

# SECURITIES AND EXCHANGE COMMISSION

## FORM 497

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### FILER

#### **INVESCO MULTIPLE ASSET FUNDS INC**

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[LOGO OMITTED]

INVESCO MULTI-ASSET ALLOCATION FUND  
(A SERIES OF  
INVESCO COMBINATION STOCK & BOND FUNDS, INC.  
(FORMERLY INVESCO FLEXIBLE FUNDS, INC.,  
FORMERLY INVESCO MULTIPLE ASSET FUNDS, INC.))

March 23, 1999

Dear INVESCO Multi-Asset Allocation Fund Shareholder:

The attached proxy materials describe a proposal that INVESCO Multi-Asset Allocation Fund ("Multi-Asset Allocation Fund") reorganize and become part of INVESCO Balanced Fund ("Balanced Fund"). If the proposal is approved and implemented, each shareholder of Multi-Asset Allocation Fund will automatically become a shareholder of Balanced Fund.

The attached proxy materials also seek your approval of certain changes in the fundamental investment restrictions of Multi-Asset Allocation Fund (if the reorganization is not approved or cannot be completed for some other reason) and to elect directors and ratify the appointment of PricewaterhouseCoopers LLP as independent accountants of Multi-Asset Allocation Fund.

YOUR BOARD RECOMMENDS A VOTE FOR ALL PROPOSALS. The board believes that combining the two Funds will benefit Multi-Asset Allocation Fund's shareholders by providing them with a portfolio that has an investment objective that is substantially identical to that of Multi-Asset Allocation Fund, and that has a similar investment strategy and that, both before and after taking into account voluntary fee waivers and expense reimbursements, will have lower operating expenses as a percentage of net assets. If, however, the reorganization is not approved or cannot be completed for some other reason, you are also being asked to approve certain changes to the fundamental investment restrictions of Multi-Asset Allocation Fund that will update and streamline the Fund's policies. The attached proxy materials provide more information about the proposed reorganization and the two Funds and the proposed changes in fundamental investment restrictions, as well as the other matters you are being asked to vote upon.

YOUR VOTE IS IMPORTANT NO MATTER HOW MANY SHARES YOU OWN. Voting your shares early will permit Multi-Asset Allocation Fund to avoid costly follow-up mail and telephone solicitation. After reviewing the attached materials, please complete, date and sign your proxy card and mail it in the enclosed return envelope today. As an alternative to using the paper proxy card to vote, you may vote by telephone, by facsimile, through the Internet, or in person.

Very truly yours,

/s/ Mark H. Williamson

Mark H. Williamson  
President  
INVESCO Multi-Asset Allocation Fund

[HEADLINE]

[LOGO OMITTED]

INVESCO

INVESCO FUNDS GROUP, INC.  
7800 EAST UNION AVENUE  
DENVER, COLORADO 80217-3706  
TELEPHONE: 1-800-646-8372  
PAL (REGISTERED): 1-800-424-8085

WHAT YOU SHOULD KNOW ABOUT THIS PROPOSED FUND MERGER

March 23, 1999

INVESCO AND THE FUND'S BOARD OF DIRECTORS ENCOURAGE YOU TO READ THE ENCLOSED

PROXY STATEMENT CAREFULLY. THE FOLLOWING IS A BRIEF OVERVIEW OF THE KEY ISSUE.

#### WHY IS MY FUND HOLDING A SPECIAL SHAREHOLDERS MEETING?

The main reason for the meeting is so that shareholders of INVESCO Multi-Asset Allocation Fund can decide whether or not to reorganize their fund. If shareholders decide in favor of the proposal, MULTI-ASSET ALLOCATION FUND WILL MERGE with another, similar mutual fund managed by INVESCO, and you will become a shareholder of INVESCO BALANCED FUND.

Whether or not shareholders decide they wish to merge the Funds, there are other matters of business to be considered. So, no matter how you choose to vote on the proposed merger, please do review all of the other proposals and vote on them as well.

#### WHAT ARE THE ADVANTAGES OF MERGING THE FUNDS?

There are three key potential advantages:

- o BALANCED FUND IS MANAGED BY SOME OF OUR MOST EXPERIENCED PORTFOLIO MANAGERS: Charles P. Mayer and Peter M. Lovell (equities) and Donovan J. "Jerry" Paul (fixed-income obligations). The team's highly disciplined investment strategy, combined with their expertise in stock and bond analysis, may result in stronger fund performance over the long-term (although of course this cannot be guaranteed).

- o By combining the Funds, SHAREHOLDERS MAY ENJOY LOWER EXPENSE RATIOS over time. Larger funds tend to enjoy economies of scale not available to funds with smaller assets under management.

- o These LOWER COSTS MAY LEAD TO STRONGER PERFORMANCE, since total return to a fund's shareholders is net of fund expenses.

The potential benefits and possible disadvantages are explained in more detail in the enclosed proxy statement.

#### HOW ARE THESE TWO FUNDS ALIKE?

The investment goals of the Funds are basically the same: They both seek high total return through capital appreciation and current income. Each invests in more than one type of asset class. In general, the Funds are subject to similar risks and offer similar opportunities for growth and income. However, there are significant differences in investment strategy.

- o MULTI-ASSET ALLOCATION FUND invests in a wider variety of securities, following a benchmark allocation model that includes foreign securities and Real Estate Investment Trusts. This extra level of diversification may temper market volatility to an extent, but may somewhat limit opportunities for long-term growth.

- o BALANCED FUND allocates primarily between common stocks and debt obligations; its managers enjoy a wide flexibility in the type of assets they may select for the fund, and are not restricted to specific percentage allocations. Equity managers focus on a stock's earnings growth potential; fixed-income securities are selected from a value orientation.

#### WHAT HAPPENS IF SHAREHOLDERS DECIDE IN FAVOR OF A MERGER?

A Closing Date will be set for the reorganization. Shareholders will receive full and fractional shares of Balanced Fund equal in value to the shares of Multi-Asset Allocation Fund that they owned on the Closing Date.

The net asset value per share of Balanced Fund will not be affected by the transaction. So the reorganization will not result in a dilution of any shareholder's interest.

#### IF THE FUNDS MERGE, WILL THERE BE TAX CONSEQUENCES FOR ME?

Unlike a transaction where you direct INVESCO to sell shares of one fund in order to buy shares of another, the reorganization WILL NOT BE CONSIDERED A TAXABLE EVENT. The Funds themselves will recognize no gains or losses on assets as a result of a reorganization. So you will not have reportable capital gains or losses due to the reorganization.

(However, shareholders of the Fund may receive a distribution of ordinary income and/or capital gains immediately prior to the reorganization, to the extent that unpaid amounts of income and/or gains remain in the Fund.

You should consult your own tax advisor regarding any possible effect a reorganization might have on you, given your personal circumstances -- particularly regarding state and local taxes.)

WHO WILL PAY FOR THIS REORGANIZATION?

The expenses of the reorganization, including legal expenses, printing, packaging and postage, plus the costs of any supplementary solicitation, will be borne partly by INVESCO and partly by the two Funds.

WHAT DOES THE FUND'S BOARD OF DIRECTORS RECOMMEND?

The Board believes you should vote in favor of the reorganization. More important, though, the directors recommend that you study the issues involved, call us with any questions, and vote promptly to ensure that a quorum of Multi-Asset Allocation Fund shares are represented at this Fund's special shareholders meeting.

WHERE DO I GET MORE INFORMATION ABOUT INVESCO BALANCED FUND?

- o Please visit our Web site at [WWW.INVESCO.COM](http://WWW.INVESCO.COM)
- o Or call Investor Services toll-free at 1-800-646-8372

[BACK COVER] YOU SHOULD KNOW WHAT INVESCO KNOWS

At INVESCO, we've built a global reputation on professional investment management. Some of the world's largest institutions and more than a million individuals rely on our knowledgeable investment specialists for effective management of their portfolios. INVESCO provides investors the perspective gained from more than 65 years of helping clients seek their financial goals.

The heart of INVESCO's business is to provide strong core mutual fund portfolios designed as solid foundations for our clients' investments. We draw on the resources of affiliates worldwide, so we have seasoned experts in the investment strategies you want to pursue -- both for your core investments as well as to meet special needs. And we offer award-winning service to help you better take advantage of our investment expertise. Call us to learn more about your choices at INVESCO.

INVESCO MULTI-ASSET ALLOCATION FUND  
(A SERIES OF INVESCO COMBINATION STOCK & BOND FUNDS, INC.  
(FORMERLY INVESCO FLEXIBLE FUNDS, INC.,  
FORMERLY INVESCO MULTIPLE ASSET FUNDS, INC.)

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS  
MAY 20, 1999

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To The Shareholders:

A special meeting of shareholders of the INVESCO Multi-Asset Allocation Fund ("Multi-Asset Allocation Fund"), a series of INVESCO Combination Stock & Bond Funds, Inc. (formerly INVESCO Flexible Funds, Inc., formerly INVESCO

Multiple Asset Funds, Inc.) ("Combination Stock & Bond Funds"), will be held on May 20, 1999, at 10:00 a.m., Mountain Time, at the office of INVESCO Funds Group, Inc., 7800 E. Union Avenue, Denver, Colorado, for the following purposes:

- (1) To approve a Plan of Reorganization and Termination under which the INVESCO Balanced Fund ("Balanced Fund"), another series of Combination Stock & Bond Funds, would acquire all of the assets of Multi-Asset Allocation Fund in exchange solely for shares of Balanced Fund and the assumption by Balanced Fund of all of Multi-Asset Allocation Fund's liabilities, followed by the distribution of those shares to the shareholders of Multi-Asset Allocation Fund, all as described in the accompanying Prospectus/Proxy Statement;
- (2) To approve certain changes to the fundamental investment restrictions of Multi-Asset Allocation Fund;
- (3) To elect a board of directors of Combination Stock & Bond Funds;
- (4) To ratify the selection of PricewaterhouseCoopers LLP as independent accountants of Multi-Asset Allocation Fund; and
- (5) To transact such other business as may properly come before the meeting or any adjournment thereof.

You are entitled to vote at the meeting and any adjournment thereof if you owned shares of the Multi-Asset Allocation Fund at the close of business on March 12, 1999. IF YOU ATTEND THE MEETING, YOU MAY VOTE YOUR SHARES IN PERSON. IF YOU DO NOT EXPECT TO ATTEND THE MEETING, PLEASE COMPLETE, SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD IN THE ENCLOSED POSTAGE PAID ENVELOPE.

By order of the Board,

/s/ Glen A. Payne

Glen A. Payne  
Secretary

March 23, 1999  
Denver, Colorado

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YOUR VOTE IS IMPORTANT  
NO MATTER HOW MANY SHARES YOU OWN

Please indicate your voting instructions on the enclosed proxy card, sign and date the card, and return it in the envelope provided. IF YOU SIGN, DATE AND RETURN THE PROXY CARD BUT GIVE NO VOTING INSTRUCTIONS, YOUR SHARES WILL BE VOTED "FOR" THE PROPOSALS DESCRIBED ABOVE. In order to avoid the additional expense of further solicitation, we ask your cooperation in mailing your proxy card promptly. As an alternative to using the paper proxy card to vote, you may vote by mail, telephone, through the Internet, by facsimile machine, or in person. Shares that are registered in your name, as well as shares held in "street name" through a broker, may be voted via the Internet or by telephone. To vote in this manner, you will need the 12-digit "control" number(s) that appear on your proxy card(s). To vote via the Internet, please access [HTTP://WWW.PROXYCARD.COM](http://WWW.PROXYCARD.COM) on the World Wide Web. In addition, shares that are registered in your name may be voted by faxing your completed proxy card(s) to 1-800-733-1885. If we do not receive your completed proxy cards after several weeks, you may be contacted by our proxy solicitor, Shareholder Communications Corporation. Our proxy solicitor will remind you to vote your shares or will record your vote over the phone if you choose to vote in that manner. You may also call 1-800-690-6903 and vote by phone.

Unless proxy cards submitted by corporations and partnerships are signed by the appropriate persons as indicated in the voting instructions on the proxy card, they will not be voted.

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INVESTCO BALANCED FUND  
INVESTCO MULTI-ASSET ALLOCATION FUND  
(A SERIES OF INVESTCO COMBINATION STOCK & BOND FUNDS, INC.  
(FORMERLY INVESTCO FLEXIBLE FUNDS, INC., FORMERLY INVESTCO MULTIPLE ASSET  
FUNDS, INC.))

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7800 EAST UNION AVENUE  
DENVER, COLORADO 80237  
(TOLL FREE) 1-800-646-8372

PROSPECTUS/PROXY STATEMENT  
MARCH 23, 1999

This Prospectus/Proxy Statement ("Proxy Statement") is being furnished to shareholders of the INVESTCO Multi-Asset Allocation Fund ("Multi-Asset Allocation Fund"), a series of INVESTCO Combination Stock & Bond Funds, Inc. (formerly INVESTCO Flexible Funds, Inc., formerly INVESTCO Multiple Asset Funds, Inc.) ("Combination Stock & Bond Funds"), in connection with the solicitation of proxies by its board of directors for use at a special meeting of its shareholders to be held on May 20, 1999, at 10:00 a.m., Mountain Time, and at any adjournment of the meeting, if the meeting is adjourned for any reason.

As more fully described in this Proxy Statement, one of the main purposes of the meeting is to vote on a proposed reorganization. In the reorganization, the INVESTCO Balanced Fund ("Balanced Fund"), another series of Combination Stock & Bond Funds, would acquire all of the assets of Multi-Asset Allocation Fund in exchange solely for shares of Balanced Fund and the assumption by Balanced Fund of all of the liabilities of Multi-Asset Allocation Fund. Those shares of Balanced Fund would then be distributed to the shareholders of Multi-Asset Allocation Fund, so that each shareholder of Multi-Asset Allocation Fund would receive a number of full and fractional shares of Balanced Fund having an aggregate value that, on the effective date of the reorganization, is equal to the aggregate net asset value of the shareholder's shares of Multi-Asset Allocation Fund. As soon as practicable following the distribution of shares, Multi-Asset Allocation Fund will be terminated.

Balanced Fund is a diversified series of Combination Stock & Bond Funds, which is an open-end management investment company. Balanced Fund's investment objective is to achieve a high total return on investment through capital appreciation and current income.

This Proxy Statement, which should be retained for future reference, sets forth concisely the information about the reorganization and Balanced Fund that a shareholder should know before voting on the reorganization. A Statement of Additional Information, dated March 23, 1999, relating to the reorganization and including historical financial statements, has been filed with the Securities and Exchange Commission ("SEC") and is incorporated herein by reference (that is, the Statement of Additional Information is legally a part of this Proxy Statement). A Prospectus and a Statement of Additional Information for Balanced Fund, each dated December 1, 1998, and Balanced Fund's Annual Report to Shareholders for the fiscal year ended July 31, 1998, have been filed with the SEC and are incorporated herein by reference. A Prospectus and a Statement of Additional Information for Multi-Asset Allocation Fund, each dated December 1,

1998, have been filed with the SEC and also are incorporated herein by this reference. A copy of Balanced Fund's Prospectus and Annual Report accompany this Proxy Statement. Copies of the other referenced documents, as well as Multi-Asset Allocation Fund's Annual Report to Shareholders for the fiscal year ended July 31, 1998, may be obtained without charge, and further inquiries may be made, by writing to INVESTCO Distributors, Inc., P.O. Box 173706, Denver, Colorado 80217-3706, or by calling toll-free 1-800-646-8372.

The SEC maintains a website (<http://www.sec.gov>) that contains the Statements of Additional Information and other material incorporated by reference, together with other information regarding INVESCO Balanced Fund and INVESCO Multi-Asset Allocation Fund.

THE SEC HAS NOT APPROVED OR DISAPPROVED THE SHARES OF THE INVESCO BALANCED FUND OR DETERMINED WHETHER THIS PROXY STATEMENT IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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INVESCO MULTI-ASSET ALLOCATION FUND  
(A SERIES OF INVESCO COMBINATION STOCK & BOND FUNDS, INC.  
(FORMERLY INVESCO FLEXIBLE FUNDS, INC., FORMERLY INVESCO MULTIPLE  
ASSET FUNDS, INC.))  
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PROSPECTUS/PROXY STATEMENT

SPECIAL MEETING OF SHAREHOLDERS  
MAY 20, 1999

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VOTING INFORMATION

This Prospectus/Proxy Statement ("Proxy Statement") is being furnished to shareholders of the INVESCO Multi-Asset Allocation Fund ("Multi-Asset Allocation Fund"), a series of INVESCO Combination Stock & Bond Funds, Inc. (formerly INVESCO Flexible Funds, Inc., formerly INVESCO Multiple Asset Funds, Inc.) ("Combination Stock & Bond Funds"), in connection with the solicitation of proxies from Multi-Asset Allocation Fund shareholders by the board of directors of Combination Stock & Bond Funds ("Board") for use at a special meeting of shareholders to be held on May 20, 1999 ("Meeting"), and at any adjournment of the Meeting. This Proxy Statement will first be mailed to shareholders on or about March 23, 1999.

