



Invesco Pennsylvania Tax Free Income Fund

Quarterly Performance Commentary

Nasdaq: A: VKMPX C: VKPCX Y: VKPYX

Investment objective

The fund seeks to provide only Pennsylvania (PA) investors with a high level of current income exempt from federal and PA state income taxes and where possible, local income taxes, through investment in medium and lower grade municipal securities.

Portfolio management

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Portfolio information

Total Net Assets	\$127,619,679
Total Number of Holdings	158

Fund characteristics

Weighted Average Maturity (years)	14.80
Option Adjusted Duration	7.14
Distribution Frequency	Monthly

Investment categories (%)

Revenue Bonds	67.14
Prerefunded/ ETM	22.75
General Obligation Bonds	5.83
Cash/Other	4.29

May not equal 100% due to rounding.

Credit quality breakdown (% total)¹

Cash	-1.04
Prerefunded/ ETM	22.75
AAA	21.56
AA	24.35
A	13.75
BBB	10.02
BB	0.80
B	0.80
Other	0.39
Not Rated	7.43

Market overview

- The Bloomberg Barclays Municipal Bond Index returned 2.90% for first quarter of 2019, while the Bloomberg Barclays Municipal High Yield Bond Index returned 3.83%, marking the best first quarter for municipal bonds since 2014.
- The Federal Reserve's shift to a more accommodative monetary stance to begin the year took bond markets by surprise, leading economists to cut their 2019 predictions from two interest rate increases to one or none.
- The 35-day US government shutdown, ongoing US-China trade negotiations and Brexit developments combined to create a challenging environment for the first quarter. Nevertheless, the municipal market performed well amid the tailwind of favorable technical conditions, in particular, the seemingly insatiable demand for maturities of 10 years and shorter from US retail separately managed accounts (SMAs).
- With slowing economic growth, a pause in the Fed's interest rate increases, and new state and local tax (SALT) deductibility limits now front of mind for taxpayers, first quarter demand for municipal securities spiked to \$23.4 billion, resulting in the largest first quarter net inflows for municipal funds since 1992.
- At the close of the quarter, municipal fundamentals remained strong, in our view, and we believe retail investors' demand for tax-exempt securities should continue, particularly since ultra-high net worth investors with more complicated tax situations do not typically file returns until closer to the April 15th deadline.

Performance highlights

- Invesco Pennsylvania Tax-Free Income Fund Class A shares at net asset value (NAV) posted a return of 2.49% for the first quarter, compared to its style-specific benchmark, the S&P Municipal Bond Pennsylvania 5+ Year Investment Grade Index, which returned 3.54%. (Please see the investment results table on page 2 for fund and index performance.)

Contributors to performance

- An underweight exposure and security selection among local general obligation bonds added to relative performance during the quarter.
- Security selection among longer maturity bonds (20.00 years and longer) was another notable contributor during the quarter.
- Security selection among bonds rated just below investment grade added to relative return as well.

Detractors from performance

- An overweight exposure and security selection among pre-refunded bonds detracted from relative return during the quarter.
- Security selection among high quality bonds (AA and A-rated specifically) detracted from relative return.
- An overweight exposure and security selection among shorter duration issues (3.99 years and less) also had a negative impact on relative performance during the quarter.

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 remain strong. Positive demand, combined with 2019 issuance estimated at a paltry \$350 billion to \$360 billion, may be enough to drive positive market performance.

Investment results						
Average annual total returns (%) as of March 31, 2019						
Period	Class A Shares		Class C Shares		Class Y Shares	Style-Specific Index
	Inception: 05/01/87		Inception: 08/13/93		Inception: 06/01/10	
	Max Load	NAV	Max CDSC	NAV	NAV	S&P Municipal Bond PA 5+ Year Investment Grade Index
Inception	4.25%	5.51	1.00%	3.89	-	-
10 Years	4.84	5.29	4.51	4.51	5.53	5.83
5 Years	2.92	3.82	3.05	3.05	4.08	4.69
3 Years	1.04	2.51	1.72	1.72	2.74	3.43
1 Year	-0.32	4.12	2.29	3.29	4.32	6.32
Quarter	-1.89	2.49	1.24	2.24	2.49	3.54

Expense ratios	% net	% total
Class A Shares	1.36	1.36
Class C Shares	2.11	2.11
Class Y Shares	1.11	1.11

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. Performance shown prior to the inception date of Class Y shares is that of Class A shares and includes the 12b-1 fees applicable to Class A shares. 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 Pennsylvania 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 Pennsylvania 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.

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

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

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

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.