders. Those restrictions include, among others, limitations which prohibit the Fund from: purchasing the securities of any one issuer (other than government securities), if the purchase would cause the Fund to have more than 5% of its total assets invested in the issuer's securities or to own more than 10% of the outstanding voting securities of the issuer; investing more than 25% of its net assets in any one industry (other than government securities); and borrowing money except from banks for temporary or emergency purposes in an amount not to exceed 10% of net assets. While the Fund's investment adviser continuously monitors all of the debt securities in the Fund's portfolio for the issuers' ability to make required principal and interest payments and other quality factors, the adviser may retain in the portfolio a debt security whose rating is changed to one below the minimum rating required for purchase of such a security.

There are no fixed limitations regarding portfolio turnover for the Fund. Although the Fund does not trade for short-term profits, securities may be sold without regard to the time they have been held in the Fund when, in the opinion of the adviser, investment considerations warrant such action. As a result, under certain market conditions the portfolio turnover rate for the Fund may exceed 100%, and may be higher than that of other investment companies seeking current income. Increased portfolio turnover would cause the Fund to incur greater brokerage costs, including commissions and other fees, than would otherwise be the case, and may result in the acceleration of capital gains which are taxable when distributed to shareholders. The Fund's portfolio turnover rate is set forth under "Financial Highlights", and, along with the Fund's brokerage allocation policies, is discussed in the Statement of Additional Information.

RISK FACTORS

The securities in which the Fund invests are generally subject to two kinds of risk, credit risk and market risk. Credit risk relates to the ability of the issuer to meet interest or principal payments, or both, as they come due. The ratings given a security by Moody's and Standard & Poor's provide a generally useful guide as to such credit risk. The lower the rating given a security by such rating service, the greater the credit risk such rating service perceives to exist with respect to such security.

Market risk relates to the fact that the market values of securities in which the Fund invests generally will be affected by changes in the level of interest rates. An increase in interest rates will tend to reduce the market values of such securities, whereas a decline in interest rates will tend to increase their values. Of course, relying in part on ratings assigned by credit agencies in making investments will not protect the Fund from the risk that the securities in which it invests will decline in value, since credit ratings represent evaluations of the safety of principal, dividend and interest payments on debt securities, not the market values of such securities, and such ratings may not be changed on a timely basis to reflect subsequent events.

The primary risks associates with the use of futures are: (i) imperfect correlation between the change in the market value of the debt securities held in the Fund and the prices of futures relating to debt securities purchased or sold by the Fund; (ii) incorrect forecasts by the investment adviser concerning interest rates which may result in the hedge being ineffective; and (iii) possible lack of a liquid secondary market for any futures contract; the resulting inability to close a futures position could have an adverse impact on the Fund's ability to hedge or increase income. For a hedge to be completely effective, the price change of the hedging instrument should equal the price change of the security being hedged. Such equal price changes are not always possible because the investment underlying the hedging instrument may not be the same investment that is being hedged. Although the Fund intends to buy and sell debt securities futures only on exchanges where there appears to be an active secondary market, there is no assurance that a liquid secondary market will exist in every instance for any particular debt securities future at any particular time. In such event, it may not be possible to close a futures position. See the Statement of Additional Information, including the "Appendix" contained therein, for further information about these instruments and their risks.

The Fund's investments in debt obligations may consist of investments issued by foreign governments and foreign corporate issuers. These investments involve certain risks. For U.S. investors, the returns on foreign securities are influenced not only by the returns on the foreign investments themselves, but also by currency risk (i.e., changes in the value of the currencies in which the securities are denominated relative to the U.S. dollar). In a period when the U.S. dollar generally rises against foreign currencies, the returns on foreign securities for a U.S. investor are diminished. By contrast, in a period when the U.S. dollar generally declines, the returns on foreign securities are enhanced.

Other risks and considerations of international investing include the following: differences in accounting, auditing and financial reporting standards which may result in less publicly available information than is generally available with respect to U.S. issuers; generally higher commission rates on foreign portfolio transactions and longer settlement periods; the small trading volumes and generally lower liquidity of foreign securities markets, which may result in greater price volatility; foreign withholding taxes payable on the Fund's foreign securities, which may reduce interest income payable to shareholders; the possibility of expropriation or confiscatory taxation; adverse changes in investment or exchange control regulations; political instability

which could affect U.S. investment in foreign countries; potential restrictions on the flow of international capital; and the possibility of the Fund experiencing difficulties in pursuing legal remedies and collecting judgments. Certain of these risks, as well as currency risks, also apply to Canadian securities, which are not subject to the 25% limitation. The Fund's investments in foreign securities may include investments in developing countries. Many of these securities are speculative and their prices may be more volatile than those of securities issued by companies located in more developed countries.

