



Invesco California Tax-Free Income Fund

Quarterly Performance Commentary

Nasdaq: A: CLFAX C: CLFCX Y: CLFDX

Investment objective

The fund seeks to provide a high level of current income exempt from federal and California income tax, consistent with the preservation of capital.

Portfolio management

John Connelly, Tim O'Reilly, Mark E. Paris, Jim D. Phillips, John Schorle, Julius D. Williams

Portfolio information

Total Net Assets	\$427,361,897
Total Number of Holdings	263

Fund characteristics

Weighted Average Maturity (years)	17.57
Option Adjusted Duration	7.63
Distribution Frequency	Monthly

Investment categories (%)

Revenue Bonds	72.09
General Obligation Bonds	15.31
Prerefunded/ETM	9.55
Cash/Other	3.05

May not equal 100% due to rounding.

Credit quality breakdown (% total)¹

Cash	1.05
Prerefunded/ETM	9.55
AAA	3.75
AA	39.76
A	17.86
BBB	11.70
BB	3.70
B	1.15
Other	1.26
Not Rated	10.24

Market overview

- During the second quarter, the Bloomberg Barclays Municipal Index and the Bloomberg Barclays High Yield Municipal Index showed positive returns of 2.14% and 2.73%, respectively. This brings year-to-date total returns to 5.09% and 6.66%, respectively.
- Positive total returns across the yield curve were primarily driven by outperformance in the hospital and industrial development revenue/pollution control revenue sectors. Within the investment grade segment, lower-rated investment grade credits outperformed their higher-quality counterparts.
- Strong market technicals, with a favorable balance of supply and demand, have continued to support municipal bond results. Inflows to municipal mutual funds now total \$43.8 billion year-to-date, on pace for a record year. Positive inflows began in January and continued through June, averaging about \$8 billion per month.
- In May, US Treasury yields fell and prices rallied sharply as a result of heightened trade tensions. Yields in the municipal market fell as well, but not to the same degree as Treasuries, causing municipals to underperform. Municipals also lagged US Treasuries in June, with the 5-year, 10-year and 30-year yield ratios cheapening by 1%, 5% and 2%, respectively. This tightening followed the trend in place since mid-May. Both issuance and redemptions of municipal bonds are expected to increase heading into summer.
- From a macro-economic perspective, continued uncertainty surrounding trade negotiations has caused bond market investors to price in a 100% chance of a Federal Reserve interest rate cut in July.

Performance highlights

- Invesco California Tax-Free Income Fund Class A shares at net asset value (NAV) posted a return of 2.35% for the second quarter, compared to its style-specific benchmark, the S&P Municipal Bond California 5+ Year Investment Grade Index, which returned 2.68%. (Please see the investment results table on page 2 for fund and index performance.)

Contributors to performance

- Security selection among bonds rated below investment grade and non-rated bonds contributed to relative return during the quarter.
- Security selection among longer duration bonds (9.00 years and longer) added to relative performance.
- An overweight exposure and security selection in the tobacco settlement sector also added to relative performance during the quarter.

Detractors from performance

- An underweight exposure and security selection among lower coupon bonds (4.49% and lower, specifically) detracted from relative return during the quarter.
- An overweight exposure to shorter duration bonds (2.99 years and less) detracted from relative return as well.
- Security selection among pre-refunded bonds and in the utility sector also negatively affected relative performance.

Positioning and outlook

- We maintain the fund's preference for revenue bonds over general obligation bonds. The largest sector allocations were in the health care and transportation sectors.
- Our approach to investing aims to deliver a highly competitive yield while diversifying both sector and individual security risks.
- Looking ahead, we believe municipal fundamentals will remain strong. Though we also expect market technicals to remain strong, the second half of the year is unlikely to see retail inflows as large as those in the first half.

