Invesco

QUARTERLY REVIEW

A: ACTHX | R6: ACTSX | Y: ACTDX

Invesco High Yield Municipal Fund

Q4 2023

Key takeaways

1 **Fund performance**

Invesco High Yield Municipal Fund Class A shares at net asset value (NAV) outperformed its style-specific index, the Custom Invesco High Yield Municipal Index.

2 **Seeking attractive opportunities through collaborative management**

Invesco Municipal Bond team uses a collaborative management approach. Relying on our size and experience, we seek to identify the best opportunities to achieve potentially better outcomes for shareholders.

3 **Analysis focused on creditworthiness**

Our team uses a bottom-up fundamental credit process focused on creditworthiness of individual issuers with an overlay of macroeconomic factors to capitalize on market inefficiencies. Our process has been time tested over full market cycles.

Investment objective

The fund seeks federal tax-exempt current income and taxable capital appreciation.

Fund facts

Fund AUM ($M)	7,723.74

Portfolio managers

Jack Connelly, John Schorle, Julius Williams, Mark Paris, Tim O'Reilly

Manager perspective and outlook

- Despite the rapid interest rate hikes of 2022 and 2023, the US economy continued to grow, benefiting from continued consumer strength.
- Municipal bonds ranked as one of the best performing asset classes for 2023, with November and December accounting for the majority of the annual total return.
- The US Federal Reserve (Fed) held the federal funds rate steady at 5.50% in November and December. The Fed acknowledged that growth has slowed and inflation has eased as it pivoted to a transitional stance regarding future rate hikes.[1] The announcement sparked a decline in rates, with municipals outperforming Treasuries during the rally.
- Despite the performance rebound, municipal fund outflows were $11 billion in the fourth quarter and $17 billion for 2023.[2]
- Fourth quarter new issuance was $99 billion, 39% higher than the fourth quarter of 2022.[3] Total new issuance for 2023 was $369 billion, in line with last year.
- Municipal issuers have taken advantage of federal pandemic aid and healthy tax receipts to build solid credit foundations. In 2023, Moody's Investors Service and S&P Global Ratings upgraded more than 1,400 ratings and downgraded less than 350 — an upgrade/downgrade ratio of 4 to 1.[4]
- With Fed rate hikes likely behind us, we believe high absolute yields, low issuance, strong fundamentals, and investor migration out of cash will present positive opportunities for municipal bonds.

For more information, including prospectus and factsheet, please visit Invesco.com/ACTHX

Not a Deposit Not FDIC Insured Not Guaranteed by the Bank May Lose Value
Not Insured by any Federal Government Agency

Top holdings

(% of total net asset)

County of Jefferson AL 7.75 10/01/2046	1.30
Children's Trust Fund 0.00 05/15/2050	1.15
Inland Empire Tobacco Securitization Corp 0.00 06/01/2036	1.01
Buckeye Tobacco Settlement Financing Authority 5.00 06/01/2055	0.90
County of Jefferson AL 7.90 10/01/2050	0.88
Nassau County Tobacco Settlement Corp 5.13 06/01/2046	0.80
Golden State Tobacco Securitization Corp 0.00 06/01/2066	0.74
Westchester County Industrial Development Agency 7.00 06/01/2046	0.70
Iowa Tobacco Settlement Authority 0.00 06/01/2065	0.65
Puerto Rico Sales Tax Financing Corp 0.00 07/01/2051	0.65