Swap agreements are sophisticated hedging instruments that typically involve a small investment of cash relative to the magnitude of risks assumed. As a result, swaps can be volatile and may have a considerable impact on a Fund's performance. Swap agreements are subject to risks related to the counterparty's ability to perform, and may decline in value if the counterparty's creditworthiness deteriorates. The Funds may also suffer losses if it is unable to terminate outstanding swap agreements or reduce its exposure through offsetting transactions.

The value of mortgage-backed securities may change due to shifts in the market's perception of issuers. In addition, regulatory or tax changes may adversely affect the mortgage securities market as a whole. Non-government mortgage-backed securities may offer higher yields than those issued by government entities, but also may be subject to greater price changes than government issues. Mortgage-backed securities are subject to prepayment risk. Prepayment, which occurs when unscheduled or early payments are made on the underlying mortgages, may shorten the effective maturities of these securities and may lower their total returns.

In addition to these investment performance risks, it should be recognized that certain of the Fund's investment practices involve various risks. When purchasing or selling securities on a when-issued or delayed delivery basis, the price and yield are normally fixed on the date of the purchase commitment. During the period between purchase and settlement, no payment is made by the Fund and no interest accrues to the Fund. At the time of settlement, the market value of the security may be more or less than the purchase price, and the Fund bears the risk of such market value fluctuations. An additional risk is that, when the Fund enters into a repurchase agreement or makes a securities loan, the other party to the transaction may default on its obligation to repurchase or return the security involved in such transaction. The Fund's practice of obtaining appropriate collateral in these transactions provides protection against this risk, but the Fund could suffer a loss in the event its ability to dispose of the collateral promptly is delayed or restricted.

The Fund's investment adviser or sub-adviser seeks to reduce the overall risks associated with the Fund's investments, through diversification and consideration of factors affecting the value of debt securities it considers relevant. No assurance can be given, however, regarding the degree of success that will be achieved in this regard or in the Fund's achieving its investment objective.

THE FUND AND ITS MANAGEMENT

The Company is a no-load mutual fund, registered with the Securities and Exchange Commission as an open-end, diversified, management investment company.

It was incorporated on April 2, 1993, under the laws of Maryland. On July 1, 1993, the Company, through its INVESCO Select Income Fund, INVESCO High Yield Fund and INVESCO U.S. Government Securities Fund, assumed all of the assets and liabilities of their respective predecessor portfolios, the Select Income Portfolio, High Yield Portfolio and U.S. Government Securities Portfolio of Financial Bond Shares, Inc., which was incorporated under the laws of Colorado on August 20, 1976. The overall supervision of the Fund is the responsibility of the Company's board of directors.

Pursuant to an agreement with the Company, INVESCO Funds Group, Inc. ("INVESCO"), 7800 E. Union Avenue, Denver, Colorado, serves as the Fund's investment adviser. INVESCO is primarily responsible for providing the Fund with various administrative services and supervising the Fund's daily business affairs. These services are subject to review by the Company's board of directors.

The following individual serves as portfolio manager for the Fund and is primarily responsible for the day-to-day management of the Fund's portfolio of securities:

Richard R. Hinderlie	Portfolio manager of the Fund since 1993 (inception); portfolio manager of INVESCO U.S. Government Securities Fund, INVESCO Cash Reserves Fund and INVESCO U.S. Government Money Fund; portfolio manager of INVESCO Trust Company since 1993; Securities Analyst with Bank Western from 1987-1992; B.A., Pacific Lutheran University; MBA, Arizona State University.

INVESCO is an indirect wholly-owned subsidiary of INVESCO PLC. INVESCO PLC is a financial holding company which, through its subsidiaries, engages in the business of investment management on an international basis. INVESCO was established in 1932 and, as of August 31, 1994, managed 14 mutual funds, consisting of 36 separate portfolios, with combined assets of approximately $9.9 billion on behalf of over 861,000 shareholders.

Pursuant to an agreement with INVESCO, INVESCO Trust Company ("INVESCO Trust"), 7800 E. Union Avenue, Denver, Colorado, serves as the sub-adviser to the Fund. INVESCO Trust, a trust company founded in 1969, is a wholly-owned subsidiary of INVESCO that

served as adviser or sub-adviser to 33 investment portfolios as of August 31, 1994, including 27 portfolios in the INVESCO group. These 33 portfolios had aggregate assets of approximately $8.8 billion as of August 31, 1994. In addition, INVESCO Trust provides investment management services to private clients, including employee benefit plans that may be invested in a collective trust sponsored by INVESCO Trust. INVESCO Trust, subject to the supervision of INVESCO, is primarily responsible for selecting and managing the Fund's investments. Although the Fund is not a party to the sub-advisory agreement, the agreement has been approved by the shareholders of the Fund.