One-third of Multi-Asset Allocation Fund's shares outstanding on March 12, 1999, represented in person or by proxy, shall constitute a quorum and must be present for the transaction of business at the Meeting. If a quorum is not present at the Meeting or a quorum is present but sufficient votes to approve one or more of the proposals are not received, the persons named as proxies may propose one or more adjournments of the Meeting to permit further solicitation of proxies. Any such adjournment will require the affirmative vote of a majority of those shares represented at the Meeting in person or by proxy. The persons named as proxies will vote those proxies that they are entitled to vote FOR any proposal in favor of such an adjournment and will vote those proxies required to be voted AGAINST a proposal against such adjournment. A shareholder vote may be taken on one or more of the proposals in this Proxy Statement prior to any such

adjournment if sufficient votes have been received and it is otherwise appropriate.

Broker non-votes are shares held in street name for which the broker indicates that instructions have not been received from the beneficial owners or other persons entitled to vote and for which the broker does not have discretionary voting authority. Abstentions and broker non-votes will be counted as shares present for purposes of determining whether a quorum is present but will not be voted for or against any adjournment or proposal. Accordingly, abstentions and broker non-votes effectively will be a vote against adjournment or against any proposal where the required vote is a percentage of the shares present or outstanding. Abstentions and broker non-votes will not be counted, however, as votes cast for purposes of determining whether sufficient votes have been received to approve a proposal.

The individuals named as proxies on the enclosed proxy card will vote in accordance with your directions as indicated on the proxy card, if your proxy card is received properly executed by you or by your duly appointed agent or attorney-in-fact. If you sign, date and return the proxy card, but give no voting instructions, your shares will be voted in favor of approval of each of the proposals and the duly appointed proxies may, in their discretion, vote upon

such other matters as may come before the Meeting. The proxy card may be revoked by giving another proxy or by letter or telegram revoking the initial proxy. To be effective, revocation must be received by Combination Stock & Bond Funds prior to the Meeting and must indicate your name and account number. If you attend the Meeting in person you may, if you wish, vote by ballot at the Meeting, thereby canceling any proxy previously given.

In order to reduce costs, the notices to a shareholder having more than one account in Multi-Asset Allocation Fund listed under the same Social Security number at a single address have been combined. The proxy cards have been coded so that a shareholder's votes will be counted for each such account.

As of March 12, 1999 ("Record Date"), Multi-Asset Allocation Fund had 1,656,717.012 shares of common stock outstanding. The solicitation of proxies, the cost of which will be borne half by INVESCO Funds Group, Inc. ("INVESCO"), the investment adviser and transfer agent of Multi-Asset Allocation Fund, and half by INVESCO Balanced Fund ("Balanced Fund"), another series of Combination Stock & Bond Funds, and Multi-Asset Allocation Fund, will be made primarily by mail but also may be made by telephone or oral communications by representatives of INVESCO and INVESCO Distributors, Inc. ("IDI"), the distributor of the INVESCO group of investment companies ("INVESCO Funds"), who will not receive any compensation for these activities from either Multi-Asset Allocation Fund or Balanced Fund, or by Shareholder Communications Corporation, professional proxy solicitors, who will be paid fees and expenses of up to approximately \$1,312 for soliciting services. If votes are recorded by telephone, Shareholder Communications Corporation will use procedures designed to authenticate shareholders' identities, to allow shareholders to authorize the voting of their shares in accordance with their instructions, and to confirm that a shareholder's instructions have been properly recorded. You may also vote by mail, by facsimile or through a secure Internet site. Proxies voted by

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telephone, facsimile or Internet may be revoked at any time before they are voted in the same manner that proxies voted by mail may be revoked.

Except as set forth in Appendix A, INVESCO does not know of any person who owns beneficially 5% or more of the shares of Multi-Asset Allocation Fund or Balanced Fund (each a "Fund"). Directors and officers of Combination Stock & Bond Funds own in the aggregate less than 1% of the shares of Multi-Asset Allocation Fund.

VOTE REQUIRED. Approval of Proposal 1 requires the affirmative vote of a majority of the outstanding voting securities of Multi-Asset Allocation Fund. Approval of Proposal 2 requires the affirmative vote of a "majority of the outstanding voting securities" of Multi-Asset Allocation Fund, as defined in the Investment Company Act of 1940, as amended ("1940 Act"). This means that Proposal 2 must be approved by the lesser of (1) 67% of Multi-Asset Allocation Fund's shares present at a meeting of shareholders if the owners of more than 50% of Multi-Asset Allocation Fund's shares then outstanding are present in person or by proxy or (2) more than 50% of Multi-Asset Allocation Fund's outstanding shares. A plurality of the votes cast at the Meeting, and at the concurrent meeting of the shareholders of Balanced Fund, taken in the aggregate, is sufficient to approve Proposal 3. Approval of Proposal 4 requires the affirmative vote of a majority of the votes present at the Meeting, provided a quorum is present. Each outstanding full share of Multi-Asset Allocation Fund is entitled to one vote, and each outstanding fractional share thereof is entitled to a proportionate fractional share of one vote. If any Proposal is not approved by the requisite vote of shareholders of Multi-Asset Allocation Fund, the persons named as proxies may propose one or more adjournments of the Meeting to permit further solicitation of proxies.

#### PART I: THE REORGANIZATION

PROPOSAL 1. TO APPROVE A PLAN OF REORGANIZATION AND TERMINATION ("REORGANIZATION PLAN") UNDER WHICH BALANCED FUND WOULD ACQUIRE ALL OF THE ASSETS OF MULTI-ASSET ALLOCATION FUND IN EXCHANGE SOLELY FOR SHARES OF BALANCED FUND AND THE ASSUMPTION BY BALANCED FUND OF ALL OF MULTI-ASSET ALLOCATION FUND'S LIABILITIES, FOLLOWED BY THE DISTRIBUTION OF THOSE SHARES TO THE SHAREHOLDERS OF MULTI-ASSET ALLOCATION FUND ("REORGANIZATION")

SYNOPSIS

The following is a summary of certain information contained elsewhere in this Proxy Statement, the Prospectus and Statement of Additional Information of Balanced Fund (which are incorporated herein by reference), the Prospectus and Statement of Additional Information of Multi-Asset Allocation Fund (which are incorporated herein by reference), and the Reorganization Plan (which is attached as Appendix B to this Proxy Statement). As discussed more fully below, the Board believes that the Reorganization will benefit Multi-Asset Allocation Fund's shareholders. The Funds have the same investment objective and similar investment policies. To achieve their investment objective, the Funds employ different investment strategies. It is anticipated that, following the

Reorganization, the total operating expenses for the combined Fund, both before and after taking into account voluntary fee waivers and expense reimbursements, will be lower as a percentage of net assets than those of Multi-Asset Allocation Fund.

THE PROPOSED REORGANIZATION

The Board considered and approved the Reorganization Plan at a meeting held on February 3, 1999. The Reorganization Plan provides for the acquisition of all the assets of Multi-Asset Allocation Fund by Balanced Fund, in exchange solely for shares of common stock of Balanced Fund and the assumption by Balanced Fund of all the liabilities of Multi-Asset Allocation Fund. Multi-Asset Allocation Fund then will distribute those shares of Balanced Fund to its shareholders, so that each Multi-Asset Allocation Fund shareholder will receive the number of full and fractional shares that is equal in aggregate value to the value of the shareholder's holdings in Multi-Asset Allocation Fund as of the day the Reorganization is completed. Multi-Asset Allocation Fund will be terminated as soon as practicable thereafter.

The Reorganization will occur as of the close of business on June 11, 1999, or at a later date when the Reorganization is approved and all contingencies have been met ("Closing Date").

For the reasons set forth below under "The Proposed Transaction -- Reasons for the Reorganization," the Board, including its directors who are not "interested persons," as that term is defined in the 1940 Act, of Combination Stock & Bond Funds, INVESCO, or INVESCO Management Research, Inc. ("IMR") ("Independent Directors"), has determined that the Reorganization is in the best interests of Multi-Asset Allocation Fund, that the terms of the Reorganization are fair and reasonable and that the interests of Multi-Asset Allocation Fund's shareholders will not be diluted as a result of the Reorganization. Accordingly, the Board recommends approval of the transaction. In addition, the Board, including its Independent Directors, has determined that the Reorganization is in the best interests of Balanced Fund, that the terms of the Reorganization are fair and reasonable and that the interests of Balanced Fund's shareholders will not be diluted as a result of the Reorganization.

COMPARATIVE FEE TABLE

As shown in the table below a shareholder pays no fees to purchase Fund shares, to exchange to another INVESCO Fund, or to sell shares. The only Fund costs a shareholder pays are Fund annual operating expenses that are deducted from Fund assets. The current fees and expenses incurred for the fiscal year ended July 31, 1998 by each Fund and PRO FORMA fees for Balanced Fund after giving effect to the Reorganization are shown below.

SHAREHOLDER FEES (FEES PAID DIRECTLY FROM YOUR INVESTMENT)

	MULTI-ASSET
BALANCED FUND	ALLOCATION FUND COMBINED FUND

Sales charge (load) on purchases of shares.....	None	None	None
Sales charge (load) on reinvested dividends.....	None	None	None
Redemption fee or deferred sales charge (load).....	None	None	None

ANNUAL FUND OPERATING EXPENSES (expenses that are deducted from fund assets) (as a percentage of average daily net assets)

	BALANCED FUND	MULTI-ASSET ALLOCATION FUND	COMBINED FUND (PRO FORMA)
Management Fees.....	0.60%	0.75%	0.60%
Distribution (12b-1) fees*....	0.25%	0.25%	0.25%
Other Expenses.....	0.37% (1) (2)	0.92% (1) (2)	0.37%
Total Fund Operating Expenses.	1.22% (1) (2)	1.92% (1) (2)	1.22%

\* Because each Fund pays distribution fees, long-term shareholders could pay more than the economic equivalent of the maximum front-end sales charge permitted by the National Association of Securities Dealers, Inc.

(1) Certain expenses of Multi-Asset Allocation Fund are being voluntarily absorbed by INVESCO and IMR. Accordingly, the "Other Expenses" and "Total Fund Operating Expenses" paid by Multi-Asset Allocation Fund were 0.54% and 1.54%, respectively. INVESCO and IMR do not intend to continue absorbing the expenses of Multi-Asset Allocation Fund. INVESCO will, however, continue to absorb the expenses of Balanced Fund for a period of at least one year, so that Total Fund Operating Expenses will not exceed 1.25%. Thus, if the Reorganization is not approved, Multi-Asset Allocation Fund's Other Expenses and Total Fund Operating Expenses will likely increase.

(2) Each Fund's actual Total Fund Operating Expenses were lower than the figures shown, because custodian fees for Multi-Asset Allocation Fund and custodian transfer agency and distribution fees for Balanced Fund were reduced under expense offset arrangements. Because of an SEC requirement, the figures shown above DO NOT reflect these reductions.

EXAMPLE OF EFFECT ON FUND EXPENSES

This Example is intended to help you compare the cost of investing in Multi-Asset Allocation Fund with the cost of investing in Balanced Fund and the cost of investing in Balanced Fund assuming the Reorganization has been completed.

The Example assumes that you invest \$10,000 in the specified Fund for the time periods indicated and redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year, that all dividends and other distributions are reinvested and that the

Fund's operating expenses remain the same. Although your actual costs and returns may be higher or lower, based on these assumptions your costs would be:

	ONE YEAR	THREE YEARS	FIVE YEARS	TEN YEARS
Balanced Fund.....	\$124	\$387	\$ 670	\$1,477
Multi-Asset Allocation Fund.....	\$195	\$603	\$1,037	\$2,243
Combined Fund.....	\$124	\$387	\$ 671	\$1,477

FORMS OF ORGANIZATION

Each Fund is a separate series of Combination Stock & Bond Funds, a no-load, open-end, diversified management investment company that was organized as a Maryland corporation on August 19, 1993. Combination Stock & Bond Funds' Articles of Incorporation authorize the directors to issue up to 1,600,000,000 shares, par value \$0.01 per share. Of the authorized shares of Combination Stock & Bond Funds, 100,000,000 have been allocated to Balanced Fund and 100,000,000 have been allocated to Multi-Asset Allocation Fund. Neither Balanced Fund nor Multi-Asset Allocation Fund is required to (nor do they) hold annual shareholder meetings. Neither Multi-Asset Allocation Fund nor Balanced Fund issues share certificates.

#### INVESTMENT ADVISER

INVESCO is the investment adviser to each Fund. In this capacity, INVESCO supervises all aspects of each Fund's operations and makes and implements all investment decisions for Balanced Fund. IMR is the sub-adviser of Multi-Asset Allocation Fund and is primarily responsible for managing that Fund's investments.

INVESCO is currently paid (1) by Multi-Asset Allocation Fund a monthly management fee computed at the annual rate of 0.75% on the first \$500 million of the Fund's average net assets, 0.65% on the next \$500 million of such assets, and 0.50% on such assets over \$1 billion and (2) by Balanced Fund a monthly management fee computed at the annual rate of 0.60% on the first \$350 million of the Fund's average net assets, 0.55% on the next \$350 million of such assets, and 0.50% on such assets over \$700 million. For the fiscal year ended July 31, 1998, Multi-Asset Allocation Fund and Balanced Fund paid an investment management fee of 0.75% and 0.60%, respectively, of its average daily net assets. Following the Reorganization, the initial management fee for the combined Fund is expected to be 0.60% of average net assets, although this fee will decrease in accordance with the fee schedule for Balanced Fund described above if the assets of the combined Fund increase. With respect to Multi-Asset Allocation Fund, INVESCO (not the Fund) pays IMR a monthly fee of one-third of the advisory fee (0.25% on the first \$500 million of the Fund's average net

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assets, 0.2166% on the next \$500 million of such assets, and 0.1667% on such assets over \$1 billion).

Following the Reorganization, INVESCO, in its capacity as investment adviser to Balanced Fund, will have sole responsibility for managing the Funds' combined assets.

#### INVESTMENT OBJECTIVES AND POLICIES

The investment objective, strategies, and policies of each Fund are set forth below. Balanced Fund and Multi-Asset Allocation Fund have the same investment objective in that each Fund seeks to achieve a high total return on investment through capital appreciation and current income. The Funds also have substantially similar investment policies. The investment strategies used by the Funds differ, however, in the method of allocation of assets among securities. There can be no assurance that either Fund will achieve its investment objective.

**BALANCED FUND.** The Fund pursues its investment objective by normally investing 50% to 70% of its total assets in common stocks and the remainder in fixed-income securities, including cash reserves. At least 25% of the Fund's assets will be invested in fixed-income securities issued by the U.S. government, its agencies and instrumentalities, or in investment grade corporate bonds. This approach is designed to cushion a shareholder's investment from the volatility typically associated with mutual funds that invest primarily in common stocks. With respect to the equity holdings, the Fund looks for companies with better-than-average earnings growth potential, as well as companies within industries that the Fund has identified as well-positioned for the current and expected economic climate. The Fund also considers dividend payout records. The Fund may also take positions in securities traded on regional or foreign exchanges. In addition to common stocks, the Fund also may hold preferred stocks and securities convertible into common stock. With respect to the fixed-income portion of the holdings, the Fund selects only obligations of the U.S. government, its agencies and instrumentalities, or investment grade corporate

bonds. Obligations issued by U.S. government agencies or instrumentalities may include some supported only by the credit of the issuer rather than by the full faith and credit of the U.S. government. The Fund may hold debt securities of any maturity (from less than one year up to 30 years), with the average maturity varying depending upon economic and market conditions. The Fund may also hold cash and cash equivalent securities as cash reserves.

**MULTI-ASSET ALLOCATION FUND.** The Fund pursues its investment objective by allocating its assets among six asset classes: stocks of large-capitalization companies; stocks of small-capitalization companies; equity real estate securities, primarily real estate investment trusts; international equity securities; fixed-income securities; and cash securities. The Fund may allocate its assets among these six classes within specified ranges. Current allocations are based on the Fund's projections of investment returns for each class. The Fund's "benchmark mix" of assets represents the expected allocation when the projected returns for all six classes are normal relative to the others based on historical investment returns. If the Fund believes the return for a particular class will be higher than normal relative to the others, the Fund invests in that class more heavily than the benchmark suggests. Conversely, if the Fund estimates a lower-than-normal return for a particular class relative to the

others, it is underweighted relative to the benchmark mix. The historical performance of each class is measured by using a comparative index of securities for the class.