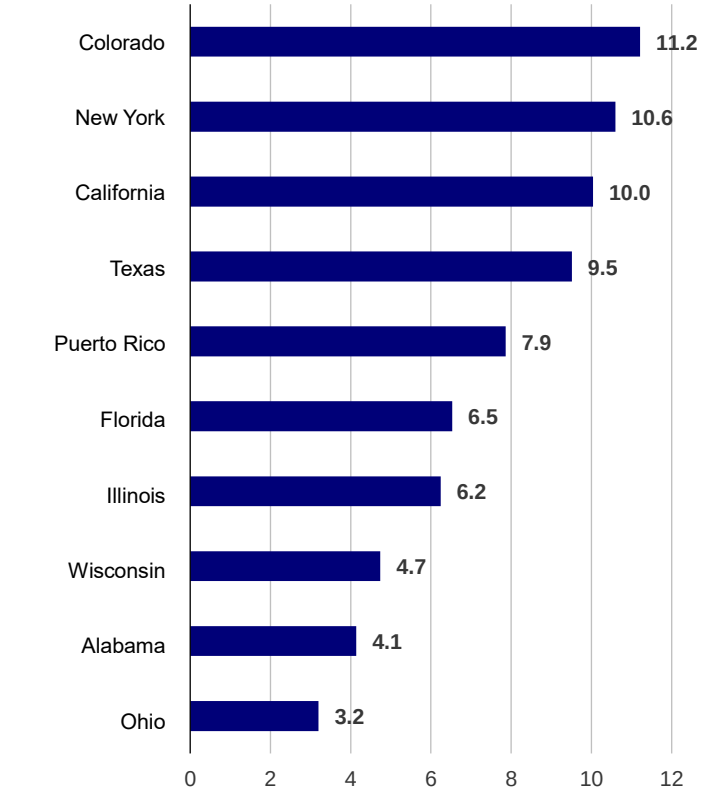
Portfolio positioning

Yield Curve and Duration Positioning: Overall, we maintain a constructive outlook on duration and are looking to selectively add longer duration securities to the fund when appropriate. We have been finding value in the long end of the yield curve, specifically maturities of 10 years and longer.

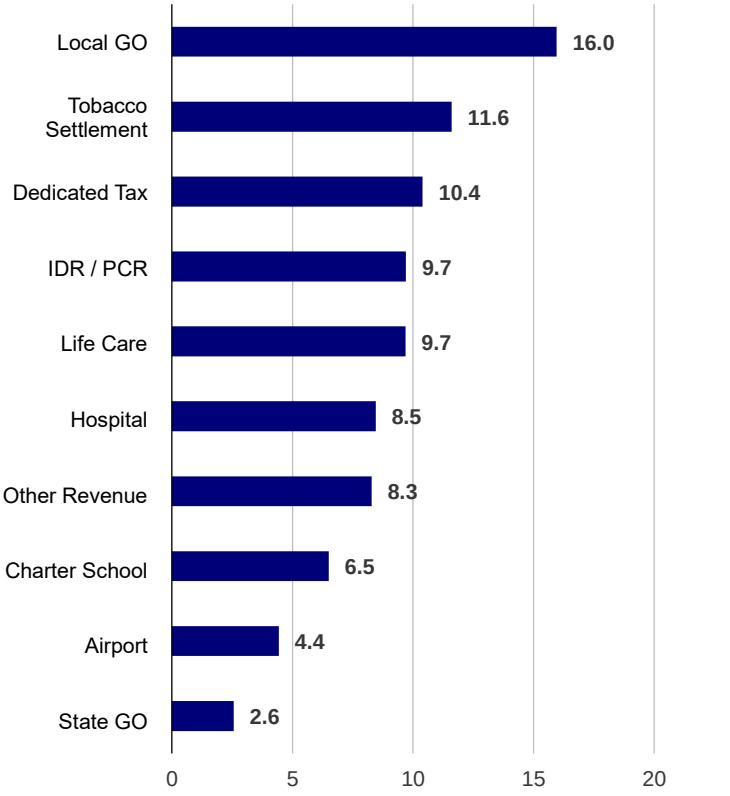
Sector Allocations: We maintain an overweight in revenue bonds relative to state and local general obligation bonds. Within the revenue bond segment, the fund's largest exposures are in the dedicated tax, tobacco settlement and continuing care retirement community sectors.

Credit Conditions: We maintain a positive view on fundamentals in the municipal market as upgrades of credit ratings continue to outpace downgrades. The health care sector has been affected most by higher inflation and labor costs. However, we have relied on our extensive bottom-up research capabilities to find pockets of opportunity in the sector.

Top states (% of total net assets)



Top sectors (% of total net assets)



Portfolio characteristics*

	Fund	BM
Option adjusted duration (years)	10.30	7.70
Weighted average maturity (years)	22.76	-
30-day SEC yield (Class A shares)	4.24	-
Tax equivalent 30-day SEC yield (Class A shares)	7.16	-
30-day SEC unsubsidized yields (Class A shares)	N/A	-
Number of positions	1,326	-
Alternative min. tax exposure (%)	16.49	-

Quality breakdown (% total)

Net cash & equiv.	0.1
Prere/ETM	0.5
AAA	4.4
AA	12.7
A	5.7
BBB	10.6
BB	11.7
B	1.3
Below B	2.5
Not Rated	50.6

Performance highlights

The fourth quarter was marked by a rally in the municipal market in November and December. This caused yields in the 10-year and 30-year segments of the municipal yield curve to fall by 1.17% and 0.92%, respectively. As a result, all sectors of the municipal market had positive returns. The fund's outperformance of the index during the quarter was primarily driven by its overweight in the tobacco master settlement sector. The fund's emphasis on the longer maturity segment of the yield curve was advantageous as rates fell during the quarter.

Contributors to performance

Contributors to relative return this quarter included the following:

The fund's overweight exposures in the health care sector, specifically hospitals, added to relative return for the quarter. The fund's slight overweight exposure in AA-rated securities added to relative performance as that credit rating segment performed well. Additionally, overweight allocations to the states of New York and Colorado helped the fund outperform the index.