The Company pays INVESCO a monthly advisory fee which is based upon a percentage of the net assets of the Fund, determined daily. The maximum advisory fee payable by the Fund for each fiscal year is 0.50% of the first $300 million of the Fund's average net assets, 0.40% of the next $200 million of the Fund's average net assets and 0.30% of the Fund's average net assets in excess of $500 million. For the fiscal year ended August 31, 1994, the investment advisory fees paid by the Fund amounted to 0.50% of the Fund's average net assets. However, certain fees are being absorbed voluntarily by INVESCO and INVESCO Trust in order to ensure that advisory fees do not exceed 0.30% of the Fund's average net assets.

Out of its advisory fee which it receives from the Fund, INVESCO pays INVESCO Trust, as sub-adviser to the Fund, a monthly fee, which is computed at the annual rate of 0.25% of the first $300 million of the Fund's average net assets, 0.20% of the next $200 million of the Fund's average net assets, and 0.15% of the Fund's average net assets in excess of $500 million. No fee is paid by the Fund to INVESCO Trust.

The Company also has entered into an Administrative Services Agreement dated April 30, 1993 (the "Administrative Agreement"), with INVESCO. Pursuant to the Administrative Agreement, INVESCO performs certain administrative, recordkeeping and internal sub-accounting services, including without limitation, maintaining general ledger and capital stock accounts, preparing a daily trial balance, calculating net asset value daily, providing selected general ledger reports and providing sub-accounting and recordkeeping services for Fund shareholder accounts maintained by certain retirement and employee benefit plans for the benefit of participants in such plans. For such services, the Fund pays INVESCO a fee consisting of a base fee of $10,000 per year, plus an additional incremental fee computed at the annual rate of 0.015% per year of the average net assets of the Fund. INVESCO also is paid a fee by the Fund for providing transfer agent services. See "Additional Information."

The Fund's expenses, which are accrued daily, are generally deducted from the Fund's total income before dividends are paid. Total expenses of the Fund for the fiscal year ended August 31, 1994, including investment advisory fees (but excluding brokerage commissions which are included as a cost of acquiring securities), amounted to 0.46% of the Fund's average net assets. In the absence of the voluntary expense limitation which applied during this period, the total expenses of the Fund, including investment advisory fees (but excluding brokerage commissions) would have been 2.04% of the Fund's average net assets. However, certain Fund expenses will be absorbed voluntarily by INVESCO and INVESCO Trust in order to ensure that the Fund's total operating expenses will not exceed 0.30% of the Fund's average net assets.

INVESCO, as the Company's investment adviser, or INVESCO Trust, as the Company's sub-adviser, places orders for the purchase and sale of portfolio securities with brokers and dealers based upon INVESCO's evaluation of their financial responsibility coupled with their ability to effect transactions at the best available prices. The Company may market shares of the Fund through intermediary brokers or dealers that have entered into Dealer Agreements with INVESCO, as the Company's Distributor, under which such intermediary brokers or dealers generally are compensated through the payment of continuing quarterly fees at an annual rate of up to 0.25% of the average aggregate net asset value of outstanding Fund shares sold by such entities, measured on each business day during a calendar quarter. The Fund may place orders for portfolio transactions with qualified broker/dealers which recommend the Fund, or sell shares of the Fund to clients, or act as agent in the purchase of Fund shares for clients, if management of the Fund believes that the quality of the transaction and commission are comparable to those available from other qualified brokerage firms.

HOW SHARES CAN BE PURCHASED

Shares of the Fund are sold on a continuous basis by INVESCO, as the Fund's Distributor, at the net asset value per share next calculated after receipt of a purchase order in good form. No sales charge is imposed upon the sale of shares of the Fund. To purchase shares of the Fund, send a check made payable to INVESCO Funds Group, Inc., together with a completed application form, to:

INVESCO Funds Group, Inc.
Post Office Box 173706
Denver, Colorado 80217-3706

Purchase orders must specify the Fund in which the investment is to be made.

The minimum initial purchase must be at least $1,000, with subsequent investments of not less than $50, except that: (1) those shareholders establishing an EasiVest or direct payroll purchase account, as described below in the Prospectus section entitled "Services Provided by the Fund," may open an account without making any initial investment if they agree to make regular, minimum purchases of at least $50; (2) Fund management may permit a lesser amount to be invested in the Fund under a federal income tax-sheltered retirement plan (other than an IRA Account), or under a group investment plan qualifying as a sophisticated investor; (3) those shareholders investing in an Individual Retirement Account (IRA), or through omnibus accounts where individual shareholder recordkeeping and sub-accounting are not required, may make initial minimum purchases of $250; and (4) Fund management reserves the right to reduce or waive the minimum purchase requirements in its sole discretion where it determines such action is in the best interests of the Fund.

An order to purchase shares will not begin earning dividends or other distributions until the investor's check can be converted into available federal funds (i.e., moneys held on deposit within the Federal Reserve System) under regular banking processing procedures. Checks drawn on a member bank of the Federal Reserve System normally are converted into federal funds within two or three business days following receipt of the checks by the Fund. In the case of checks drawn on banks which are not members of the Federal Reserve System, it may take longer for federal funds to become available. The purchase of shares can be expedited by placing bank wire, overnight courier or telephone orders. Overnight courier orders must meet the above minimum requirements. In no case can a bank wire or telephone order be in an amount less than $1,000. For further information, the purchaser may call the Fund's office by using the telephone number on the cover of this Prospectus. Orders sent by overnight courier, including Express Mail should be sent to the street address, not Post Office Box, of INVESCO Funds Group, Inc., at 7800 E. Union Avenue, Denver, CO 80237.