**MULTI-ASSET ALLOCATION FUND.** Multi-Asset Allocation Fund's six asset classes, investment ranges, benchmark mix and comparative indices are set forth below:

Asset Class	Percentage of Fund's		
	Total Assets	Benchmark Mix	Comparative Index
Large-cap stocks.....	0-70%	35%	S&P 500
Small-cap stocks.....	0-30%	10%	Russell 2000
Real estate equity securities.....	0-30%	10%	NAREIT Equity REIT Index
International stocks..	0-25%	10%	MSCI-EAFE
Fixed-income.....	0-50%	25%	Lehman Brothers Aggregate Bond
Cash securities.....	0-30%	10%	90-day T-bills

INVESCO and IMR regularly review the Fund's investment allocations and will vary the amount invested in each class within the ranges set forth above depending upon their assessment of business, economic and market conditions. However, the Fund does not attempt to "time" the various markets or make sudden, major shifts in weightings. Any allocation adjustments are made gradually and in accordance with the Fund's objective of seeking a high total return. While the percentage of the Fund's assets invested in each class will vary from time to time, the Fund does not anticipate altering the benchmark mix. The Fund does, however, upon notice to shareholders, reserve the right to add or delete asset classes and to adjust the percentage of each class in the benchmark mix accordingly.

In managing the equity portions of Multi-Asset Allocation Fund's portfolio (large-cap stocks, small-cap stocks, equity real estate securities and international stocks), INVESCO and IMR apply a combination of quantitative strategies and traditional stock selection methods to a broad universe of stocks in order to uncover attractive values. Typically, common stocks and, to a lesser degree, preferred stocks and securities convertible into common stocks, will be examined quantitatively for their exposure to certain factors that INVESCO and IMR believe are helpful in selecting equities that can be expected to show superior future performance. These factors include earnings-to-price ratio, book value-to-price ratio, earnings estimate revision momentum, relative market strength compared to competitors, inventory/sales trend and financial leverage. A stock's expected return is estimated based on these factors and estimated

trading costs. Next a computer optimization process suggests a portfolio that seeks to maximize expected return at a controlled level of risk. Traditional fundamental analysis is then employed to make the final selection of holdings.

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Large-cap stock holdings are selected from the 1,000 largest publicly traded U.S. companies. Size is determined by measuring a firm's market capitalization - the market value of all of a company's equity securities. These securities are traded principally on U.S. national stock exchanges but also may be traded on regional stock exchanges or in the over-the-counter market. Large-cap stocks may offer higher dividends than the stocks of smaller-cap firms. Multi-Asset Allocation Fund seeks its small-cap holdings from companies having market capitalizations smaller than the 1,000 largest publicly traded U.S. companies. These small-cap stocks typically pay no or only minimal dividends and may involve greater risks than securities of larger, more established companies. However, because of their long-term prospects, they may offer the potential for greater price appreciation. Multi-Asset Allocation Fund focuses its real estate investments on equity real estate investment trusts (REITs) but may also invest in real estate development and real estate operating companies, as well as other real estate-related businesses. Equity REITs are trusts that sell shares to investors and invest the proceeds in real estate.

For the fixed-income portion of the holdings, Multi-Asset Allocation Fund selects only obligations of the U.S. government, its agencies and instrumentalities, or investment grade corporate bonds. These securities tend to offer lower income than bonds of lower quality but are more shielded from credit risk. Obligations issued by government agencies or instrumentalities may include some supported only by the credit of the issuer rather than backed by the full faith and credit of the U.S. government.

OTHER POLICIES OF BOTH FUNDS. The Funds have similar investment policies. Each Fund may invest up to 25% of its total assets directly in foreign equity or corporate debt securities. Up to 15% of each Fund's net assets may be invested in illiquid securities, including securities with restrictions on resale or securities that are not readily marketable. Each Fund may also commit up to 10% of its total assets to the purchase and sale of securities on a when-issued or delayed delivery basis - that is, with settlement taking place in the future. Each Fund may invest money, for as short a time as overnight, using repurchase agreements entered into with member banks of the Federal Reserve System, registered broker-dealers and registered U.S. government securities dealers that are deemed creditworthy under standards established by the Board. Multi-Asset Allocation Fund may invest in stripped mortgage or asset-backed securities, in which the principal and interest payments on the underlying pool of loans are separated or "stripped" to create two classes of securities.

Each Fund may seek to earn additional income by lending securities to qualified brokers, dealers, banks or other financial institutions, on a fully collateralized basis. In order to hedge its portfolio, each Fund may purchase and write options on securities (including index options and options on foreign securities) and may invest in futures contracts for the purchase or sale of foreign currencies, fixed-income securities and instruments based on financial indices, options on such futures contracts and forward contracts.

When business, market, or economic conditions warrant, each Fund may assume a defensive position by temporarily investing up to 100% of its assets in U.S. government and agency securities, investment grade corporate bonds or cash

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securities, such as domestic certificates of deposit and bankers' acceptances, commercial paper and repurchase agreements, in an attempt to protect principal value until conditions stabilize.

#### OPERATIONS OF BALANCED FUND FOLLOWING THE REORGANIZATION

As indicated above, the Funds have the same investment objective and, although they have different investment strategies, the investment policies of

the two Funds are similar. Although Multi-Asset Allocation Fund intends to invest within asset classes at certain benchmark levels, Balanced Fund does not have any such prescribed guidelines for investment within its allocation of total assets between common stocks and fixed-income securities. Multi-Asset Allocation Fund also invests a greater proportion of its assets in fixed income and cash securities based upon its current benchmarks. Based on its review of the investment portfolios of each Fund, INVESCO believes that most of the assets held by Multi-Asset Allocation Fund will be consistent with the investment policies of Balanced Fund and thus can be transferred to and held by Balanced Fund if the Reorganization is approved. If, however, Multi-Asset Allocation Fund has any assets that may not be held by Balanced Fund those assets will be sold prior to the Reorganization. The proceeds of such sales will be held in temporary investments or reinvested in assets that qualify to be held by Balanced Fund. The possible need for Multi-Asset Allocation Fund to dispose of assets prior to the Reorganization could result in selling securities at a disadvantageous time and could result in Multi-Asset Allocation Fund's realizing losses that would not otherwise have been realized. Alternatively, these sales could result in Multi-Asset Allocation Fund's realizing gains that would not otherwise have been realized, the net proceeds of which would be included in a distribution to its shareholders prior to the Reorganization.

Currently, INVESCO serves as investment adviser to both Funds and IMR serves as sub-adviser to Multi-Asset Allocation Fund. After the Reorganization, INVESCO, in its capacity as investment adviser to Balanced Fund, will have sole responsibility for managing the Funds' combined assets. In addition, the directors and officers of Balanced Fund, its distributor and other outside agents will continue to serve Balanced Fund in their current capacities.

#### PURCHASES AND REDEMPTIONS

**PURCHASES.** Shares of each Fund may be purchased by wire, telephone, mail or direct payroll purchase. The shares of each Fund are sold on a continuous basis at the net asset value ("NAV") per share next calculated after receipt of a purchase order in good form. The NAV per share for each Fund is computed separately and is determined once each day that the New York Stock Exchange is open ("Business Day"), as of the close of regular trading, but may also be computed at other times. For a more complete discussion of share purchases, see "How to Buy Shares" in either the Balanced Fund Prospectus or the Multi-Asset Allocation Fund Prospectus.

**REDEMPTIONS.** Shares of each Fund may be redeemed by telephone, by mail, by exchange, by periodic withdrawal plan, or by payment to a third party. Such redemptions are made at the NAV per share next determined after a request in proper form is received at the Fund's office. Normally, payment of redemption proceeds will be mailed within seven days following receipt of the required documents. For a more complete discussion of share redemption procedures, see "How to Sell Shares" in either Fund's Prospectus.

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Multi-Asset Allocation Fund shares will no longer be available for purchase beginning on the Business Day following the Closing Date. Redemptions of Multi-Asset Allocation Fund's shares may be effected through the Closing Date.

#### EXCHANGES

Shares of each Fund are exchangeable for shares of another INVESCO Fund on the basis of their respective NAVs per share at the time of the exchange. After the Reorganization, shares of Balanced Fund will continue to be exchangeable for shares of another INVESCO Fund. For a more complete discussion of the Funds' exchange policies, see "How to Sell Shares" in either Fund's Prospectus.

#### DIVIDENDS AND OTHER DISTRIBUTIONS

Each Fund earns investment income in the form of dividends and interest on investments. Dividends paid by each Fund are based solely on its investment income. Each Fund's policy is to distribute substantially all of its investment income, less expenses, to shareholders on a quarterly basis, at the discretion of the Board. Dividends are automatically reinvested in additional shares of a Fund at the NAV on the ex-dividend date unless otherwise requested.

Each Fund also realizes capital gains and losses when it sells securities or derivatives for more or less than it paid. If total gains on these sales exceed total losses (including losses carried forward from previous years), a Fund has capital gain net income. Net realized capital gains, if any, together with gains realized on foreign currency transactions, if any, are distributed to shareholders at least annually, usually in December. Capital gains distributions are automatically reinvested in shares of the respective Fund at the NAV on the ex-distribution date unless otherwise requested. Dividends and other distributions are paid to holders of shares on the record date of distribution regardless of how long a Fund's shares have been held by the shareholder.

On or before the Closing Date, Multi-Asset Allocation Fund will declare as a distribution substantially all of its net investment income and realized net capital gain, if any, and distribute that amount plus any previously declared but unpaid dividends, in order to continue to maintain its tax status as a regulated investment company.

#### FEDERAL INCOME TAX CONSEQUENCES OF THE REORGANIZATION

Combination Stock & Bond Funds will receive an opinion of its counsel, Kirkpatrick & Lockhart LLP, to the effect that the Reorganization will constitute a tax-free reorganization within the meaning of section 368(a)(1)(C) of the Internal Revenue Code of 1986, as amended ("Code"). Accordingly, neither Fund will recognize any gain or loss as a result of the Reorganization. See "The Proposed Transaction - Federal Income Tax Considerations," page 18. To the extent Multi-Asset Allocation Fund sells securities prior to the Closing Date, there may be net recognized gains or losses to the Fund. Any net recognized gains would increase the amount of any distribution made to shareholders of Multi-Asset Allocation Fund prior to the Closing Date.

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#### COMPARISON OF PRINCIPAL RISK FACTORS

An investment in Balanced Fund is subject to specific risks arising from the types of securities in which the Fund invests and general risks arising from investing in any mutual fund. The principal specific risks associated with investing in Balanced Fund include:

**DEBT SECURITIES.** Balanced Fund's investments in debt securities generally are subject to both 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. Market risk relates to the fact that the market values of the debt securities 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 outstanding debt securities, whereas a decline in interest rates will tend to increase their values. The lower a bond's quality, the more it is subject to credit risk and market risk. Balanced Fund seeks to reduce these risks by investing only in investment grade debt securities. While the management of Balanced Fund monitors all of the debt securities in its portfolio for the issuer's ability to make required payments and other quality factors, it may retain a bond whose rating is changed to one below the minimum rating required for purchase of the security. The Fund's investment in debt securities may include investments in zero-coupon bonds and step-up bonds. Due to the timing of the payment of interest on these bonds, they are extremely responsive to changes in interest rates and are, therefore, more volatile than other bonds. The Fund may invest in mortgage- or asset-backed securities. The loans underlying these securities are subject to prepayments that may shorten the securities' weighted average lives and may lower their returns.

**FOREIGN SECURITIES.** Balanced Fund may invest up to 25% of its assets in foreign securities. Investments in foreign securities are influenced not only by the returns on the foreign investments themselves, but also by currency fluctuations. In addition, there is generally less publicly available information, reports and ratings about foreign companies and other foreign issuers than that which is available about companies and issuers in the United States. Foreign issuers are also generally subject to fewer uniform accounting, auditing and financial reporting standards, practices and requirements as compared to those applicable to U.S. issuers. The Fund's adviser normally purchases foreign securities in over-the-counter markets or on foreign

exchanges, which are generally not as developed or efficient as those in the United States and are subject to less government supervision and regulation. Moreover, with respect to certain foreign countries, there is the possibility of adverse changes in investment or exchange control regulations, expropriation or confiscatory taxation, limitations on the removal of funds or other assets of a fund, political or social instability, or diplomatic developments that could affect U.S. investments in those countries. The fund may also invest in American Depository Receipts ("ADRs"). ADRs are subject to some of the same risks as direct investments in foreign securities, including the risk that material information about the issuer may not be disclosed in the United States and the risk that currency fluctuations may adversely affect the value of the ADR.

ILLIQUID AND RULE 144A SECURITIES. Balanced Fund may invest in illiquid securities, including restricted securities and other investments that are not readily marketable. Restricted securities are securities that are subject to

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restrictions on their resale because they have not been registered under the Securities Act of 1933, as amended ("1933 Act"), or because, based upon their nature or the market for such securities, they are not readily marketable. These limitations on resale and marketability may have the effect of preventing the Fund from disposing of such a security at the time desired or at a reasonable price. In addition, in order to resell a restricted security, the Fund might have to bear the expense and incur the delays associated with registering the security. The Fund may also invest in restricted securities that can be resold to institutional investors in accordance with Rule 144A under the 1933 Act ("Rule 144A securities"). However, an insufficient number of qualified institutional buyers interested in purchasing a Rule 144A security held by the Fund could adversely affect the marketability of such security, and the Fund might be unable to dispose of the security promptly or at a reasonable price.

DELAYED DELIVERY OR WHEN-ISSUED SECURITIES. Balanced Fund may invest in when-issued or delayed delivery securities, that is, with settlement taking place in the future. The payment obligation and the interest rate received on the securities generally are fixed at the time the Fund enters into the commitment. Between the date of purchase and the settlement date, the market value of the securities may vary, and no interest is payable to the Fund prior to settlement. Thus, the purchase of securities on a when-issued basis involves the risk that the value of the securities purchased will decline prior to settlement.

REPURCHASE AGREEMENTS. Balanced Fund may invest money, for as short a time as overnight, using repurchase agreements. With a repurchase agreement, the Fund buys a debt instrument, agreeing simultaneously to sell it back to the prior owner at an agreed-upon price. The Fund could incur costs or delays in seeking to sell the instrument if the prior owner defaults on its repurchase obligation. To reduce such risk, the securities that are the subject of the 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).

SECURITIES LENDING. Balanced Fund may lend its securities to qualified brokers, dealers, banks or other financial institutions. Lending securities involves certain risks, the most significant of which is the risk that a borrower may fail to return a portfolio security. Fund management monitors the creditworthiness of borrowers in order to minimize such risks.

FUTURES, OPTIONS AND OTHER DERIVATIVE INSTRUMENTS. Balanced Fund may enter into futures contracts, and purchase and sell options to buy or sell futures contracts and other securities which are included in the types of instruments sometimes referred to as "derivatives," because their value depends upon or derives from the value of an underlying asset. Where futures are purchased to hedge against a possible increase in the price of a security before the Fund is able in an orderly fashion to invest in the security, it is possible that the market may decline instead. If the Fund, as a result, concluded not to make the planned investment at that time because of concern as to possible further market decline or for other reasons, the Fund would realize a loss on the futures contract that is not offset by a reduction in the price of securities purchased.

In addition to the possibility that there may be an imperfect correlation or no correlation at all between movements in the futures contract and the

portion of the portfolio being hedged, the price of futures may not correlate perfectly with movements in the prices due to certain market distortions. All participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, investors may close futures contracts through offsetting transactions which could distort the normal relationship between the underlying securities and the value of the futures contract. Moreover, the deposit requirements in the futures market are less onerous than margin requirements in the securities market and may therefore cause increased participation by speculators in the futures market. Such increased participation may also cause temporary price distortions. Due to the possibility of price distortion in the futures market and because of the imperfect correlation between movements in the value of the underlying securities and movements in the prices of futures contracts, the value of futures contracts as a hedging device may be reduced.

In addition, if the Fund has insufficient available cash, it may at times have to sell securities to meet variation margin requirements. Such sales may have to be effected at a time when it may be disadvantageous to do so.

**TURNOVER RATE.** Balanced Fund's investment portfolio is actively traded. There are no limitations regarding portfolio turnover for either the equity or fixed-income portions of the Fund's portfolio; securities may be sold without regard to the time they have been held when investment considerations warrant such action. The Fund's portfolio turnover rate may be higher than that of many other mutual funds, sometimes exceeding 100%. This turnover may result in greater brokerage commissions and acceleration of capital gains, which are taxable when distributed to shareholders.