Investment results						
Average annual total returns (%) as of June 30, 2019						
Period	Class A Shares		Class C Shares		Class Y Shares	Style-Specific Index
	Inception: 07/28/97					
	Max Load	NAV	Max CDSC	NAV	NAV	S&P Municipal Bond CA 5+ Year Investment Grade Index
Inception	4.25%	4.18	4.38	-	-	4.64
10 Years	4.89	5.35	4.83	4.83	5.60	6.27
5 Years	2.86	3.76	3.23	3.23	3.99	4.36
3 Years	0.25	1.71	1.18	1.18	1.93	2.67
1 Year	0.79	5.23	3.75	4.75	5.47	7.33
Quarter	-1.96	2.35	1.20	2.20	2.32	2.68

Expense ratios	% net	% total
Class A Shares	1.27	1.27
Class C Shares	1.75	1.75
Class Y Shares	1.03	1.03

Per the current prospectus

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. Visit invesco.com/performance 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, and you may have a gain or a loss when you sell shares. No contingent deferred sales charge (CDSC) will be imposed on redemptions of Class C shares following one year from the date shares were purchased. Performance shown at NAV does not include applicable CDSC or front-end sales charges, which would have reduced the performance. Class Y shares have no sales charge; therefore, performance is at NAV. Returns less than one year are cumulative; all others are annualized. Fund performance reflects any applicable fee waivers and/or expense reimbursements. Had the adviser not waived fees and/or reimbursed expenses currently or in the past, returns would have been lower. See current prospectus for more information. Index returns do not reflect any fees, expenses, or sales charges.

Index source: FactSet Research Systems Inc.

For more information you can visit us at www.invesco.com/us

1 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. If securities are rated differently by the rating agencies, the higher rating is applied. 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 the rating methodology, please visit www.standardandpoors.com and select 'Understanding Ratings' under Rating Resources on the homepage; www.moodys.com and select 'Rating Methodologies' under Research and Ratings on the homepage; www.fitchratings.com and select 'Ratings Definitions' on the homepage.

Class Y shares are available only to certain investors. See the prospectus for more information.

A portion of the fund's income may be subject to some state and local taxes, and the alternative minimum tax.

Diversification does not guarantee a profit or eliminate the risk of loss.

S&P Municipal Bond California 5+ Year Investment Grade Index is a sub-set of the broad S&P Municipal Bond Index. This index of market value-weighted investment grade U.S. municipal bonds seeks to measure the performance of California issued U.S. municipals whose maturities are greater than or equal to 5 years. An investment cannot be made directly in an index.

S&P Municipal Bond Index is a broad, market value-weighted index that seeks to measure the performance of the U.S. municipal bond market. An investment cannot be made directly into an index.

The Bloomberg Barclays Municipal Bond Index is an unmanaged index considered representative of the tax-exempt bond market. An investment cannot be made directly in an index.

The Bloomberg Barclays Municipal High Yield Bond Index is an unmanaged index considered representative of noninvestment-grade bonds. An investment cannot be made directly in an index.

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. **Weighted average maturity (WAM)** 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.

About risk

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

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.

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.

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

The fund may invest in municipal securities issued by entities having similar characteristics, which may make the fund more susceptible to fluctuation.

Municipal securities are subject to the risk that legislative or economic conditions could affect an

issuer's ability to make payments of principal and/or interest.

Because the fund invests primarily in a portfolio of one state's municipal securities, the fund is more susceptible to political, economic, regulatory or other factors affecting that state than a fund that does not limit its investments to such issuers.

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.

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

Before investing, investors should carefully read the prospectus and/or summary prospectus and carefully consider the investment objectives, risks, charges and expenses. For this and more complete information about the fund(s), investors should ask their advisors for a prospectus/summary prospectus or visit [invesco.com/fundprospectus](https://www.invesco.com/fundprospectus).

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. Advisors, please contact your home office.

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. Holdings are subject to change and are not buy/sell recommendations.

All data provided by Invesco unless otherwise noted.