Orders for the Fund can be placed by telephone. Shares of the Fund will be issued at the net asset value per share next determined after receipt of telephone instructions. Payments for telephone orders must be received by the Fund within seven business days of the transaction. Effective June 1995, this period will be reduced to five business days. In the event payment is not received, the shares will be redeemed by INVESCO and the purchaser will be held responsible for any loss resulting from a decline in the value of the shares. INVESCO has agreed to indemnify the Fund for any losses resulting from such cancellations.

If your check does not clear or if a telephone purchase must be cancelled due to nonpayment, you will be responsible for any related loss the Fund or INVESCO incurs. If you are already a shareholder in the INVESCO funds, the Fund has the option to redeem shares from any identically registered account in the Fund or any other INVESCO fund as reimbursement for any loss incurred. You also may be prohibited or restricted from making future purchases in any of the INVESCO funds.

Persons who invest in the Fund through a securities broker may be charged a commission or transaction fee for the handling of the transaction if the broker so elects. Any investor may deal directly with the Fund in any transaction. In that event, there is no such charge.

The Fund reserves the right in its sole discretion to reject any order for purchase of its shares (including purchases by exchange) when, in the judgment of management, such rejection is in the best interest of the Fund.

Net asset value per share is computed once each day that the New York Stock Exchange is open as of the close of trading on that Exchange (presently 4:00 p.m., New York time) and also may be computed on other days under certain circumstances. Net asset value per share of the Fund is calculated by dividing the market value of the Fund's securities plus the value of its other assets (including dividends and interest accrued but not collected), less all liabilities (including accrued expenses), by the number of outstanding shares of the Fund. If market quotations are not readily available, a security will be valued at fair value as determined in good faith by the board of directors. Debt securities with remaining maturities of 60 days or less will be valued at amortized cost, absent unusual circumstances, so long as the Company's board of directors believes that such value represents fair value.

Distribution Expenses. The Fund is authorized under a Plan and Agreement of Distribution pursuant to Rule 12b-1 under the Investment Company Act of 1940 (the "Plan") to use its assets to finance certain activities relating to the distribution of its shares to investors. Under the Plan, monthly payments may be made by the Fund to INVESCO to reimburse it for particular expenditures incurred by INVESCO during the rolling 12-month period in which that month falls in connection with the distribution of the Fund's shares to investors. These expenditures may include the payment of compensation (including incentive compensation and/or continuing compensation based on the amount of customer assets maintained in the Fund) to securities dealers and other financial institutions and organizations to obtain various distribution-related and/or administrative services for the Fund. Such services may include, among other things, processing new shareholder account applications, preparing and transmitting to the Fund's Transfer Agent computer processable tapes of all transactions by customers, and serving as the primary source of information to customers in answering questions concerning the Fund and their transactions with the Fund.

In addition, other reimbursable expenditures include those incurred for advertising, the preparation and distribution of sales literature, the cost of printing and distributing prospectuses to prospective investors, and such other services and promotional activities for the Fund as may from time to time be agreed upon by the Company and its board of directors, including public relations efforts and marketing programs to communicate with investors and prospective investors.

Under the Plan, the Company's reimbursement to INVESCO on behalf of the Fund is limited to an amount computed at an annual rate of 0.25 of 1% of the Fund's average net assets during the month. INVESCO is not entitled to reimbursement for overhead expenses under the Plan, but may be reimbursed for all or a portion of the compensation paid for salaries and other employee benefits for the personnel of INVESCO whose primary responsibilities involve marketing shares of the INVESCO funds, including the Fund. Payment amounts by the Fund under the Plan, for any month, may only be made to reimburse or pay expenditures incurred during the rolling 12- month period in which that month falls; therefore, any reimbursable expenses incurred by INVESCO in excess of the limitation described above are not reimbursable and will be borne by INVESCO. No further payments will be made by the Fund under the Plan in the event of its termination. Also, any payments made by the Fund may not be used to finance the distribution of shares of any other fund of the Company or other mutual fund advised by INVESCO. Payments made by the Fund under the Plan for compensation of marketing personnel, as noted above, are based on an allocation formula designed to ensure that all such payments are appropriate.