**YEAR 2000.** Many computer systems in use today may not be able to recognize any date after December 31, 1999. If these systems are not fixed by that date, it is possible that they could generate erroneous information or fail altogether. INVESCO has committed substantial resources in an effort to make sure that its own major computer systems will continue to function on and after January 1, 2000. In addition, the markets for, or value of, securities in which the Funds invest may possibly be hurt by computer failures affecting portfolio investments or trading of securities beginning January 1, 2000. For example, improperly functioning systems could result in securities trade settlement problems and liquidity issues, production issues for individual companies and overall economic uncertainties. Individual issuers may incur increased costs in making their own systems Year 2000 compliant. The combination of market uncertainty and increased costs means that there is a possibility that Year 2000 computer issues may adversely affect the Fund's investments.

#### COMPARISON TO MULTI-ASSET ALLOCATION FUND

Because Multi-Asset Allocation Fund's investment objective and policies are similar to those of Balanced Fund, an investment in Multi-Asset Allocation Fund is subject to many of the same specific risks as an investment in Balanced Fund.

Multi-Asset Allocation Fund invests up to 30% of its total assets, with a benchmark investment of 10% of its total assets, and Balanced Fund may invest,

in small-capitalization companies. These companies (particularly those trading "over the counter") may be in the early stages of development; have limited product lines, markets or financial resources; and/or lack management depth. These factors may expose these companies to more intense competitive pressures, greater volatility in earnings, and relative illiquidity or erratic price movements for the companies' securities, compared to larger, more established companies or the market averages in general.

Multi-Asset Allocation Fund also invests up to 30% of its total assets, with a benchmark investment of 10% of its total assets, and Balanced Fund may

invest, in real estate securities. These securities have many of the same risks as the direct ownership of real estate, including the risk that the property will decline in value, and risks related to general and local economic conditions, overbuilding, property tax and operating expense increases and fluctuating rental income. Real estate investment trusts are subject to the additional risks associated with management skill, potentially inadequate diversification, and favorable financing.

Multi-Asset Allocation Fund may invest in stripped mortgage- or asset-backed securities. The market prices of these securities generally are more sensitive to changes in interest and prepayment rates than traditional mortgage- and asset-backed securities and may be extremely volatile.

#### THE PROPOSED TRANSACTION

##### REORGANIZATION PLAN

The terms and conditions under which the proposed transaction will be consummated are set forth in the Reorganization Plan. Significant provisions of the Reorganization Plan are summarized below; however, this summary is qualified in its entirety by reference to the Reorganization Plan, which is attached as Appendix B to this Proxy Statement.

The Reorganization Plan provides for (a) the acquisition by Balanced Fund on the Closing Date of all the assets of Multi-Asset Allocation Fund in exchange solely for Balanced Fund shares and the assumption by Balanced Fund of all of Multi-Asset Allocation Fund's liabilities, and (b) the distribution of those Balanced Fund shares to the shareholders of Multi-Asset Allocation Fund.

The assets of Multi-Asset Allocation Fund to be acquired by Balanced Fund include all cash, cash equivalents, securities, receivables, claims and rights of action, rights to register shares under applicable securities laws, books and records, deferred and prepaid expenses shown as assets on Multi-Asset Allocation Fund's books and all other property owned by Multi-Asset Allocation Fund. Balanced Fund will assume from Multi-Asset Allocation Fund all liabilities, debts, obligations and duties of Multi-Asset Allocation Fund of whatever kind or nature; provided, however, that Multi-Asset Allocation Fund will use its best efforts to discharge all of its known debts, liabilities, obligations and duties before the Closing Date. Balanced Fund will deliver its shares to Multi-Asset Allocation Fund, which will distribute the shares to Multi-Asset Allocation Fund's shareholders.

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The value of Multi-Asset Allocation Fund's net assets to be acquired by Balanced Fund and the NAV per share of the Balanced Fund shares to be exchanged for those assets will be determined as of the close of regular trading on the New York Stock Exchange on the Closing Date ("Valuation Time"), using the valuation procedures described in each Fund's then-current Prospectus and Statement of Additional Information. Multi-Asset Allocation Fund's net value shall be the value of its assets to be acquired by Balanced Fund, less the amount of Multi-Asset Allocation Fund's liabilities, as of the Valuation Time.

On, or as soon as practicable after, the Closing Date, Multi-Asset Allocation Fund will distribute the Balanced Fund shares it receives PRO RATA to its shareholders of record as of the effective time of the Reorganization, so that each Multi-Asset Allocation Fund shareholder will receive a number of full and fractional Balanced Fund shares equal in aggregate value to the shareholder's holdings in Multi-Asset Allocation Fund. Multi-Asset Allocation Fund will be terminated as soon as practicable after the share distribution. The shares will be distributed by opening accounts on the books of Balanced Fund in the names of Multi-Asset Allocation Fund shareholders and by transferring to those accounts the shares previously credited to the account of Multi-Asset Allocation Fund on those books. Fractional shares in Balanced Fund will be rounded to the third decimal place.

Because Balanced Fund shares will be issued at NAV in exchange for the net assets of Multi-Asset Allocation Fund, the aggregate value of Balanced Fund shares issued to Multi-Asset Allocation Fund shareholders will equal the aggregate value of Multi-Asset Allocation Fund shares. The NAV per share of Balanced Fund will be unchanged by the transaction. Thus, the Reorganization

will not result in a dilution of any shareholder's interest.

Any transfer taxes payable upon issuance of Balanced Fund shares in a name other than that of the registered Multi-Asset Allocation Fund shareholder will be paid by the person to whom those shares are to be issued as a condition of such transfer. Any reporting responsibility of Multi-Asset Allocation Fund to a public authority will continue to be its responsibility until it is dissolved.

Half of the cost of the Reorganization, including professional fees and the cost of soliciting proxies for the Meeting, consisting principally of printing and mailing expenses, together with the cost of any supplementary solicitation, will be borne by INVESCO, the investment adviser to each Fund, and half by Balanced Fund and Multi-Asset Allocation Fund. The Board considered the fact that INVESCO will pay half of these expenses in approving the Reorganization and finding that the Reorganization is in the best interests of the Funds.

The consummation of the Reorganization is subject to a number of conditions set forth in the Reorganization Plan, some of which may be waived by either Fund. In addition, the Reorganization Plan may be amended in any mutually agreeable manner, except that no amendment may be made subsequent to the Meeting that has a material adverse effect on Multi-Asset Allocation Fund shareholders' interests.

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#### REASONS FOR THE REORGANIZATION

The Board, including a majority of its Independent Directors, has determined that the Reorganization is in the best interests of each Fund, that the terms of the Reorganization are fair and reasonable and that the interests of each Fund's shareholders will not be diluted as a result of the Reorganization.

In approving the Reorganization, the Board, including a majority of its Independent Directors, on behalf of each Fund, considered a number of factors, including the following:

- (1) the compatibility of the Funds' investment objectives, policies and restrictions;
- (2) the effect of the Reorganization on the Funds' expected investment performance;
- (3) the effect of the Reorganization on the expense ratio of each Fund relative to its current expense ratio;
- (4) the costs to be incurred by each Fund as a result of the Reorganization;
- (5) the tax consequences of the Reorganization;
- (6) possible alternatives to the Reorganization, including whether Multi-Asset Allocation Fund could continue to operate on a stand-alone basis or should be liquidated; and
- (7) the potential benefits of the Reorganization to INVESCO and to other persons.

The Reorganization was recommended to the Board on behalf of each Fund by INVESCO at a meeting of the Board held on February 3, 1999. In recommending the Reorganization, INVESCO advised the Board that the investment advisory and administration fee schedule applicable to Balanced Fund would be equal to or lower than that currently in effect for Multi-Asset Allocation Fund and, because Multi-Asset Allocation Fund has been unsuccessful in attracting assets, it is unlikely INVESCO would continue to absorb expenses of Multi-Asset Allocation Fund. The Board considered the fact that Balanced Fund has a better performance record and that Multi-Asset Allocation Fund has had more difficulty in attracting assets than Balanced Fund. The Board also considered the similarity in investment objective and portfolio composition between the two Funds. Further, the Board was advised by INVESCO that, because Balanced Fund has greater net assets than Multi-Asset Allocation Fund, combining the two Funds

could reduce the expenses borne by Multi-Asset Allocation Fund as a percentage of net assets. In addition, INVESCO advised the Board that any reduction in the expense ratios of the Funds as a result of the Reorganization could benefit INVESCO by reducing any reimbursements or waivers of expenses resulting from INVESCO's obligation to limit the expenses of Balanced Fund to 1.25%. The Board was also advised that following the Reorganization, the expense ratio for Balanced Fund may decrease because the investment advisory and administration fee paid by that Fund decreases as its size increases.

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#### DESCRIPTION OF SECURITIES TO BE ISSUED

Combination Stock & Bond Funds is registered with the SEC as an open-end management investment company. It has an authorized capitalization of \$1.6 billion shares of common stock (par value \$0.01 per share). Shares of Balanced Fund entitle their holders to one vote per full share and fractional votes for fractional shares held.

Balanced Fund does not hold annual meetings of shareholders. There normally will be no meetings of shareholders for the purpose of electing directors unless fewer than a majority of the directors holding office have been elected by shareholders, at which time the directors then in office will call a shareholders' meeting for the election of directors. The directors will call annual or special meetings of shareholders for action by shareholder vote as may be required by the 1940 Act or Combination Stock & Bond Funds' Articles of Incorporation, or at their discretion.

Both Funds are series of Combination Stock & Bond Funds. Thus, the rights of shareholders of each Fund with respect to shareholder meetings, inspection of shareholder lists, and distributions on liquidation of a Fund are identical.

#### TEMPORARY WAIVER OF INVESTMENT RESTRICTIONS

Certain fundamental investment restrictions of Multi-Asset Allocation Fund, which prohibit it from acquiring more than a stated percentage of ownership of another company, might be construed as restricting its ability to carry out the Reorganization. By approving the Reorganization Plan, Multi-Asset Allocation Fund's shareholders will be agreeing to waive, only for the purpose of the Reorganization, those fundamental investment restrictions that could prohibit or otherwise impede the transaction.

#### FEDERAL INCOME TAX CONSIDERATIONS

The exchange of Multi-Asset Allocation Fund's assets for Balanced Fund shares and Balanced Fund's assumption of Multi-Asset Allocation Fund's liabilities is intended to qualify for federal income tax purposes as a tax-free reorganization under Section 368(a)(1)(C) of the Code. Combination Stock & Bond Funds will receive an opinion of its counsel, Kirkpatrick & Lockhart LLP, substantially to the effect that:

- (1) Balanced Fund's acquisition of Multi-Asset Allocation Fund's assets in exchange solely for Balanced Fund shares and Balanced Fund's assumption of Multi-Asset Allocation Fund's liabilities, followed by Multi-Asset Allocation Fund's distribution of those shares PRO RATA to its shareholders constructively in exchange for their Multi-Asset Allocation Fund shares, will constitute a "reorganization" within the meaning of section 368(a)(1)(C) of the Code, and each Fund will be "a party to a reorganization" within the meaning of section 368(b) of the Code;
- (2) Multi-Asset Allocation Fund will recognize no gain or loss on the transfer to Balanced Fund of its assets in exchange solely for Balanced Fund shares and Balanced Fund's assumption of Multi-Asset Allocation Fund's liabilities or on the subsequent distribution of those shares to

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Multi-Asset Allocation Fund's shareholders in constructive exchange for

their Multi-Asset Allocation Fund shares;

- (3) Balanced Fund will recognize no gain or loss on its receipt of the transferred assets in exchange solely for Balanced Fund shares and its assumption of Multi-Asset Allocation Fund's liabilities;
- (4) Balanced Fund's basis for the transferred assets will be the same as the basis thereof in Multi-Asset Allocation Fund's hands immediately before the Reorganization, and Balanced Fund's holding period for those assets will include Multi-Asset Allocation Fund's holding period therefor;
- (5) A Multi-Asset Allocation Fund shareholder will recognize no gain or loss on the constructive exchange of all its Multi-Asset Allocation Fund shares solely for Balanced Fund shares pursuant to the Reorganization; and
- (6) A Multi-Asset Allocation Fund shareholder's aggregate basis for the Balanced Fund shares to be received by it in the Reorganization will be the same as the aggregate basis for its Multi-Asset Allocation Fund shares to be constructively surrendered in exchange for those Balanced Fund shares, and its holding period for those Balanced Fund shares will include its holding period for those Multi-Asset Allocation Fund shares, provided they are held as capital assets by the shareholder on the Closing Date.

The tax opinion may state that no opinion is expressed as to the effect of the Reorganization on the Funds or any shareholder with respect to any asset as to which any unrealized gain or loss is required to be recognized for federal income tax purposes at the end of a taxable year (or on the termination or transfer thereof) under a mark-to-market system of accounting.

Shareholders of Multi-Asset Allocation Fund should consult their tax advisers regarding the effect, if any, of the Reorganization in light of their individual circumstances. Because the foregoing discussion only relates to federal income tax consequences of the Reorganization, those shareholders also should consult their tax advisers about state and local tax consequences, if any, of the Reorganization.

CAPITALIZATION

The following table shows the capitalization of each Fund as of July 31, 1998, and on a pro forma combined basis (unaudited) as of July 31, 1998 giving effect to the Reorganization:

	BALANCED FUND	MULTI-ASSET ALLOCATION FUND	COMBINED FUND (PRO FORMA)
	-----	-----	-----
Net Assets.....	216,623,518	20,945,196	237,568,714
Net Asset Value Per Share.....	15.71	12.97	15.71

Shares Outstanding	13,786,868	1,615,367	15,120,108
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REQUIRED VOTE. Approval of the Reorganization Plan requires the affirmative vote of a majority of the outstanding voting securities of Multi-Asset Allocation Fund.

THE BOARD UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE "FOR" PROPOSAL 1

PART II. PROPOSED MODIFICATIONS TO FUNDAMENTAL INVESTMENT RESTRICTIONS AND ROUTINE CORPORATE GOVERNANCE MATTERS

These proposals make certain routine changes to modernize some of Multi-Asset Allocation Fund's fundamental investment restrictions and seek shareholder approval of certain routine corporate governance matters. If the Reorganization described in Proposal 1 is approved by shareholders at the Meeting, the proposed fundamental restriction changes will not be implemented, because Multi-Asset Allocation Fund shareholders will become shareholders of Balanced Fund. Whether or not shareholders vote to approve the Reorganization

described in Proposal 1, the Board recommends that shareholders approve the proposals set forth below.

PROPOSAL 2. TO APPROVE AMENDMENTS TO THE FUNDAMENTAL INVESTMENT RESTRICTIONS OF MULTI-ASSET ALLOCATION FUND

As required by the 1940 Act, Multi-Asset Allocation Fund has adopted certain fundamental investment restrictions ("fundamental restrictions"), which are set forth in the Fund's Statement of Additional Information. These fundamental restrictions may be changed only with shareholder approval. Restrictions and policies that the Fund has not specifically designated as fundamental are considered to be "non-fundamental" and may be changed by the Board without shareholder approval.

Some of Multi-Asset Allocation Fund's fundamental restrictions reflect past regulatory, business or industry conditions, practices or requirements that are no longer in effect. Also, as other INVESCO Funds have been created over the years, they have adopted substantially similar fundamental restrictions that often have been phrased in slightly different ways, resulting in minor but unintended differences in effect or potentially giving rise to unintended differences in interpretation. Accordingly, the Board has approved revisions to Multi-Asset Allocation Fund's fundamental restrictions in order to simplify, modernize and make the Fund's fundamental restrictions more uniform with those of the other INVESCO Funds.

The Board believes that eliminating the disparities among the INVESCO Funds' fundamental restrictions will enhance management's ability to manage the Fund's assets efficiently and effectively in changing regulatory and investment environments and permit directors to review and monitor investment policies more easily. In addition, standardizing the fundamental restrictions of the INVESCO

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Funds will assist the INVESCO Funds in making required regulatory filings in a more efficient and cost-effective way. Although the proposed changes in fundamental restrictions will allow the Multi-Asset Allocation Fund greater investment flexibility to respond to future investment opportunities, the Board does not anticipate that the changes, individually or in the aggregate, will result at this time in a material change in the level of investment risk associated with an investment in the Fund.

The text and a summary description of each proposed change to Multi-Asset Allocation Fund's fundamental restrictions are set forth below, together with the text of each current corresponding fundamental restriction. The text below also describes any non-fundamental restrictions that would be adopted by the Board in conjunction with the revision of certain of fundamental restrictions. Any non-fundamental restriction may be modified or eliminated by the Board at any future date without further shareholder approval.