Detractors from performance

Detractors from relative return this quarter included the following:

The fund's underweight exposure in bonds with effective durations shorter than eight years detracted from relative performance during the quarter. The fund also has an underweight position in the housing sector, specifically multi-family housing, which detracted from performance relative to the index.

Standardized performance (%) as of December 31, 2023

		Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since inception
Class A shares inception: 01/02/86	NAV	8.98	5.22	5.22	-1.27	1.74	4.23	5.40
	Max. Load 4.25%	4.39	0.75	0.75	-2.69	0.85	3.78	5.28
Class R6 shares inception: 04/04/17	NAV	9.07	5.66	5.66	-0.95	2.07	4.45	-
Class Y shares inception: 03/01/06	NAV	9.04	5.49	5.49	-1.05	1.99	4.49	4.14
Custom Invesco High Yield Municipal Index		7.66	8.13	8.13	0.27	3.25	4.58	-
Total return ranking vs. Morningstar High Yield Muni category (Class A shares at NAV)		-	-	74% (148 of 192)	65% (125 of 187)	62% (112 of 176)	26% (32 of 115)	-

Expense ratios per the current prospectus: Class A: Net: 1.39%, Total: 1.39%; Class R6: Net: 1.09%, Total: 1.09%; Class Y: Net: 1.14%, Total: 1.14%.

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. Visit invesco.com for the most recent month-end performance. Performance figures reflect reinvested distributions and changes in net asset value (NAV). Investment return and principal value will vary so that you may have a gain or a loss when you sell shares. Returns less than one year are cumulative; all others are annualized. Performance shown prior to the inception date of Class R6 shares is that of Class A shares and includes the 12b-1 fees applicable to Class A shares. Index sources: Invesco, RIMES Technologies Corp. Had fees not been waived and/or expenses reimbursed in the past, returns would have been lower. Performance shown at NAV does not include the applicable front-end sales charge, which would have reduced the performance.

Class Y and R6 shares have no sales charge; therefore performance is at NAV. Class Y shares are available only to certain investors. Class R6 shares are closed to most investors. Please see the prospectus for more details.

Calendar year total returns (%)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Class A shares at NAV	16.55	6.26	1.35	9.07	1.42	9.70	3.24	6.28	-13.95	5.22
Class R6 shares at NAV	16.55	6.26	1.35	9.35	1.63	10.16	3.46	6.70	-13.80	5.66
Class Y shares at NAV	16.94	6.52	1.61	9.33	1.58	10.07	3.50	6.54	-13.80	5.49
Custom Invesco High Yield Municipal Index	13.44	2.95	4.02	5.20	4.40	10.01	5.78	5.72	-11.80	8.13

Unless otherwise specified, all information is as of 12/31/23. Unless stated otherwise, Index refers to Custom Invesco High Yield Municipal Index.

Asset allocation/diversification does not guarantee a profit or eliminate the risk of loss.

Custom Invesco High Yield Municipal Index was created by Invesco to serve as a benchmark for Invesco High Yield Municipal Fund, comprises 80% weight in bonds in the S&P Municipal Bond Index that are not rated or are rated below investment grade and a 20% weight in bonds that are rated investment grade by Standard & Poor's, Moody's and/or Fitch. An investment cannot be made directly in an index.

The Global Industry Classification Standard was developed by and is the exclusive property and service mark of MSCI, Inc. and Standard & Poor's.

About risk

All or a portion of the fund's otherwise tax-exempt income may be subject to the federal alternative minimum tax.

The fund may use leverage to seek to enhance income, which creates the likelihood of greater volatility of the fund's shares and may also impair the ability to maintain its qualification for federal income tax purposes as a regulated investment company.

An issuer may be unable to meet interest and/or principal payments, thereby causing its instruments to decrease in value and lowering the issuer's credit rating.

Derivatives may be more volatile and less liquid than traditional investments and are subject to market, interest rate, credit, leverage, counterparty, and management risks. An investment in a derivative could lose more than the cash amount invested.

Interest rate risk refers to the risk that bond prices generally fall as interest rates rise and vice versa.

Inverse floating rate obligations may be subject to greater price volatility than a fixed income security with similar qualities. When short-term interest rates rise, they may decrease in value and produce less or no income and are subject to risks similar to derivatives.

Junk bonds have greater risk of default or price changes due to changes in the issuer's credit quality. Junk bond values fluctuate more than high quality bonds and can decline significantly over a short time.

Leverage created from borrowing or certain types of transactions or instruments may impair liquidity, cause positions to be liquidated at an unfavorable time, lose more than the amount invested, or increase volatility.

Securities which are in the medium- and lower-grade categories generally offer higher yields than are offered by higher-grade securities of similar maturity, but they also generally involve more volatility and greater risks, such as greater credit risk, market risk, liquidity risk, management risk, and regulatory risk.