SERVICES PROVIDED BY THE FUND

Shareholder Accounts. INVESCO maintains a share account that reflects the current holdings of each shareholder. Share certificates will be issued only upon specific request. Since certificates must be carefully safeguarded and must be surrendered in order to exchange or redeem Fund shares, most shareholders do not request share certificates in order to facilitate such transactions. Each shareholder is sent a detailed confirmation of each transaction in shares of the Fund. Shareholders whose only transactions are through the EasiVest, direct payroll purchase, automatic monthly exchange or periodic withdrawal programs, or are reinvestments of dividends or capital gains in the same or another fund, will receive confirmations of those transactions on their quarterly statements. These programs are discussed below. For information regarding a shareholder's account and transactions, the shareholder may call the Fund's office by using the telephone number on the cover of this Prospectus.

Reinvestment of Distributions. Income dividends and capital gain distributions are automatically reinvested in additional shares of the Fund at the net asset value per share of the Fund in effect on the ex-dividend date. A shareholder may, however, elect to reinvest dividends and capital gains distributions in certain of the other no-load mutual funds advised and distributed by INVESCO, or to receive payment of all dividends and distributions in excess of $10.00 by check by giving written notice to INVESCO at least two weeks prior to the record date on which the change is to take effect. Further information concerning these options can be obtained by contacting INVESCO.

Periodic Withdrawal Plan. A Periodic Withdrawal Plan is available to shareholders who own or purchase shares of any mutual funds advised by INVESCO having a total value of $10,000 or more; provided, however, that at the time the Plan is established, the shareholder owns shares having a value of at least

$5,000 in the

fund from which the withdrawals will be made. Under the Periodic Withdrawal Plan, INVESCO, as agent, will make specified monthly or quarterly payments of any amount selected (minimum payment of $100) to the party designated by the shareholder. Notice of all changes concerning the Periodic Withdrawal Plan must be received by INVESCO at least two weeks prior to the next scheduled check. Further information regarding the Periodic Withdrawal Plan and its requirements and tax consequences can be obtained by contacting INVESCO.

Exchange Privilege. Shares of the Fund may be exchanged for shares of any other fund of the Company, as well as for shares of any of the following other no-load mutual funds, which are also advised and distributed by INVESCO, on the basis of their respective net asset values at the time of the exchange: INVESCO Diversified Funds, Inc., INVESCO Dynamics Fund, Inc., INVESCO Emerging Opportunity Funds, Inc., INVESCO Growth Fund, Inc., INVESCO Industrial Income Fund, Inc., INVESCO International Funds, Inc., INVESCO Money Market Funds, Inc., INVESCO Multiple Asset Funds, Inc., INVESCO Specialty Funds, Inc., INVESCO Strategic Portfolios, Inc., INVESCO Tax-Free Income Funds, Inc., and INVESCO Value Trust.

An exchange involves the redemption of shares in the Fund and investment of the redemption proceeds in shares of another fund of the Company or in shares of one of the funds listed above. Exchanges will be made at the net asset value per share next determined after receipt of an exchange request in proper order. Any gain or loss realized on such an exchange is recognizable for federal income tax purposes by the shareholder. Exchange requests may be made either by telephone or by written request to INVESCO Funds Group, Inc., using the telephone number or the address on the cover of this Prospectus. Exchanges made by telephone must be in an amount of at least $250, if the exchange is being made into an existing account of one of the INVESCO funds. All exchanges that establish a new account must meet the Fund's applicable minimum initial investment requirements. Written exchange requests into an existing account have no minimum requirements other than the Fund's applicable minimum subsequent investment requirements.

The privilege of exchanging Fund shares by telephone is available to shareholders automatically unless expressly declined. By signing the new account Application, a Telephone Transaction Authorization Form, or otherwise utilizing telephone exchange privileges, the investor has agreed that the Fund will not be liable for following instructions communicated by telephone that it reasonably believes to be genuine. The Fund employs procedures, which it believes are reasonable, designed to confirm that exchange instructions are genuine. These may include recording telephone instructions and providing written confirmations of exchange transactions. As a result of this policy, the investor may bear the risk of any loss due to unauthorized or fraudulent instructions; provided, however, that if the Fund fails to follow these or other reasonable procedures, the Fund may be liable.

In order to prevent abuse of this privilege to the disadvantage of other shareholders, the Fund reserves the right to terminate the exchange privilege of any shareholder who requests more than four exchanges in a year. The Fund will determine whether to do so based on a consideration of both the number of exchanges any particular shareholder or group of shareholders has requested and the time period over which those exchange requests have been made, together with the level of expense to the Fund which will result from effecting additional exchange requests. The exchange privilege also may be modified or terminated at any time. Except for those limited instances where redemptions of the exchanged security are suspended under Section 22(e) of the Investment Company Act of 1940, or where sales of the fund into which the shareholder is exchanging are temporarily stopped, notice of all such modifications or termination of the exchange privilege will be given at least 60 days prior to the date of termination or the effective date of the modification.

Before making an exchange, the shareholder should review the prospectuses of the funds involved and consider their differences, and should be aware that the exchange privilege may only be available in those states where exchanges legally may be made, which will require that the shares being acquired are registered for sale in the shareholder's state of residence. Shareholders interested in exercising the exchange privilege may contact INVESCO for information concerning their particular exchanges.