If approved by Multi-Asset Allocation Fund's shareholders at the Meeting, the proposed changes in Multi-Asset Allocation Fund's fundamental restrictions will be adopted by the Fund only if the Reorganization is NOT approved by Multi-Asset Allocation Fund's shareholders. In that event, Multi-Asset Allocation Fund's Statement of Additional Information will be revised to reflect those changes as soon as practicable following the Meeting. If the Reorganization is approved, the proposed changes in the Fund's fundamental restrictions will not be implemented. Instead, as described in Proposal 1, Multi-Asset Allocation Fund shareholders will become shareholders of Balanced Fund, whose shareholders are being asked to approve substantially similar changes in Balanced Fund's fundamental restrictions, and Multi-Asset Allocation Fund will be terminated.

a. MODIFICATION OF FUNDAMENTAL RESTRICTION ON ISSUER DIVERSIFICATION

Multi-Asset Allocation Fund's current fundamental restriction on issuer diversification is as follows:

The Fund may not, with respect to seventy-five percent (75%) of its total assets, purchase the securities of any one issuer (except cash items and "Government securities" as defined under the 1940 Act), if the purchase would cause the Fund to have more than 5% of the value of its total assets

invested in the securities of such issuer or to own more than 10% of the outstanding voting securities of such issuer.

The Board recommends that this restriction be replaced with the following fundamental restriction:

The Fund may not, with respect to 75% of the Fund's total assets, purchase the securities of any issuer (other than securities issued or guaranteed by the U.S. Government or any of its agencies or instrumentalities, or securities of other investment companies) if, as a result, (i) more than 5% of the Fund's total assets would be invested in the securities of that issuer, or (ii) the Fund would hold more than 10% of the outstanding voting securities of that issuer.

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The primary purpose of the revision is to revise the Fund's fundamental restriction on issuer diversification to conform to a restriction that is expected to become standard for all INVESCO Funds. If the proposed revision is approved, Multi-Asset Allocation Fund could invest without limit in other investment companies to the extent permitted by the 1940 Act. The proposed change would standardize the language of the Fund's fundamental restriction on issuer diversification and provide the Fund's managers with greater investment flexibility.

b. MODIFICATION OF FUNDAMENTAL RESTRICTION ON BORROWING

Multi-Asset Allocation Fund's current fundamental restriction on borrowing is as follows:

The Fund may not borrow money, except that the Fund may borrow money for temporary or emergency purposes (not for leveraging or investment) and may enter into reverse repurchase agreements in an aggregate amount not exceeding 33 1/3% of the value of its total assets (including the amount borrowed) less liabilities (other than borrowings). Any borrowings that come to exceed 33 1/3% of the value of the Fund's total assets by reason of a decline in net assets will be reduced within three business days to the extent necessary to comply with the 33 1/3% limitation. This restriction shall not prohibit deposits of assets to margin or guarantee positions in futures, options, swaps or forward contracts, or the segregation of assets in connection with such contracts.

The Board recommends that shareholders vote to replace this restriction with the following fundamental restriction:

The Fund may not borrow money, except that the Fund may borrow money in an amount not exceeding 33 1/3% of its total assets (including the amount borrowed) less liabilities (other than borrowings).

The primary purpose of the proposal is to eliminate minor differences in the wording of the INVESCO Funds' current restrictions on borrowing for greater uniformity and to conform to the 1940 Act requirements for borrowing. Currently, the Fund's fundamental restriction is significantly more limiting than the restrictions imposed by the 1940 Act in that it limits the purposes for which the Fund may borrow money. The proposed revision would eliminate the restrictions on the purposes for which the Fund may borrow money and the explicit requirement that any borrowings that come to exceed 33 1/3% of the Fund's net assets by reason of a decline in net assets be reduced within three business days.

If the proposal is approved, the Board will adopt a non-fundamental policy with respect to borrowing as follows:

The Fund may borrow money only from a bank or from an open-end management investment company managed by INVESCO Funds Group, Inc. or an affiliate or a successor thereof for temporary or emergency purposes (not for leveraging or investing) or by engaging in reverse repurchase agreements

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with any party (reverse repurchase agreements will be treated as borrowings for purposes of fundamental limitation ( ) (above).

The non-fundamental limitation reflects the Fund's current policy that borrowing by the Fund may only be done for temporary or emergency purposes. In addition to borrowing from banks, as permitted in the Fund's current policy, the non-fundamental policy would permit the Fund to borrow from open-end funds managed by INVESCO or an affiliate or successor thereof. The Fund would not be able to do so, however, unless it obtains permission for such borrowings from the SEC. The non-fundamental policy also clarifies that reverse repurchase agreements will be treated as borrowings.

The Board believes that this approach, making the Fund's fundamental restriction on borrowing no more limiting than is required under the 1940 Act, while incorporating more strict limits on borrowing in a non-fundamental restriction, will maximize the Fund's flexibility for future contingencies.

c. MODIFICATION OF FUNDAMENTAL RESTRICTION ON INDUSTRY CONCENTRATION

Multi-Asset Allocation Fund's current fundamental restriction on industry concentration is as follows:

The Fund may not invest more than 25% of the value of its total assets in any particular industry (other than Government securities).

The Board recommends that shareholders vote to replace this restriction with the following fundamental restriction:

The Fund may not purchase the securities of any issuer (other than securities issued or guaranteed by the U.S. Government or any of its agencies or instrumentalities or municipal securities) if, as a result, more than 25% of the Fund's total assets would be invested in the securities of companies whose principal business activities are in the same industry.

If the proposed revision is approved, the Board would also adopt the following non-fundamental policy:

With respect to fundamental limitation ( ), domestic and foreign banking will be considered to be different industries.

The purpose of the modification is to eliminate minor differences in the wording of the INVESCO Funds' current restrictions on concentration for greater uniformity and to avoid unintended limitations. The proposed changes to Multi-Asset Allocation Fund's fundamental concentration policy clarify that the concentration limitation does not apply to securities issued or guaranteed by the U.S. government, its agencies or instrumentalities, or to municipal securities. The exclusion from the current concentration limitation refers simply to "Government Securities." A failure to except all such securities from

the concentration policy could hinder the Fund's ability to purchase such securities in conjunction with taking temporary defensive positions.

d. MODIFICATION OF FUNDAMENTAL RESTRICTION ON REAL ESTATE INVESTMENT

Multi-Asset Allocation Fund's current fundamental restriction on real estate investment is as follows:

The Fund may not invest directly in real estate or interests in real estate; however, the Fund may own debt or equity securities issued by companies engaged in those businesses.

The Board recommends that shareholders vote to replace this restriction with the following fundamental restriction:

The Fund will not purchase or sell real estate unless acquired as a result of ownership of securities or other instruments (but this shall not

prevent the Fund from investing in securities or other instruments backed by real estate or securities of companies engaged in the real estate business).

In addition to conforming Multi-Asset Allocation Fund's fundamental restriction to that of the other INVESCO Funds, the proposed amendment of the Fund's fundamental restriction on investment in real estate would more completely describe the types of real estate-related securities investments that are permissible for the Fund. The Board believes that this clarification will make it easier for decisions to be made concerning the Fund's investments in real estate-related securities.

e. MODIFICATION OF FUNDAMENTAL RESTRICTION ON INVESTING IN COMMODITIES

Multi-Asset Allocation Fund's current fundamental restriction on the purchase of commodities is as follows:

The Fund may not purchase or sell physical commodities other than foreign currencies unless acquired as a result of ownership of securities (but this shall not prevent the Fund from purchasing or selling options, futures, swaps and forward contracts or from investing in securities or other instruments backed by physical commodities).

The Board recommends that shareholders vote to replace this restriction with the following fundamental restriction:

The Fund may not purchase or sell physical commodities; however, this policy shall not prevent the Fund from purchasing and selling foreign currency, futures contracts, options, forward contracts, swaps, caps, floors, collars and other financial instruments.

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The proposed changes to this investment restriction are intended to conform the restriction to those of the other INVESCO Funds and ensure that Multi-Asset Allocation Fund will have the maximum flexibility to enter into hedging or other transactions utilizing financial instruments and derivative products when doing so is permitted by operating policies established for the Fund by the Board. Due to the rapid and continuing development of derivative products and the possibility of changes in the definition of "commodities," particularly in the context of the jurisdiction of the Commodities Futures Trading Commission, it is important for the Fund's policy to be flexible enough to allow it to enter into hedging and other transactions using these products when doing so is deemed appropriate by INVESCO and is within the investment parameters established by the Board. To maximize that flexibility, the Board recommends that the Fund's fundamental restriction on commodities investments be clear in permitting the use of derivative products, even if the current non-fundamental investment policies of the Fund would not permit investment in one or more of the permitted transactions.

f. MODIFICATION OF FUNDAMENTAL RESTRICTION ON LOANS

Multi-Asset Allocation Fund's current fundamental restriction concerning lending is as follows:

The Fund may not lend any security or make any other loan if, as a result, more than 33 1/3% of its total assets would be lent to other parties (but this limitation does not apply to purchases of commercial paper, debt securities or to repurchase agreements.)

The Board recommends that the shareholders of the Fund vote to replace this restriction with the following fundamental restriction:

The Fund may not lend any security or make any loan if, as a result, more than 33 1/3 % of its total assets would be lent to other parties, but this limitation does not apply to the purchase of debt securities or to repurchase agreements.

The primary purpose of the proposal is to eliminate minor differences in the wording of the INVESCO Funds' current restrictions on loans for greater uniformity. The proposed changes to this fundamental restriction are relatively

minor and would have no substantive effect on Multi-Asset Allocation Fund's lending activities or other investments.

g. MODIFICATION OF FUNDAMENTAL RESTRICTION ON UNDERWRITING

Multi-Asset Allocation Fund's current fundamental restriction on underwriting is as follows:

The Fund may not act as an underwriter of securities issued by others, except to the extent that it may be deemed an underwriter in connection with the disposition of portfolio securities of the Fund.

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The Board recommends that shareholders vote to replace this restriction with the following fundamental restriction:

The Fund may not underwrite securities of other issuers, except insofar as it may be deemed to be an underwriter under the Securities Act of 1933, as amended, in connection with the disposition of the Fund's portfolio securities.

The primary purpose of the proposal is to eliminate minor differences in the wording of the Fund's current fundamental restriction on underwriting for greater uniformity with the fundamental restrictions of the other INVESCO Funds.

h. MODIFICATION OF FUNDAMENTAL POLICY ON INVESTING IN ANOTHER INVESTMENT COMPANY AND ADOPTION OF NON-FUNDAMENTAL POLICY REGARDING INVESTING IN SECURITIES ISSUED BY OTHER INVESTMENT COMPANIES

Multi-Asset Allocation Fund's current fundamental policy regarding investment in another investment company is as follows:

The Fund may, notwithstanding any other investment policy or limitation (whether or not fundamental), invest all of its assets in the securities of a single open-end management investment company with substantially the same fundamental investment objectives, policies and limitations as the Fund.

The Board recommends that shareholders vote to replace this policy with the following fundamental policy:

The Fund may, notwithstanding any other fundamental investment policy or limitation, invest all of its assets in the securities of a single open-end management investment company managed by INVESCO Funds Group, Inc. or an affiliate or a successor thereof, with substantially the same fundamental investment objective, policies and limitations as the Fund.

The proposed revision to Multi-Asset Allocation Fund's current fundamental policy would ensure that the INVESCO Funds have uniform policies permitting each Fund to adopt a "master/feeder" structure whereby one or more Funds invest all of their assets in another Fund. The master/feeder structure has the potential, under certain circumstances, to minimize administration costs and maximize the possibility of gaining a broader investor base. Currently, none of the INVESCO Funds intend to establish a master/feeder structure; however, the Board recommends that Multi-Asset Allocation Fund shareholders adopt a policy that would permit this structure in the event that the Board determines to recommend the adoption of a master/feeder structure by the Fund. The proposed revision, unlike the current policy, would require that any fund in which the Fund may invest under a master/feeder structure be advised by INVESCO or an affiliate.

If the proposed revision is approved, the Board will adopt a non-fundamental policy as follows:

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The Fund may invest in securities issued by other investment companies to the extent that such investments are consistent with the Fund's investment

objective and policies and permissible under the 1940 Act.

The primary purpose of this non-fundamental policy is to conform to the other INVESCO Funds and to the 1940 Act requirements for investing in other investment companies. Currently, the Fund's fundamental restriction is much more limiting than the restriction imposed by the 1940 Act. Adoption of this non-fundamental policy will enable the Fund to purchase the securities of other investment companies to the extent permitted under the 1940 Act or pursuant to an exemption granted by the SEC. If a Fund did purchase the securities of another investment company, shareholders might incur additional expenses because the Fund would have to pay its ratable share of the expenses of the other investment company.

i. ADOPTION OF FUNDAMENTAL RESTRICTION ON THE ISSUANCE OF SENIOR SECURITIES

Currently, Multi-Asset Allocation Fund has no fundamental restriction on the issuance of senior securities. The Board recommends that shareholders vote to adopt the following fundamental restriction:

The Fund may not issue senior securities, except as permitted under the Investment Company Act of 1940.

The primary purpose of the proposal is to adopt a fundamental restriction indicating the extent to which the Fund may issue "senior securities," a term that is generally defined to refer to fund obligations that have a priority over the fund's shares with respect to the distribution of fund assets or the payment of dividends. The Board believes that the adoption of the proposed fundamental restriction, which does not specify the manner in which senior securities may be issued and is no more limiting than is required under the 1940 Act, would maximize the Fund's borrowing flexibility for future contingencies and would conform to the fundamental restrictions of the other INVESCO Funds on the issuance of senior securities.

REQUIRED VOTE. Approval of Proposal 2 requires the affirmative vote of a "majority of the outstanding voting securities" of Multi-Asset Allocation Fund, which for this purpose means the affirmative vote of the lesser of (1) 67% or more of the shares of the Fund present at the Meeting or represented by proxy if more than 50% of the outstanding shares of the Fund are so present or represented, or (2) more than 50% of the outstanding shares of the Fund. SHAREHOLDERS WHO VOTE "FOR" PROPOSAL 2 WILL VOTE "FOR" EACH PROPOSED CHANGE DESCRIBED ABOVE. THOSE SHAREHOLDERS WHO WISH TO VOTE AGAINST ANY OF THE SPECIFIC PROPOSED CHANGES DESCRIBED ABOVE MAY DO SO ON THE PROXY PROVIDED.

THE BOARD UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE  
"FOR" PROPOSAL 2

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PROPOSAL 3. TO ELECT THE BOARD OF DIRECTORS OF COMBINATION  
STOCK & BOND FUNDS

The Board of Combination Stock & Bond Funds has nominated the individuals identified below for election to the Board at the Meeting. Combination Stock & Bond Funds currently has ten directors. Vacancies on the Board are generally filled by appointment by the remaining directors. However, the 1940 Act provides that vacancies may not be filled by directors unless thereafter at least two-thirds of the directors shall have been elected by shareholders. To ensure continued compliance with this rule without incurring the expense of calling additional shareholder meetings, shareholders are being asked at this meeting to elect the current ten directors. Consistent with the provisions of Combination Stock & Bond Funds' by-laws, and as permitted by Maryland law, Combination Stock & Bond Funds does not anticipate holding annual shareholder meetings. Thus, the directors will be elected for indefinite terms, subject to termination or resignation. Each nominee has indicated a willingness to serve if elected. If any of the nominees should not be available for election, the persons named as proxies (or their substitutes) may vote for other persons in their discretion. Management has no reason to believe that any nominee will be unavailable for election.

All of the Independent Directors now being proposed for election were nominated, and selected by Independent Directors. Eight of the ten current

directors are Independent Directors.

The persons named as attorneys-in-fact in the enclosed proxy have advised Combination Stock & Bond Funds that unless a proxy instructs them to withhold authority to vote for all listed nominees or for any individual nominee, they will vote all validly executed proxies for the election of the nominees named below.

The nominees for director, their ages, a description of their principal occupations, the number of Multi-Asset Allocation Fund shares owned by each, and their respective memberships on Board committees are listed in the table below.