The Fund invests in obligations, exempt from regular federal individual income taxes, of the governments of U.S. territories, commonwealths and possessions such as Puerto Rico, the U.S. Virgin Islands, Guam and the Northern Mariana Islands. As result, the Fund may be adversely affected by local political, economic, social and environmental conditions and developments, including natural disasters affecting such obligations. Certain municipalities the Fund invests in, such as Puerto Rico, have significant financial difficulties, including risk of default, insolvency or bankruptcy; and may be subject to credit rating downgrades affecting the payment of principal and interest, the market values and marketability of such municipal obligations.

Municipal securities are subject to the risk that legislative or economic conditions could affect an issuer's ability to make principal and/or interest payments.

There is no guarantee that the Fund's income will be exempt from federal and state income taxes.

Based on a Master Settlement Agreement ("MSA") with 46 states and six other US jurisdictions, large US tobacco manufacturers have agreed to make annual payments to government entities in exchange for the release of all litigation claims. Several states have sold bonds backed by those future payments, including (i) bonds that make payments only from a state's interest in the MSA and (ii) bonds that make payments from both the MSA revenue and from an "appropriation pledge" by the state which requires the state to pass a specific periodic appropriation to make the payments and is generally not an unconditional guarantee of payment by a state. Settlement payments are based on factors, including, but not limited to, annual domestic cigarette shipments, cigarette consumption, inflation and the financial capability of participating tobacco companies. Payments could be reduced if consumption decreases, if market share is lost to non-MSA manufacturers, or if there is a negative outcome in litigation regarding the MSA, including challenges by participating tobacco manufacturers regarding the amount of annual payments owed under the MSA.

The fund is subject to certain other risks. Please see the current prospectus for more information regarding the risks associated with an investment in the fund.

The opinions expressed are those of the fund's portfolio management, are based on current market conditions and are subject to change without notice. These opinions may differ from those of other Invesco investment professionals.

The investment techniques and risk analysis used by the portfolio managers may not produce the desired results.

This does not constitute a recommendation of any investment strategy or product for a particular investor. Investors should consult a financial professional before making any investment decisions.

Note: Not all products available at all firms. Financial professionals, please contact your home office.

Ratings source: Standard & Poor's, Moody's or Fitch, as applicable. A credit rating is an assessment provided by a nationally recognized statistical rating organization (NRSRO) of the creditworthiness of an issuer with respect to debt obligations, including specific securities, money market instruments or other debts. Ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest); ratings are subject to change without notice. Not Rated indicates the debtor was not rated and should not be interpreted as indicating low quality. A negative in Cash indicates fund activity that has accrued or is pending settlement. Pre-Refunded/Escrowed to Maturity (Prerefunded/ETM) bonds are issues backed by an escrow account, invested in US Treasuries, which is used to pay bondholders. Other includes bonds rated below single B and bonds currently not paying a coupon. For more information on rating methodologies, please visit the following NRSRO websites: www.standardandpoors.com and select 'Understanding Credit Ratings' under Rating Resources 'About Ratings' on the homepage; www.ratings.moodys.com and select 'Rating Methodologies' under Research and Ratings on the homepage; www.fitchratings.com and select 'Ratings Definitions Criteria' under 'Resources' on the homepage. Then select 'Rating Definitions' under 'Resources' on the 'Contents' menu.

The fund holdings are organized according to the Global Industry Classification Standard, which was developed by and is the exclusive property and service mark of MSCI Inc. and Standard & Poor's.

*** 30-day SEC yield** is based on a 30-day period and is computed by dividing the net investment income per share earned during the period by the maximum offering price per share on the last day of the period. **30-day SEC unsubsidized yield** reflects the 30-day yield if the investment adviser were not waiving all or part of its fee or reimbursing the fund for part of its expenses. Total return would have also been lower in the absence of these temporary reimbursements or waivers. **Option adjusted duration** is a measure, as estimated by the fund's portfolio managers, of a bond fund's price sensitivity to changes in interest rates. It takes into account mortgage prepayments, puts, adjustable coupons and potential call dates. **Tax equivalent 30-day SEC yield** quoted above is based on the 2023 top federal tax rate of 40.8%, including the 3.8% tax on earned income under the Patient Protection and Affordable Care Act, as applicable. Had fees not been waived and/or expenses reimbursed, the yield would have been lower. **Weighted average maturity** is a measure, as estimated by the fund's portfolio managers, of the length of time the average security in a bond fund will mature or be redeemed by its issuer. It takes into account mortgage prepayments, puts, adjustable coupons and potential call dates.

1. Source: US Federal Reserve
2. Source: Lipper
3. Source: Bloomberg L.P.
4. Source: Bank of America

Morningstar

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Before investing, consider the Fund's investment objectives, risks, charges and expenses. Visit invesco.com/fundprospectus for a prospectus/summary prospectus containing this information. Read it carefully before investing.