Automatic Monthly Exchange. Shareholders who have accounts in any of the mutual funds distributed by INVESCO may arrange for a fixed dollar amount of their fund shares to be automatically exchanged for shares of any other INVESCO mutual fund listed under "Exchange Privilege" on a monthly basis. The minimum monthly exchange in this program is $50.00. This automatic exchange program can be changed by the shareholder at any time by notifying INVESCO at least two weeks prior to the date the change is to be made. Further information regarding this service can be obtained by contacting INVESCO.

EasiVest. For shareholders who want to maintain a schedule of monthly investments, EasiVest uses various methods to draw a preauthorized amount from the shareholder's bank account to purchase Fund shares. This automatic investment program can be changed by the shareholder at any time by writing to INVESCO at least two weeks prior to the date the change is to be made. Further information regarding this service can be obtained by contacting INVESCO.

Direct Payroll Purchase. Shareholders may elect to have their employers make automatic purchases of Fund shares for them by deducting a specified amount from their regular paychecks. This automatic investment program can be modified or terminated at any time by the shareholder by notifying the employer. Further information regarding this service can be obtained by contacting INVESCO.

Tax-Sheltered Retirement Plans. Shares of the Fund may be purchased for self-employed retirement plans, individual retirement accounts (IRAs), simplified employee pension plans and corporate retirement plans. In addition, shares can be used to fund tax qualified plans established under Section 403(b) of the Internal Revenue Code by educational institutions, including public school systems and private schools, and certain kinds of non-profit organizations, which provide deferred compensation arrangements for their employees.

Prototype forms for the establishment of these various plans, including, where applicable, disclosure statements required by the Internal Revenue Service, are available from INVESCO. INVESCO Trust Company, a subsidiary of INVESCO, is qualified to serve as trustee or custodian under these plans and provides the required services at competitive rates. Retirement plans (other than IRAs) receive monthly statements reflecting all transactions in their Fund accounts. IRAs receive the confirmations and quarterly statements described under "Shareholder Accounts." For complete information, including prototype forms and service charges, call INVESCO at the telephone number listed on the cover of this Prospectus or send a written request to: Retirement Services, INVESCO Funds Group, Inc., Post Office Box 173706, Denver, Colorado 80217-3706.

HOW TO REDEEM SHARES

You may redeem all or any portion of the shares in your account at any time by telephone or mail as described below. Shares of the Fund will be redeemed at their current net asset value per share next determined after a request in proper form is received at the Fund's office. (See "How Shares Can Be Purchased.") Net asset value per share at the time of redemption may be more or less than the price you paid to purchase your shares, depending primarily upon the Fund's investment performance.

If the shares to be redeemed are represented by stock certificates, a written request for redemption signed by the registered shareholder(s) and the certificates must be forwarded to INVESCO Funds Group, Inc., Post Office Box 173706, Denver, Colorado 80217-3706. Redemption requests sent by overnight courier, including Express Mail, should be sent to the street address, not Post Office Box, of INVESCO Funds Group, Inc. at 7800 E. Union Avenue, Denver, CO 80237. If no certificates have been issued, a written redemption request signed by each registered owner of the account may be submitted to INVESCO at the address noted above. If shares are held in the name of a corporation, additional documentation may be necessary. Call or write for specifics. If payment for the redeemed shares is to be made to someone other than the registered owner(s), the signature(s) must be guaranteed by a financial institution which qualifies as an eligible guarantor institution. Redemption procedures with respect to accounts registered in the names of broker/dealers may differ from those applicable to other shareholders.

Be careful to specify the account from which the redemption is to be made. Shareholders have a separate account for each Fund in which they invest.

Payment of redemption proceeds will be mailed within seven days following receipt of the required documents. However, payment may be postponed under unusual circumstances, such as when normal trading is not taking place on the New York Stock Exchange, an emergency as defined by the Securities and Exchange Commission exists, or the shares to be redeemed were purchased by check and that check has not yet cleared; provided, however, that all redemption proceeds will be paid out promptly upon clearance of the purchase check (which may take up to 15 days).

Because of the high relative costs of handling small accounts, should the value of any shareholder's account fall below $250 as a result of shareholder action, the Fund reserves the right to effect the involuntary redemption of all shares in such account, in which case the account would be liquidated and the proceeds forwarded to the shareholder. Prior to any such redemption, a shareholder will be notified and given 60 days to increase the value of the account to $250 or more.

Fund shareholders (other than shareholders holding Fund shares in accounts of IRA plans) may request expedited redemption of shares having a minimum value of $250 (or redemption of all shares if their value is less than $250), held in accounts maintained in their name by telephoning redemption instructions to INVESCO, using the telephone number on the cover of this Prospectus. The redemption proceeds, at the shareholder's option, either will be mailed to the address listed for the shareholder on its Fund account, or wired (minimum of $1,000) or mailed to the bank which the shareholder has designated to receive the proceeds of telephone redemptions. The Fund charges no fee for effecting such telephone redemptions. Unless the Fund's management permits a larger redemption request to be placed by telephone, a shareholder may not place a redemption request by telephone in excess of $25,000. These telephone redemption privileges may be modified or terminated in the future at the discretion of the Company's management.