<TABLE>  
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<S>	<C>	<C>	<C>	<C>
NAME, POSITION WITH COMBINATION STOCK & BOND FUNDS, AND AGE	PRINCIPAL OCCUPATION AND BUSINESS EXPERIENCE (DURING THE PAST FIVE YEARS)	DIRECTOR OR EXECUTIVE OFFICER OF COMBINATION STOCK & BOND FUNDS SINCE	NUMBER OF MULTI-ASSET ALLOCATION FUND SHARES BENEFICIALLY OWNED DIRECTLY OR INDIRECTLY ON DEC. 31, 1998 (1)	MEMBER OF COMMITTEE
CHARLES W. BRADY, Chairman of the Board, Age 63*	Chief Executive Officer and Director of AMVESCAP PLC, London, England, and of various subsidiaries thereof. Chairman of the Board of INVESCO Global Health Sciences Fund.	1993	0	(3), (5), (6)
FRED A. DEERING, Vice Chairman of the Board, Age 71	Trustee of INVESCO Global Health Sciences Fund. Formerly, Chairman of the Executive Committee and Chairman of the Board of Security Life of Denver Insurance Company, Denver, Colorado; Director of ING American Holdings Company, and First ING Life Insurance Company of New York.	1993	8.642	(2), (3), (5)

NAME, POSITION WITH COMBINATION STOCK & BOND FUNDS, AND AGE	PRINCIPAL OCCUPATION AND BUSINESS EXPERIENCE (DURING THE PAST FIVE YEARS)	DIRECTOR OR EXECUTIVE OFFICER OF COMBINATION STOCK & BOND FUNDS SINCE	NUMBER OF MULTI-ASSET ALLOCATION FUND SHARES BENEFICIALLY OWNED DIRECTLY OR INDIRECTLY ON DEC. 31, 1998 (1)	MEMBER OF COMMITTEE
MARK H. WILLIAMSON, President, Chief Executive Officer, and Director, Age 47*	President, Chief Executive Officer, and Director, INVESCO Distributors Inc.; President, Chief Executive Officer, and Director, INVESCO; President, Chief Operating Officer, and Trustee, INVESCO Global Health Sciences Fund. Formerly, Chairman of the Board and Chief Executive Officer, NationsBanc Advisors, Inc. (1995-1997); Chairman of the Board, NationsBanc Investments, Inc. (1997-1998).	1998	0	(3), (5)
DR. VICTOR L. ANDREWS, Director, Age 68	Professor Emeritus, Chairman Emeritus and Chairman of the CFO Roundtable of the Department of Finance of Georgia State University, Atlanta, Georgia and President,	1993	8.642	(4), (6), (8)

Andrews Financial Associates, Inc. (consulting firm). Formerly, member of the faculties of the Harvard Business School and the Sloan School of Management of MIT. Dr. Andrews is also a director of the Sheffield Funds, Inc.

BOB R. BAKER, Director, Age 62	President and Chief Executive Officer of AMC Cancer Research Center, Denver, Colorado, since January 1989; until December 1988, Vice Chairman of the Board, First Columbia Financial Corporation, Englewood, Colorado. Formerly, Chairman of the Board and Chief Executive Officer of First Columbia Financial Corporation.	1993	8.642	(3), (4), (5)
LAWRENCE H. BUDNER, Director, Age 68	Trust Consultant. Prior to June 1987, Senior Vice President and Senior Trust Officer, InterFirst Bank, Dallas, Texas.	1993	8.642	(2), (6), (7)
DR. WENDY LEE GRAMM, Director, Age 54	Self-employed (since 1993). Professor of Economics and Public Administration, University of Texas at Arlington. Formerly, Chairman, Commodities Futures Trading Commission (1988-1993); Administrator for Information and Regulatory Affairs, Office of Management and Budget (1985-1988); Executive Director, Presidential Task Force on Regulatory Relief; Director, Federal Trade Commission's Bureau of Economics; Director of the Chicago Mercantile Exchange; Enron Corporation; IBP, Inc.; State Farm Insurance Company; Independent Women's Forum; International Republic Institute; and the Republican Women's Federal Forum.	1997	8.642	(4), (8)
KENNETH T. KING, Director, Age 73	Presently retired. Formerly, Chairman of the Board, The Capitol Life Insurance Company, Providence Washington Insurance Company, and Director of numerous U.S. subsidiaries thereof. Formerly, Chairman of the Board, The	1993	8.642	(2), (3), (5), (6), (7)

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NAME, POSITION WITH COMBINATION STOCK & BOND FUNDS, AND AGE -----	PRINCIPAL OCCUPATION AND BUSINESS EXPERIENCE (DURING THE PAST FIVE YEARS) -----	DIRECTOR OR EXECUTIVE OFFICER OF COMBINATION STOCK & BOND FUNDS SINCE -----	NUMBER OF MULTI-ASSET ALLOCATION FUND SHARES BENEFICIALLY OWNED DIRECTLY OR INDIRECTLY ON DEC. 31, 1998 (1) -----	MEMBER OF COMMITTEE -----
	Providence Capitol Companies in the United Kingdom and Guernsey. Until 1987, Chairman of the Board, Symbion Corporation.			
JOHN W. MCINTYRE, Director, Age 68	Presently retired. Formerly, Vice Chairman of the Board, The Citizens	1995	8.642	(2), (3), (5), (7)

and Southern Corporation; Chairman of the Board and Chief Executive Officer of The Citizens and Southern Georgia Corporation; Chairman of the Board and Chief Executive Officer, The Citizens and Southern National Bank. Trustee of INVESCO Global Health Sciences Fund, Gables Residential Trust, Employee's Retirement System of Georgia, Emory University, and J.M Tull Charitable Foundation; Director of Kaiser Foundation Health Plans of Georgia, Inc.

DR. LARRY SOLL,  
Director, Age 56

Presently retired. Chairman of the Board (1987-1994), Chief Executive Officer (1982-1989 and 1993-1994) and President (1982-1989) of Synergen Inc. Director of Synergen Inc. since incorporation in 1982. Director of Isis Pharmaceuticals, Inc. Trustee of INVESCO Global Health Sciences Fund.

1997

8.642

(4), (8)

</TABLE>

\*Because of his affiliation with INVESCO, with Multi-Asset Allocation Fund's sub-adviser, or with companies affiliated with INVESCO, this individual is deemed to be an "interested person" of Combination Stock & Bond Funds as that term is defined in the 1940 Act.

- (1) As interpreted by the SEC, a security is beneficially owned by a person if that person has or shares voting power or investment power with respect to that security. The persons listed have partial or complete voting and investment power with respect to their respective Fund shares.
- (2) Member of the Audit Committee
- (3) Member of the Executive Committee
- (4) Member of the Management Liaison Committee
- (5) Member of the Valuation Committee
- (6) Member of the Compensation Committee
- (7) Member of the Soft Dollar Brokerage Committee
- (8) Member of the Derivatives Committee

The Board has audit, management liaison, soft dollar brokerage, and derivatives committees, consisting of Independent Directors, and compensation, executive, and valuation committees consisting of both Independent Directors and non-independent directors. The Board does not have a nominating committee. The audit committee, consisting of four Independent Directors, meets quarterly with Combination Stock & Bond Funds' independent accountants and executive officers of Combination Stock & Bond Funds. This committee reviews the accounting principles being applied by Combination Stock & Bond Funds in financial reporting, the scope and adequacy of internal controls, the responsibilities and fees of the independent accountants, and other matters. All of the recommendations of the audit committee are reported to the full Board. During the intervals between the meetings of the Board, the executive committee may exercise all powers and authority of the Board in the management of Combination Stock & Bond Funds' business, except for certain powers which, under applicable

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law and/or Combination Stock & Bond Funds' by-laws, may only be exercised by the full Board. All decisions by the executive committee are subsequently submitted for ratification by the Board. The management liaison committee meets quarterly with various management personnel of INVESCO in order to facilitate better understanding of management and operations of Combination Stock & Bond Funds, and to review legal and operational matters that have been assigned to the committee by the Board, in furtherance of the Board's overall duty of supervision. The soft dollar brokerage committee meets periodically to review soft dollar transactions by Combination Stock & Bond Funds, and to review policies and procedures of Combination Stock & Bond Funds' adviser with respect to soft dollar brokerage transactions. The committee then reports on these matters to the Board. The derivatives committee meets periodically to review derivatives investments made by Combination Stock & Bond Funds. The committee

monitors derivatives usage by Combination Stock & Bond Funds and the procedures utilized by Combination Stock & Bond Funds' adviser to ensure that the use of such instruments follows the policies on such instruments adopted by the Board. The committee then reports on these matters to the Board.

Each Independent Director receives an annual retainer of \$56,000 for their service to the INVESCO Funds. Additionally, each Independent Director receives \$3,000 for in-person attendance at each board meeting and \$1,000 for in-person attendance at each committee meeting. The chairmen of the audit and management liaison committees receive an annual fee of \$4,000 for serving in such capacity.

During the past fiscal year, the Board met four times, the audit committee met three times, the compensation committee met once, the management liaison committee met three times, the soft dollar brokerage committee met once, and the derivatives committee met twice. The executive committee did not meet. During Combination Stock & Bond Funds' last fiscal year, each director attended 75% or more of the Board meetings and meeting of the committees of the Board on which he or she served.

The Independent Directors nominate individuals to serve as Independent Directors, without any specific nominating committee. The Board ordinarily will not consider unsolicited director nominations recommended by Combination Stock & Bond Funds' shareholders. The Board, including its Independent Directors, unanimously approved the nomination of the foregoing persons to serve as directors and directed that the election of these nominees be submitted to Combination Stock & Bond Funds' shareholders.

The following table sets forth information relating to the compensation paid to directors during the last fiscal year:

<TABLE>  
<CAPTION>

COMPENSATION TABLE  
AMOUNTS PAID DURING THE MOST RECENT  
FISCAL YEAR BY COMBINATION STOCK & BOND FUNDS TO DIRECTORS

<S>	<C>	<C>	<C>	<C>
NAME OF PERSON, POSITION	AGGREGATE COMPENSATION FROM COMBINATION STOCK & BOND FUNDS (1)	PENSION OR RETIREMENT BENEFITS ACCRUED AS PART OF COMBINATION STOCK & BOND FUNDS EXPENSES (2)	ESTIMATED ANNUAL BENEFITS UPON RETIREMENT (3)	TOTAL COMPENSATION FROM COMBINATION STOCK & BOND FUNDS AND THE OTHER 14 INVESCO FUNDS PAID TO DIRECTORS (1)
FRED A. DEERING, Vice Chairman of the Board and Director	\$2,458	\$439	\$281	\$103,700
DR. VICTOR L. ANDREWS, Director	\$2,434	\$414	\$326	\$ 80,350
BOB R. BAKER, Director	\$2,475	\$370	\$437	\$ 84,000
LAWRENCE H. BUNDER, Director	\$2,409	\$414	\$326	\$ 79,350
DANIEL D. CHABRIS(4), Director	\$2,437	\$448	\$243	\$ 70,000
KENNETH T. KING, Director	\$2,374	\$455	\$255	\$ 77,050
JOHN W. MCINTYRE, Director	\$2,384	\$0	\$0	\$ 98,500
DR. WENDY L. GRAMM, Director	\$2,363	\$0	\$0	\$ 79,000
DR. LARRY SOLL, Director	\$2,384	\$0	\$0	\$ 96,000

TOTAL	\$21,718	\$2,540	\$1,868	\$767,950
AS A PERCENTAGE OF NET ASSETS	0.0091%(5)	0.0011%(5)		0.0035%(6)

</TABLE>

- (1) The Vice Chairman of the Board, the chairmen of the audit, management liaison, derivatives, soft dollar brokerage and compensation committees, and Independent Director members of the committees of each Fund receive compensation for serving in such capacities in addition to the compensation paid to all Independent Directors.
- (2) Represents benefits accrued with respect to the Defined Benefit Deferred Compensation Plan discussed below, and not compensation deferred at the election of the directors.
- (3) These figures represent the Fund's share of the estimated annual benefits payable by the INVESCO Complex (excluding INVESCO Global Health Sciences Fund which does not participate in this retirement plan) upon the directors' retirement, calculated using the current method of allocating director compensation among the INVESCO Funds. These estimated benefits assume retirement at age 72 and that the basic retainer payable to the directors will be adjusted periodically for inflation, for increases in the number of funds in the INVESCO Complex, and for other reasons during the period in which retirement benefits are accrued on behalf of the respective directors. This results in lower estimated benefits for directors who are closer to retirement and higher estimated benefits for directors who are farther from retirement. With the exception of Drs. Soll and Gramm, each of these directors has served as director of one or more of the INVESCO Funds for the minimum five-year period required to be eligible to participate in the Defined Benefit Deferred Compensation Plan. Although Mr. McIntyre became eligible to participate in the Defined Benefit Deferred Compensation Plan as of November 1, 1998, he will not be included in the calculation of retirement benefits until November 1, 1999.
- (4) Mr. Chabris retired as a director effective September 30, 1998.
- (5) Total as a percentage of the Fund's net assets as of July 31, 1998
- (6) Total as a percentage of the net assets of the 15 INVESCO Funds in the INVESCO complex as of December 31, 1998.

Combination Stock & Bond Funds pays its Independent Directors, Board vice chairman, and committee chairmen and members the fees described above. Combination Stock & Bond Funds also reimburses its Independent Directors for travel expenses incurred in attending meetings. Charles W. Brady, Chairman of the Board, and Mark H. Williamson, President, Chief Executive Officer, and

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Director, as "interested persons" of Combination Stock & Bond Funds and of other INVESCO Funds, receive compensation and are reimbursed for travel expenses incurred in attending meetings as officers or employees of INVESCO or its affiliated companies, but do not receive any director's fees or other compensation from Combination Stock & Bond Funds or other INVESCO Funds for their services as directors.

The overall direction and supervision of Combination Stock & Bond Funds is the responsibility of the Board, which has the primary duty of ensuring that Combination Stock & Bond Funds' general investment policies and programs are adhered to and that Combination Stock & Bond Funds is properly administered. The officers of Combination Stock & Bond Funds, all of whom are officers and employees of and paid by INVESCO, are responsible for the day-to-day administration of Combination Stock & Bond Funds. The investment adviser for Combination Stock & Bond Funds has the primary responsibility for making investment decisions on behalf of Combination Stock & Bond Funds. These investment decisions are reviewed by the investment committee of INVESCO.

All of the officers and directors of Combination Stock & Bond Funds hold comparable positions with the following INVESCO Funds: INVESCO Bonds Funds, Inc. (formerly, INVESCO Income Funds, Inc.), INVESCO Diversified Funds, Inc., INVESCO Emerging Opportunity Funds, Inc., INVESCO Growth Funds, Inc. (formerly INVESCO Growth Fund, Inc.), INVESCO Industrial Income Fund, Inc., INVESCO International Funds, Inc., INVESCO Money Market Funds, Inc., INVESCO Sector Funds, Inc. (formerly, INVESCO Strategic Portfolios, Inc.), INVESCO Specialty Funds, Inc., INVESCO Stock Funds, Inc. (formerly, INVESCO Equity Funds, Inc. and INVESCO

Capital Appreciation Funds, Inc.), INVESCO Tax-Free Income Funds, Inc., and INVESCO Variable Investment Funds, Inc., INVESCO Value Trust and INVESCO Treasurer's Series Trust.

The Boards of the funds managed by INVESCO have adopted a Defined Benefit Deferred Compensation Plan (the "Plan") for the non-interested directors and trustees of the Funds. Under the Plan, each director or trustee who is not an interested person of the Funds (as defined in Section 2(a)(19) of the 1940 Act) and who has served for at least five years (a "Qualified Director") is entitled to receive, upon termination of service as director (normally at retirement age 72 or the retirement age of 73 or 74, if the retirement date is extended by the Boards for one or two years, but less than three years) continuation of payment for one year (the "First Year Retirement Benefit") of the annual basic retainer and annualized board meeting fees payable by the funds to the Qualified Director at the time of his or her retirement (the "Basic Benefit"). Commencing with any such director's second year of retirement, and commencing with the first year of retirement of any director whose retirement has been extended by the Board for three years, a Qualified Director shall receive quarterly payments at an annual rate equal to 50% of the Basic Benefit. These payments will continue for the remainder of the Qualified Director's life or ten years, whichever is longer (the "Reduced Benefit Payments"). If a Qualified Director dies or becomes disabled after age 72 and before age 74 while still a director of the funds, the First Year Retirement Benefit and Reduced Benefit Payments will be made to him or her or to his or her beneficiary or estate. If a Qualified Director becomes disabled or dies either prior to age 72 or during his or her 74th year while still a director of the funds, the director will not be entitled to receive the

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First Year Retirement Benefit; however, the Reduced Benefit Payments will be made to his or her beneficiary or estate. The Plan is administered by a committee of three directors who are also participants in the Plan and one director who is not a Plan participant. The cost of the Plan will be allocated among the INVESCO Funds, in a manner determined to be fair and equitable by the committee. The Fund began making payments to Mr. Chabris as of October 1, 1998 under the Plan. The Fund has no stock options or other pension or retirement plans for management or other personnel and pays no salary or compensation to any of its officers.

The Independent Directors have contributed to a deferred compensation plan, pursuant to which they have deferred receipt of a portion of the compensation which they would otherwise have been paid as directors of certain of the INVESCO Funds. The deferred amounts have been invested in shares of certain of the INVESCO Funds. Each Independent Director may, therefore, be deemed to have an indirect interest in shares of such INVESCO Funds, in addition to any Fund shares they may own directly or beneficially.

REQUIRED VOTE. Election of each nominee as a director of Combination Stock & Bond Funds requires the vote of a plurality of all the outstanding shares of Multi-Asset Allocation Fund present at the Meeting, and of the outstanding shares of Balanced Fund present at a concurrent meeting of the shareholders of Balanced Fund, in person or by proxy, taken in the aggregate.