For INVESCO Trust Company-sponsored federal income tax-sheltered retirement plans, the term "shareholders" is defined to mean plan trustees that file a written request to be able to redeem Fund shares by telephone. Shareholders should understand that, while the Fund will attempt to process all telephone redemption requests on an expedited basis, there may be times, particularly in periods of severe economic or market disruption, when (a) they may encounter difficulty in placing a telephone redemption request, and (b) processing telephone redemptions will require up to seven days following receipt of the redemption request, or additional time because of the unusual circumstances set forth above.

The privilege of redeeming Fund shares by telephone is available to shareholders automatically unless expressly declined.

By signing a new account Application, a Telephone Transaction Authorization Form or otherwise utilizing telephone redemption privileges, the shareholder has agreed that the Fund will not be liable for following instructions communicated by telephone that it reasonably believes to be genuine. The Fund employs procedures, which it believes are reasonable, designed to confirm that telephone instructions are genuine. These may include recording telephone instructions and providing written confirmation of transactions initiated by telephone. As a result of this policy, the investor may bear the risk of any loss due to unauthorized or fraudulent instructions; provided, however, that if the Fund fails to follow these or other reasonable procedures, the Fund may be liable.

DIVIDENDS, CAPITAL GAIN DISTRIBUTIONS, AND TAXES

Dividends. In addition to any increase in the value of your shares which may occur from increases in the values of the Fund's investments, the Fund may earn income in the form of dividends and interest on its investments. Dividends paid by the Fund will be based solely on the income earned by it. The Fund's policy is to distribute substantially all of this income, less expenses, to shareholders. Dividends from net investment income are declared daily and paid monthly. Dividends are automatically reinvested in additional shares of the Fund at the net asset value on the ex- dividend date, unless otherwise requested. See "Services Provided by the Fund - Reinvestment of Distributions."

Capital Gains. Capital gains or losses are the result of the Fund's sale of its securities at prices that are higher or lower than the prices paid by the Fund to purchase such securities. Total gains from such sales, less any losses from such sales (including losses carried forward from prior years), represent net realized capital gains. The Fund distributes its net realized capital gains, if any, to its shareholders at least annually, usually in December. Capital gain distributions are automatically reinvested in additional shares of the Fund at the net asset value per share on the ex-dividend date, unless otherwise requested. See "Services Provided by the Fund - Reinvestment of Distributions."

Taxes. The Fund intends to distribute substantially all of its net investment income and capital gains, if any, to shareholders, and to continue to qualify for tax treatment under Subchapter M of the Internal Revenue Code as a regulated investment company. Thus, it is not expected that the Fund will be required to pay any federal income taxes. Shareholders (other than those exempt from income tax) normally will have to pay federal income taxes, and any state and local income taxes, on the dividends and distributions they receive from the Fund, whether such dividends and distributions are received in cash or reinvested in additional shares of the same or another fund. Shareholders of the Fund are advised to consult their own tax advisers with respect to these matters.

Dividends paid by the Fund from net investment income, as well as distributions of net realized short-term capital gains, are, for federal income tax purposes, taxable as ordinary income to shareholders. At the end of each calendar year, shareholders are sent full information on dividends and capital gain distributions, including information as to the portions taxable as ordinary income and long-term capital gains. Information concerning the amount of dividends eligible for the dividends-received deduction available for corporations is contained in the Company's annual report or may be obtained upon request.

The Fund is required to withhold and remit to the U.S. Treasury 31% of dividend payments, capital gain distributions, and redemption proceeds for any account on which the owner provides an incorrect taxpayer identification number, no number, or no certified number.

ADDITIONAL INFORMATION

Voting Rights. All shares of the Fund and the other three funds of the Company have equal voting rights, based on one vote for each share owned. Voting with respect to certain matters, such as ratification of independent accountants and the election of directors, will be by all funds of the Company voting together. In other cases, such as voting upon an investment advisory contract, voting is on a fund-by-fund basis. To the extent permitted by law, when not all funds are affected by a matter to be voted upon, only shareholders of the fund or funds affected by the matter will be entitled to vote thereon. The Company is not generally required, and does not expect, to hold regular annual meetings of shareholders. However, the board of directors will call special meetings of shareholders for the purpose, among other reasons, of voting upon the question of removal of a director or directors when requested to do so in writing by the holders of 10% or more of the outstanding shares of the Company or as may be required by applicable law or the Company's Articles of Incorporation. The Company will assist shareholders in communicating with other shareholders as required by the Investment Company Act of 1940. Directors may be removed by action of the holders of a majority or more of the outstanding shares of the Company.