THE BOARD, INCLUDING THE INDEPENDENT DIRECTORS, UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE "FOR" EACH OF THE NOMINEES IN PROPOSAL 3

PROPOSAL 4. TO RATIFY THE SELECTION OF PRICEWATERHOUSECOOPERS LLP AS INDEPENDENT ACCOUNTANTS OF MULTI-ASSET ALLOCATION FUND

The Board, including all of its Independent Directors, has selected PricewaterhouseCoopers LLP to continue to serve as independent accountants of Multi-Asset Allocation Fund, subject to ratification by Multi-Asset Allocation Fund's shareholders. PricewaterhouseCoopers LLP has no direct financial interest or material indirect financial interest in Multi-Asset Allocation Fund. Representatives of PricewaterhouseCoopers LLP are not expected to attend the Meeting, but have been given the opportunity to make a statement if they so desire, and will be available should any matter arise requiring their presence.

The independent accountants examine annual financial statements for Multi-Asset Allocation Fund and provide other audit and tax-related services. In recommending the selection of PricewaterhouseCoopers LLP, the directors reviewed

the nature and scope of the services to be provided (including non-audit services) and whether the performance of such services would affect the accountants' independence.

REQUIRED VOTE. Approval of Proposal 4 requires the affirmative vote of a majority of the votes present at the Meeting, provided a quorum is present.

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THE BOARD UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE  
"FOR" PROPOSAL 4

OTHER BUSINESS

The Board knows of no other business to be brought before the Meeting. If, however, any other matters properly come before the Meeting, it is the intention that proxies that do not contain specific instructions to the contrary will be voted on such matters in accordance with the judgment of the persons designated in the proxies.

INFORMATION CONCERNING ADVISER, SUB-ADVISER, DISTRIBUTOR AND  
AFFILIATED COMPANIES

INVESCO, a Delaware corporation, serves as Multi-Asset Allocation Fund's investment adviser, and provides other services to Multi-Asset Allocation Fund and Combination Stock & Bond Funds. IDI, a Delaware corporation that serves as Multi-Asset Allocation Fund's distributor, is a wholly owned subsidiary of INVESCO. IMR, a Massachusetts corporation, serves as Multi-Asset Allocation Fund's sub-adviser. INVESCO is a wholly owned subsidiary of INVESCO North American Holdings, Inc. ("INAH"). INAH is an indirect wholly owned subsidiary of AMVESCAP PLC.(1) The corporate headquarters of AMVESCAP PLC are located at 11 Devonshire Square, London, EC2M 4YR, England. INVESCO's, INAH's and IDI's offices are located at 7800 East Union Avenue, Denver, Colorado 80237. IMR's offices are located at 101 Federal Street, Boston, Massachusetts 02110. INVESCO currently serves as investment adviser of 14 open-end investment companies having approximate aggregate net assets in excess of \$21.1 billion as of December 31, 1998.

The principal executive officers and directors of INVESCO and their principal occupations are:

Mark H. Williamson, Chairman of the Board, President, Chief Executive Officer and Director, also, President and Chief Executive Officer of IDI; Charles P. Mayer, Director and Senior Vice President, also, Senior Vice President and Director of IDI; Ronald L. Grooms, Director, Senior Vice President and Treasurer, also, Director, Senior Vice President and Treasurer of IDI; Richard W. Healey, Director and Senior Vice President, also, Senior Vice President and Director of IDI; Timothy J. Miller, Director and Senior Vice President, also, Senior Vice President and Director of IDI; and Glen A. Payne, Senior Vice President, Secretary and General Counsel, also, Senior Vice President, Secretary and General Counsel of IDI.

The address of each of the foregoing officers and directors is 7800 East Union Avenue, Denver, Colorado 80237.

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(1) The intermediary companies between INAH and AMVESCAP PLC are as follows: INVESCO, Inc., AMVESCAP Group Services, Inc., AVZ, Inc. and INVESCO North American Group, Ltd., each of which is wholly owned by its immediate parent.

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IMR serves as the sub-adviser to Multi-Asset Allocation Fund. IMR is a wholly owned subsidiary of INAH. INVESCO, as investment adviser, has contracted with IMR for providing portfolio investment advisory services to Multi-Asset Allocation Fund. IMR also acts as sub-adviser to the INVESCO Small Company Value Fund of INVESCO Diversified Funds, Inc.

The principal executive officers and directors of IMR and their principal occupations are:

Frank J. Keeler, President and Chief Executive Officer; also, Corporate Secretary of INAH; Frank A. Bisogano, Vice President, Treasurer, and Director and Director of IT Group; Kathleen A. Greenberg, Secretary; A. D. Frazier, Director; also, President and Chief Executive Officer of INVESCO, Inc. and Director of INVESCO Capital Management, Inc., INVESCO Realty Advisors, Inc. and PRIMCO Capital Management, Inc.; William M. McCarthy, Senior Vice President, Director of Fixed Income and Director; and Robert S. Slotpole, Senior Vice President, Director of Equities and Director.

The address of each of the foregoing officers and directors is 101 Federal Street, Boston, Massachusetts 02110.

Pursuant to an Administrative Services Agreement between Combination Stock & Bond Funds and INVESCO, INVESCO provides administrative services to Combination Stock & Bond Funds, including sub-accounting and recordkeeping services and functions. During the fiscal year ended July 31, 1998, Combination Stock & Bond Funds paid INVESCO, which also serves as Combination Stock & Bond Funds' registrar, transfer agent and dividend disbursing agent, total compensation of \$562,869 for such services.

#### MISCELLANEOUS

##### AVAILABLE INFORMATION

Each Fund is subject to the information requirements of the Securities Exchange Act of 1934 and the 1940 Act and in accordance with those requirements files reports, proxy material and other information with the SEC. These reports, proxy material and other information can be inspected and copied at the Public Reference Room maintained by the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, the Midwest Regional office of the SEC, Northwest Atrium Center, 500 West Madison Street, Suite 400, Chicago, Illinois 60611, and the Northeast Regional Office of the SEC, Seven World Trade Center, Suite 1300, New York, New York 10048. Copies of such material can also be obtained from the Public Reference Branch, Office of Consumer Affairs and Information Services, Securities and Exchange Commission, Washington, D.C. 20459 at prescribed rates.

##### LEGAL MATTERS

Certain legal matters in connection with the issuance of Balanced Fund shares as part of the Reorganization will be passed upon by Balanced Fund's counsel, Kirkpatrick & Lockhart LLP.

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##### EXPERTS

The audited financial statements of Balanced Fund and Multi-Asset Allocation Fund, incorporated herein by reference and incorporated by reference or included in their Statement of Additional Information, have been audited by PricewaterhouseCoopers LLP, independent accountants for the Funds, whose reports thereon are included in the Funds' Annual Reports to Shareholders for the fiscal year ended July 31, 1998. The financial statements audited by PricewaterhouseCoopers LLP have been incorporated herein by reference in reliance on their reports given on their authority as experts in auditing and accounting matters.

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#### APPENDIX A PRINCIPAL SHAREHOLDERS

The following table sets forth the beneficial ownership of each Fund's outstanding equity securities as of March 12, 1999 by each beneficial owner of

5% or more of a Fund's outstanding equity securities.

Name	Amount and Nature of Ownership	Percentage
-----		
BENEFICIAL OWNERS OF 5% OR MORE OF BALANCED FUND		
Charles Schwab & Co. Inc.....	5,341,995.2170	30.64%
Special Custody Account for the Exclusive Benefit of Customers Attn: Mutual Funds 101 Montgomery Street San Francisco, CA 94104-4122	Record	
Saxon & Co. Trust.....	1,209,970.5180	6.94%
91 Vested Omnibus Asset P.O. Box 7780-1888 Philadelphia, PA 19182-0001	Record	
BENEFICIAL OWNERS OF 5% OR MORE OF MULTI-ASSET ALLOCATION FUND		
Charles Schwab & Co., Inc.....	249,007.4940	15.04%
Special Custody Account for the Exclusive Benefit of Customers Attn: Mutual Funds 101 Montgomery Street San Francisco, CA 94104-4122	Record	
INVESCO Trust Co.	241,714.1840	14.60%
Eagle Hardware and Garden Retirement Savings Plan 401(k) 981 Powell Ave., SW Renton, WA 98055-2908	Record	
Jefferson-Pilot Financial	91,051.6850	5.50%
Separate Account B Attn: Alicia Dubois One Granite Place Concord, NH 03301-3258	Record	
Donaldson Lufkin Jenrette.....	86,558.0780	5.23%
Securities Corporation Inc. P.O. Box 2052 Jersey City, NJ 07303-2052	Record	

## APPENDIX B

## PLAN OF REORGANIZATION AND TERMINATION

THIS PLAN OF REORGANIZATION AND TERMINATION ("Plan") is made by INVESCO Combination Stock & Bond Funds, Inc., a Maryland corporation ("Corporation"), on behalf of INVESCO Multi-Asset Allocation Fund ("Target") and INVESCO Balanced Fund ("Acquiring Fund"), and is effective as of the date of its adoption by Corporation's board of directors. (Acquiring Fund and Target are sometimes referred to herein individually as a "Fund" and collectively as the "Funds.") Corporation is a corporation duly organized, validly existing, and in good standing under the laws of the State of Maryland; and a copy of its Articles of Incorporation is on file with the Secretary of State of Maryland. Each Fund is a duly established and designated segregated portfolio of assets ("series") of Corporation.

This Plan is intended to be, and is adopted as, a plan of a reorganization described in section 368(a)(1)(C) of the Internal Revenue Code of 1986, as amended ("Code"). The reorganization will involve the transfer to Acquiring Fund of Target's assets in exchange solely for voting shares of common stock in Acquiring Fund, par value \$0.01 per share ("Acquiring Fund Shares"), and the assumption by Acquiring Fund of Target's liabilities, followed by the constructive distribution of the Acquiring Fund Shares PRO RATA to the holders of shares of common stock in Target ("Target Shares") in exchange therefor, all on the terms and conditions set forth herein. The foregoing transactions are referred to herein collectively as the "Reorganization."

Each Fund issues a single class of shares, which are substantially similar to each other. Each Fund's shares (1) are offered at net asset value ("NAV") and (2) are subject to a service fee at the annual rate of 0.25% of its net assets imposed pursuant to a plan of distribution adopted in accordance with Rule 12b-1 promulgated under the Investment Company Act of 1940, as amended ("1940 Act").

## 1. THE REORGANIZATION

1.1. Target shall assign, sell, convey, transfer, and deliver all of its assets described in paragraph 1.2 ("Assets") to Acquiring Fund. In exchange therefor, Acquiring Fund shall --

- (a) issue and deliver to Target the number of full and fractional (rounded to the third decimal place) Acquiring Fund Shares, determined by dividing the net value of Target (computed as set forth in paragraph 2.1) by the NAV of an Acquiring Fund Share (computed as set forth in paragraph 2.2), and
- (b) assume all of Target's liabilities described in paragraph 1.3 ("Liabilities").

Such transactions shall take place at the Closing (as defined in paragraph 3.1).

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1.2. The Assets shall include, without limitation, all cash, cash equivalents, securities, receivables (including interest and dividends receivable), claims and rights of action, rights to register shares under applicable securities laws, books and records, deferred and prepaid expenses shown as assets on Target's books, and other property owned by Target at the Effective Time (as defined in paragraph 3.1).

1.3. The Liabilities shall include (except as otherwise provided herein) all of Target's liabilities, debts, obligations, and duties of whatever kind or nature, whether absolute, accrued, contingent, or otherwise, whether or not arising in the ordinary course of business, whether or not determinable at the Effective Time, and whether or not specifically referred to in this Plan. Notwithstanding the foregoing, Target shall use its best efforts to discharge

all its known Liabilities before the Effective Time.

1.4. At or immediately before the Effective Time, Target shall declare and pay to its shareholders a dividend and/or other distribution in an amount large enough so that it will have distributed substantially all (and in any event not less than 90%) of its investment company taxable income (computed without regard to any deduction for dividends paid) and substantially all of its realized net capital gain, if any, for the current taxable year through the Effective Time.

1.5. At the Effective Time (or as soon thereafter as is reasonably practicable), Target shall distribute the Acquiring Fund Shares received by it pursuant to paragraph 1.1 to Target's shareholders of record, determined as of the Effective Time (each a "Shareholder" and collectively "Shareholders"), in constructive exchange for their Target Shares. Such distribution shall be accomplished by Acquiring Fund's transfer agent's opening accounts on Acquiring Fund's share transfer books in the Shareholders' names and transferring such Acquiring Fund Shares thereto. Each Shareholder's account shall be credited with the respective PRO RATA number of full and fractional (rounded to the third decimal place) Acquiring Fund Shares due that Shareholder. All outstanding Target Shares, including any represented by certificates, shall simultaneously be canceled on Target's share transfer books. Acquiring Fund shall not issue certificates representing the Acquiring Fund Shares issued in connection with the Reorganization.

1.6. As soon as reasonably practicable after distribution of the Acquiring Fund Shares pursuant to paragraph 1.5, but in all events within twelve months after the Effective Time, Target shall be terminated and any further actions shall be taken in connection therewith as required by applicable law.

1.7. Any reporting responsibility of Target to a public authority is and shall remain its responsibility up to and including the date on which it is terminated.

1.8. Any transfer taxes payable upon issuance of Acquiring Fund Shares in a name other than that of the registered holder on Target's books of the Target Shares constructively exchanged therefor shall be paid by the person to whom such Acquiring Fund Shares are to be issued, as a condition of such transfer.

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## 2. VALUATION

2.1. For purposes of paragraph 1.1(a), Target's net value shall be (a) the value of the Assets computed as of the close of regular trading on the New York Stock Exchange ("NYSE") on the date of the Closing ("Valuation Time"), using the valuation procedures set forth in Target's then-current prospectus and statement of additional information less (b) the amount of the Liabilities as of the Valuation Time.

2.2. For purposes of paragraph 1.1(a), the NAV of an Acquiring Fund Share shall be computed as of the Valuation Time, using the valuation procedures set forth in Acquiring Fund's then-current prospectus and statement of additional information.

2.3. All computations pursuant to paragraphs 2.1 and 2.2 shall be made by or under the direction of INVESCO Funds Group, Inc. ("INVESCO").

## 3. CLOSING AND EFFECTIVE TIME

3.1. The Reorganization, together with related acts necessary to consummate the same ("Closing"), shall occur at Corporation's principal office on June 11, 1999, or at such other place and/or on such other date as to which the parties may agree. All acts taking place at the Closing shall be deemed to take place simultaneously as of the close of business on the date thereof or at such other time as to which the parties may agree ("Effective Time"). If, immediately before the Valuation Time, (a) the NYSE is closed to trading or trading thereon is restricted or (b) trading or the reporting of trading on the NYSE or elsewhere is disrupted, so that accurate appraisal of the net value of Target and the NAV of an Acquiring Fund Share is impracticable, the Effective Time shall be postponed until the first business day after the day when such trading shall have been fully resumed and such reporting shall have been

restored.

3.2. Corporation's fund accounting and pricing agent shall deliver at the Closing a certificate of an authorized officer verifying that the information (including adjusted basis and holding period, by lot) concerning the Assets, including all portfolio securities, transferred by Target to Acquiring Fund, as reflected on Acquiring Fund's books immediately following the Closing, does or will conform to such information on Target's books immediately before the Closing. Corporation's custodian shall deliver at the Closing a certificate of an authorized officer stating that (a) the Assets held by the custodian will be transferred to Acquiring Fund at the Effective Time and (b) all necessary taxes in conjunction with the delivery of the Assets, including all applicable federal and state stock transfer stamps, if any, have been paid or provision for payment has been made.

3.3. Corporation's transfer agent shall deliver at the Closing a certificate as to the opening on Acquiring Fund's share transfer books of accounts in the Shareholders' names.