Shareholder Inquiries. All inquiries regarding the Fund should be directed to the Fund at the telephone number or mailing address set forth on the cover page of this Prospectus.

Transfer and Dividend Disbursing Agent. INVESCO Funds Group, Inc., 7800 E. Union Ave., Denver, Colorado 80237 acts as registrar, transfer agent, and dividend disbursing agent for the Fund pursuant to a Transfer Agency Agreement which provides that the Fund will pay a fee of $20.00 per shareholder account or omnibus account participant per year. The transfer agency fee is not charged to each shareholder's or participant's account but is an expense of the Fund to be paid from the Fund's assets. In addition, registered broker-dealers, third party administrators of tax- qualified retirement plans and other entities may provide sub- transfer agency services to the Fund which reduce or eliminate the need for identical services to be provided on behalf of the Fund by INVESCO. In such cases, INVESCO is authorized to pay the third party an annual sub-transfer agency fee of up to $20.00 per participant in the third party's omnibus account out of the transfer agency fee which is paid to INVESCO by the Fund.

APPENDIX-BOND RATINGS

Description of Moody's Investors Service, Inc.'s corporate and municipal bond ratings:

Aaa--Bonds which are rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

Aa--Bonds which are rated Aa are judged to be of high quality by all standards. Together with the Aaa group, they constitute what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa securities.

A--Bonds which are rated A possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate, but elements may be present which suggest a susceptibility to impairment sometime in the future.

Baa--Bonds which are rated Baa are considered as medium grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and have speculative characteristics as well.

Rating Refinements: Moody's may apply the numerical modifier "1", for municipally-backed bonds, and modifiers "1", "2" and "3" for corporate-backed municipals. The modifier 1 indicates that the security ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and modifier 3 indicates that the issue ranks in the lower end of its generic rating category.

Description of Standard & Poor's Corporation's corporate and municipal bond ratings:

AAA--This is the highest rating assigned by Standard & Poor's to a debt obligation and indicates an extremely strong capacity to pay principal and interest.

AA--Bonds rated AA also qualify as high-quality debt obligations. Capacity to pay principal and interest is very strong, and in the majority of instances they differ from AAA issues only in a small degree.

A--Bonds rated A have a strong capacity to pay principal and interest, although they are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions.

BBB--Bonds rated BBB are regarded as having an adequate capacity to pay principal and interest. Whereas they normally exhibit adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay principal and interest for bonds in this category than for bonds in the A category.

Plus (+) or Minus (-): The ratings may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

Description of Fitch Investors Service, Inc. corporate and municipal bond ratings:

AAA--Bonds considered to be investment grade and of the highest credit quality. The obligor has an exceptionally strong ability to pay interest and repay principal, which is unlikely to be affected by reasonably foreseeable events.

AA--Bonds considered to be investment grade and of very high credit quality. The obligor's ability to pay interest and repay principal is very strong, although not quite as strong as bonds rated AAA. Because bonds rated in the AAA and AA categories are not significantly vulnerable to foreseeable future developments, short-term debt of these issuers is generally rated F-1+.

A--Bonds considered to be investment grade and of high credit quality. The obligor's ability to pay interest and repay principal is considered to be strong, but may be more vulnerable to adverse changes in economic conditions and circumstances than bonds with higher ratings.

BBB--Bonds considered to be investment grade and of satisfactory credit quality. The obligor's ability to pay interest and repay principal is considered to be adequate. Adverse changes in economic conditions and circumstances, however, are more likely to have adverse impact on these bonds, and therefore impair timely payment. The likelihood that the ratings of these bonds will fall below investment grade is higher than for bonds with higher ratings.

Plus (+) or Minus (-): Plus and minus signs are used with a rating symbol to indicate the relative position of a credit within the rating category. Plus and minus signs, however, are not used in the AAA category.

Description of Duff & Phelps Inc. long-term corporate and municipal debt ratings:

AAA--Highest credit quality. The risk factors are negligible, being only slightly more than for risk-free U.S. Treasury debt.

AA+, AA, AA- --High credit quality. Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

BBB+, BBB, BBB- --Below average protection factors but still considered sufficient for prudent investment. Considerable variability in risk during economic cycles.

INVESCO SHORT-TERM BOND FUND A no-load mutual fund seeking a high level of current income.

PROSPECTUS December 30, 1994.

To receive general information and prospectuses on any of INVESCO's funds or retirement plans, or to obtain current account or price information, call toll-free:

1-800-525-8085

To reach PAL, your 24-hour Personal Account Line, call:

1-800-424-8085

Or write to:

INVESCO Funds Group, Inc., Distributor
Post Office Box 173706
Denver, Colorado 80217-3706

If you're in Denver, visit one of our convenient Investor Centers:

Cherry Creek
155-B Fillmore Street

Denver Tech Center
7800 East Union Avenue
Lobby Level