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#### 4. CONDITIONS

Each Fund's obligations hereunder are subject to satisfaction of each condition indicated in this section 4 as being applicable to it either at the time stated therein or, if no time is so stated, at or before (and continuing through) the Effective Time:

##### 4.1. CONDITIONS TO EACH FUND'S OBLIGATIONS:

4.1.1. This Plan and the transactions contemplated hereby shall have been approved by Target's shareholders in accordance with applicable law;

4.1.2. The aggregate fair market value of the Acquiring Fund Shares, when received by the Shareholders, will be approximately equal to the aggregate fair market value of their Target Shares constructively surrendered in exchange therefor;

4.1.3. Corporation's management (a) is unaware of any plan or intention of Shareholders to redeem or otherwise dispose of any portion of the Acquiring Fund Shares to be received by them in the Reorganization and (b) does not anticipate dispositions of those Acquiring Fund Shares at the time of or soon after the Reorganization to exceed the usual rate and frequency of dispositions of shares of Target as a series of an open-end investment company. Consequently, Corporation's management expects that the percentage of Shareholder interests, if any, that will be disposed of as a result of or at the time of the Reorganization will be DE MINIMIS. Nor does Corporation's management anticipate that there will be extraordinary redemptions of Acquiring Fund Shares immediately following the Reorganization;

4.1.4. The Shareholders will pay their own expenses, if any, incurred in connection with the Reorganization;

4.1.5. Immediately following consummation of the Reorganization, Acquiring Fund will hold substantially the same assets and be subject to substantially the same liabilities that Target held or was subject to immediately prior thereto (in addition to the assets and liabilities Acquiring Fund then held or was subject to), plus any liabilities and expenses of the parties incurred in connection with the Reorganization;

4.1.6. The fair market value of the Assets on a going concern basis will equal or exceed the Liabilities to be assumed by Acquiring Fund and those to which the Assets are subject;

4.1.7. There is no intercompany indebtedness between the Funds that was issued or acquired, or will be settled, at a discount;

4.1.8. Pursuant to the Reorganization, Target will transfer to Acquiring Fund, and Acquiring Fund will acquire, at least 90% of the fair market value of the net assets, and at least 70% of the fair market value

of the gross assets, held by Target immediately before the Reorganization. For the purposes of this representation, any amounts used by Target to pay its Reorganization expenses and to make redemptions and distributions immediately before the Reorganization (except (a) redemptions not made as part of the Reorganization and (b) distributions made to conform to its policy of distributing all or substantially all of its income and gains to avoid the obligation to pay federal income tax and/or the excise tax under section 4982 of the Code) will be included as assets thereof held immediately before the Reorganization;

4.1.9. None of the compensation received by any Shareholder who is an employee of or service provider to Target will be separate consideration for, or allocable to, any of the Target Shares held by such Shareholder; none of the Acquiring Fund Shares received by any such Shareholder will be separate consideration for, or allocable to, any employment agreement, investment advisory agreement, or other service agreement; and the consideration paid to any such Shareholder will be for services actually rendered and will be commensurate with amounts paid to third parties bargaining at arm's-length for similar services;

4.1.10. Immediately after the Reorganization, the Shareholders will not own shares constituting "control" of Acquiring Fund within the meaning of section 304(c) of the Code;

4.1.11. Neither Fund will be reimbursed for any expenses incurred by it or on its behalf in connection with the Reorganization unless those expenses are solely and directly related to the Reorganization (determined in accordance with the guidelines set forth in Rev. Rul. 73-54, 1973-1 C.B. 187) ("Reorganization Expenses"); and

4.1.12. Corporation shall have received an opinion of Kirkpatrick & Lockhart LLP ("Counsel"), addressed to and in form and substance satisfactory to it, as to the federal income tax consequences mentioned below ("Tax Opinion"). In rendering the Tax Opinion, Counsel may assume satisfaction of all the conditions set forth in this section 4 (and treat them as representations by Corporation to Counsel) and may rely as to any factual matters, exclusively and without independent verification, on such representations and any other representations made to Counsel by responsible officers of Corporation. The Tax Opinion shall be substantially to the effect that, based on the facts and assumptions stated therein, for federal income tax purposes:

4.1.12.1. Acquiring Fund's acquisition of the Assets in exchange solely for Acquiring Fund Shares and Acquiring Fund's assumption of the Liabilities, followed by Target's distribution of those shares PRO RATA to the Shareholders constructively in exchange for the Shareholders' Target Shares, will constitute a reorganization within the meaning of section 368(a)(1)(C) of the Code, and each Fund will be "a party to a reorganization" within the meaning of section 368(b) of the Code;

4.1.12.2. Target will recognize no gain or loss on the transfer to Acquiring Fund of the Assets in exchange solely for

Acquiring Fund Shares and Acquiring Fund's assumption of the Liabilities or on the subsequent distribution of those shares to the Shareholders in constructive exchange for their Target Shares;

4.1.12.3. Acquiring Fund will recognize no gain or loss on its receipt of the Assets in exchange solely for Acquiring Fund Shares and its assumption of the Liabilities;

4.1.12.4. Acquiring Fund's basis for the Assets will be the

same as the basis thereof in Target's hands immediately before the Reorganization, and Acquiring Fund's holding period for the Assets will include Target's holding period therefor;

4.1.12.5. A Shareholder will recognize no gain or loss on the constructive exchange of all its Target Shares solely for Acquiring Fund Shares pursuant to the Reorganization; and

4.1.12.6. A Shareholder's aggregate basis for the Acquiring Fund Shares to be received by it in the Reorganization will be the same as the aggregate basis for its Target Shares to be constructively surrendered in exchange for those Acquiring Fund Shares, and its holding period for those Acquiring Fund Shares will include its holding period for those Target Shares, provided they are held as capital assets by the Shareholder at the Effective Time.

Notwithstanding subparagraphs 4.1.12.2 and 4.1.12.4, the Tax Opinion may state that no opinion is expressed as to the effect of the Reorganization on the Funds or any Shareholder with respect to any asset as to which any unrealized gain or loss is required to be recognized for federal income tax purposes at the end of a taxable year (or on the termination or transfer thereof) under a mark-to-market system of accounting.

4.2. CONDITIONS TO ACQUIRING FUND'S OBLIGATIONS:  
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4.2.1. At the Closing, Target will have good and marketable title to the Assets and full right, power, and authority to sell, assign, transfer, and deliver the Assets free of any liens or other encumbrances; and upon delivery and payment for the Assets, Acquiring Fund will acquire good and marketable title thereto;

4.2.2. The Liabilities were incurred by Target in the ordinary course of its business;

4.2.3. Target is a "fund" as defined in section 851(g)(2) of the Code; it qualified for treatment as a regulated investment company under Subchapter M of the Code ("RIC") for each past taxable year since it commenced operations and will continue to meet all the requirements for such qualification for its current taxable year; and it has no earnings and profits accumulated in any taxable year in which the provisions of Subchapter M did not apply to it. The Assets shall be invested at all times through the Effective Time in a manner that ensures compliance with the foregoing;

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4.2.4. Target is not under the jurisdiction of a court in a proceeding under Title 11 of the United States Code or similar case within the meaning of section 368(a)(3)(A) of the Code;

4.2.5. Not more than 25% of the value of Target's total assets (excluding cash, cash items, and U.S. government securities) is invested in the stock and securities of any one issuer, and not more than 50% of the value of such assets is invested in the stock and securities of five or fewer issuers; and

4.2.6. Target will be terminated as soon as reasonably practicable after the Effective Time, but in all events within twelve months thereafter.

4.3. CONDITIONS TO TARGET'S OBLIGATIONS:  
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4.3.1. No consideration other than Acquiring Fund Shares (and Acquiring Fund's assumption of the Liabilities) will be issued in exchange for the Assets in the Reorganization;

4.3.2. The Acquiring Fund Shares to be issued and delivered to Target hereunder will, at the Effective Time, have been duly authorized and, when issued and delivered as provided herein, will be duly and

validly issued and outstanding shares of Acquiring Fund, fully paid and non-assessable;

4.3.3. Acquiring Fund is a "fund" as defined in section 851(g)(2) of the Code; it qualified for treatment as a RIC for each past taxable year since it commenced operations and will continue to meet all the requirements for such qualification for its current taxable year; Acquiring Fund intends to continue to meet all such requirements for the next taxable year; and it has no earnings and profits accumulated in any taxable year in which the provisions of Subchapter M of the Code did not apply to it;

4.3.4. Acquiring Fund has no plan or intention to issue additional Acquiring Fund Shares following the Reorganization except for shares issued in the ordinary course of its business as a series of an open-end investment company; nor does Acquiring Fund have any plan or intention to redeem or otherwise reacquire any Acquiring Fund Shares issued to the Shareholders pursuant to the Reorganization, except to the extent it is required by the 1940 Act to redeem any of its shares presented for redemption at net asset value in the ordinary course of that business;

4.3.5. Following the Reorganization, Acquiring Fund (a) will continue Target's "historic business" (within the meaning of section 1.368-1(d)(2) of the Income Tax Regulations under the Code), (b) use a significant portion of Target's historic business assets (within the meaning of section 1.368-1(d)(3) of the Income Tax Regulations under the Code) in a business, (c) has no plan or intention to sell or otherwise dispose of any of the Assets, except for dispositions made in the ordinary course of that business and dispositions necessary to maintain its status

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as a RIC, and (d) expects to retain substantially all the Assets in the same form as it receives them in the Reorganization, unless and until subsequent investment circumstances suggest the desirability of change or it becomes necessary to make dispositions thereof to maintain such status;

4.3.6. There is no plan or intention for Acquiring Fund to be dissolved or merged into another corporation or a business trust or any "fund" thereof (within the meaning of section 851(g)(2) of the Code) following the Reorganization;

4.3.7. Immediately after the Reorganization, (a) not more than 25% of the value of Acquiring Fund's total assets (excluding cash, cash items, and U.S. government securities) will be invested in the stock and securities of any one issuer and (b) not more than 50% of the value of such assets will be invested in the stock and securities of five or fewer issuers; and

4.3.8. Acquiring Fund does not directly or indirectly own, nor at the Effective Time will it directly or indirectly own, nor has it at any time during the past five years directly or indirectly owned, any shares of Target.

## 5. EXPENSES

Except as otherwise provided herein, 50% of the total Reorganization Expenses will be borne by INVESCO and the remaining 50% will be borne partly by each Fund.

## 6. TERMINATION

Corporation's board of directors may terminate this Plan and abandon the Reorganization at any time prior to the Closing if circumstances develop that, in its judgment, make proceeding with the Reorganization inadvisable for either Fund.

## 7. GOVERNING LAW

This Plan shall be governed by and construed in accordance with the internal laws of the State of Maryland; provided that, in the case of any

conflict between such laws and the federal securities laws, the latter shall govern.

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INVESCO MULTI-ASSET ALLOCATION FUND

INVESCO BALANCED FUND

(EACH A SERIES OF INVESCO COMBINATION STOCK & BOND FUNDS, INC.  
(FORMERLY INVESCO FLEXIBLE FUNDS, INC., FORMERLY INVESCO MULTIPLE ASSET  
FUNDS, INC.))

7800 E. UNION AVENUE  
DENVER, COLORADO 80237

STATEMENT OF ADDITIONAL INFORMATION

This Statement of Additional Information relates specifically to the proposed Reorganization whereby INVESCO Balanced Fund ("Balanced Fund") would acquire the assets of INVESCO Multi-Asset Allocation Fund ("Multi-Asset Allocation Fund") in exchange solely for shares of Balanced Fund and the assumption by Balanced Fund of Multi-Asset Allocation Fund's liabilities. This Statement of Additional Information consists of this cover page and the following described documents, each of which is incorporated by reference herein:

(1) The Statement of Additional Information of Balanced Fund, dated December 1, 1998.

(2) The Statement of Additional Information of Multi-Asset Allocation Fund, dated December 1, 1998.

(3) The Annual Report to Shareholders of Balanced Fund for the fiscal year ended July 31, 1998.

(4) The Annual Report to Shareholders of Multi-Asset Allocation Fund for the fiscal year ended July 31, 1998.

This Statement of Additional Information is not a prospectus and should be read only in conjunction with the Prospectus/Proxy Statement dated March 23, 1999 relating to the above-referenced matter. A copy of the Prospectus/Proxy Statement may be obtained by calling toll-free 1-800-646-8372. This Statement of Additional Information is dated March 23, 1999.

[LOGO OMITTED]

INVESCO FUNDS

INVESCO FUNDS GROUP, INC.  
7800 E. UNION AVE  
DENVER, COLORADO 80237

INVESCO MULTI-ASSET ALLOCATION FUND  
INVESCO COMBINATION STOCK & BOND FUNDS, INC.

PROXY FOR THE SPECIAL MEETING OF SHAREHOLDERS  
MAY 20, 1999

This proxy is being solicited on behalf of the Board of Directors of INVESCO Combination Stock & Bond Funds, Inc. ("Company") and relates to the proposals with respect to the Company and to INVESCO Multi-Asset Allocation Fund, a series of the Company ("Fund"). The undersigned hereby appoints as proxies Fred A. Deering and Mark H. Williamson, and each of them (with power of substitution), to vote all shares of common stock of the undersigned in the Fund at the Special Meeting of Shareholders to be held at 10:00 a.m., Mountain Standard Time, on May 20, 1999, at the offices of the Company, 7800 E. Union Avenue, Denver, Colorado 80237, and any adjournment thereof ("Meeting"), with all the power the undersigned would have if personally present.

The shares represented by this proxy will be voted as instructed. Unless indicated to the contrary, this proxy shall be deemed to grant authority to vote "FOR" all proposals relating to the Company and the Fund with discretionary power to vote upon such other business as may properly come before the Meeting.

Please sign exactly as name appears hereon. If stock is held in the name of joint owners, each should sign. Attorneys-in-fact, executors, administrators, etc. should so indicate. If shareholder is a corporation or partnership, please sign in full corporate or partnership name by authorized person.

YOUR VOTE IS IMPORTANT. IF YOU ARE NOT VOTING BY PHONE, FACSIMILE, OR INTERNET, PLEASE SIGN AND DATE THIS PROXY BELOW AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE.

TO VOTE BY TOUCH-TONE PHONE OR THE INTERNET, PLEASE CALL 1-800-690-6903 TOLL FREE OR VISIT [HTTP://WWW.PROXYVOTE.COM](http://www.proxyvote.com). TO VOTE BY FACSIMILE TRANSMISSION, PLEASE FAX YOUR COMPLETED PROXY CARD TO 1-800-733-1885.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY  
THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

INVESCO MULTI-ASSET ALLOCATION FUND  
INVESCO COMBINATION STOCK AND BOND FUNDS, INC.

VOTE ON DIRECTORS	FOR ALL	WITHHOLD ALL	FOR ALL EXCEPT	
<p>3. Election of the Company's Board of Directors; (1) Charles W. Brady; (2) Fred A. Deering; (3) Mark H. Williamson; (4) Dr. Victor L. Andrews; (5) Bob R. Baker; (6) Lawrence H. Budner; (7) Dr. Wendy Lee Gramm; (8) Kenneth T. King; (9) John W. McIntyre; and (10) Dr. Larry Soll</p>	/__/	/__/	/__/	<p>To withhold authority to vote, mark "For All Except" and write the nominee's number on the line below.</p> <p>-----</p>

VOTE ON PROPOSALS	FOR	AGAINST	ABSTAIN
<p>1. Approval of a Plan of Reorganization and Termination under which INVESCO Balanced Fund ("Balanced Fund"), also a series of INVESCO Combination Stock &amp; Bond Funds, Inc., would acquire all of the assets of the Fund in exchange solely for shares of Balanced Fund and the assumption by Balanced Fund of all of the Fund's liabilities, followed by the distribution of those shares to the shareholders of the Fund, all as described in the accompanying Prospectus/Proxy Statement;</p>	/__/	/__/	/__/

	FOR ALL	AGAINST ALL	ABSTAIN ALL
<p>2. Approval of changes to the fundamental investment policies;</p>	/__/	/__/	/__/

/\_/To vote against the proposed changes to one or more of the specific fundamental investment restrictions, but to approve others, PLACE AN "X" IN THE BOX AT LEFT and indicate the letter(s) (as set forth in the proxy statement) of the investment restriction or restrictions you do not want to change on the line on the reverse side.

IF YOU CHOOSE TO VOTE DIFFERENTLY ON INDIVIDUAL RESTRICTIONS, YOU MUST MAIL IN YOUR PROXY CARD. IF YOU CHOOSE TO VOTE THE SAME ON ALL RESTRICTIONS PERTAINING TO YOUR FUND, TELEPHONE AND INTERNET VOTING ARE AVAILABLE

4. Ratification of the selection of PricewaterhouseCoopers LLP as the Company's Independent Public Accountants;

FOR /\_\_\_/ AGAINST /\_\_\_/ ABSTAIN /\_\_\_/

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Signature [Please sign within this box] Date

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Signature (Joint Owners) Date

[Back]

TO VOTE, MARK BLOCK BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS

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THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED

To vote against the proposed changes to one or more of the specific fundamental investment restrictions, indicate the letter(s) (as set forth in the proxy statement) of the investment restriction or restrictions you do not want to change on the line at the right. IF YOU CHOOSE TO VOTE DIFFERENTLY ON INDIVIDUAL RESTRICTIONS, YOU MUST MAIL IN YOUR PROXY CARD. IF YOU CHOOSE TO VOTE THE SAME ON ALL RESTRICTIONS PERTAINING TO YOUR FUND, TELEPHONE AND INTERNET VOTING ARE AVAILABLE.

2. \_\_\_\_\_