Invesco Oppenheimer Short Term Municipal Fund

Quarterly Performance Commentary

Mutual Fund Retail Share Classes
Data as of June 30, 2020

Invesco

REFINITIV LIPPER FUND AWARDS
2020 WINNER
UNITED STATES

Class Y shares (ORSYX): Best among 34 Short Municipal Debt Funds for the 5-year period ending 11/30/19 based on risk-adjusted performance.

Investment objective

The fund seeks tax-free income.

Portfolio management

Charlie Pulire, Tim O'Reilly, Mark E. Paris, Rebecca Setcavage, Julius D. Williams

Fund facts

Total Net Assets	$1,897,806,330
Total Number of Holdings	630

Fund characteristics

Average Effective Maturity (years)	1.60
Option Adjusted Duration	1.49

Investment categories (%)

Revenue Bonds	50.91
General Obligation Bonds	16.53
Prerefunded/ETM	5.90
Cash/Other	26.67

May not equal 100% due to rounding.

Credit quality breakdown (% total)[1]

Cash	2.35
Prerefunded/ETM	5.90
AAA	5.74
AA	28.91
A	39.40
BBB	12.03
BB	1.91
B	0.37
Other	0.04
Not Rated	3.35

Market overview

+ For the second quarter of 2020, the Bloomberg Barclays Municipal Index and the Bloomberg Barclays High Yield Municipal Index returned 2.73% and 4.55%, respectively. Investors continued to sell off municipal bonds in April amid disruption from the COVID-19 pandemic. However, May and June saw improved performance despite ongoing turmoil.
+ As April began, many states maintained quarantines with indeterminate timelines for closures of non-essential businesses. Ten-year AAA-rated municipals began the quarter trading at yields roughly 283% of the yield on comparable maturity US Treasuries, and as of quarter-end were trading at 135%, still well above the historical norm of approximately 90%.
+ New issuance totaled $107 billion for the quarter, up 15% from last quarter and 15% higher than the same quarter last year. At the beginning of the quarter, high-yield municipal bond funds continued to experience substantial outflows. High-yield municipal funds generally hold anywhere from 30% to 60% of their portfolios in investment grade securities. Consequently, funds had been selling both high-yield and investment grade securities into a distressed market to meet shareholder redemptions, causing price declines across the municipal universe.
+ Thus far, federal assistance to the municipal marketplace has included the Federal Reserve's plan to purchase up to $500 billion in short-term municipal bonds to relieve pressure on short-term paper, which saw yields spike above 5% earlier in the year. Additionally, the Municipal Liquidity Facility (MLF) enables select large borrowers - two issuers per state, city or county are eligible - to use proceeds from the sale of notes to service their debt payments. Specific sectors such as airlines, transportation and hospitals have also received federal funding. These stimulus packages and those in other market segments are likely to push taxes higher. Because municipal bonds are one of the few income sources not subject to federal taxes, their income should be more attractive if taxes rise.
+ Municipal credits have a long history of low default rates as many provide essential services. Despite speculation, a flurry of downgrades has not yet occurred, mainly because most issuers have a rainy-day fund or cash on hand for difficult times. While we do not anticipate mass defaults, there could be hotspots, most likely among issuers already in trouble before COVID-19.

Positioning and outlook

+ We maintain the portfolio's preference for revenue bonds over general obligation bonds. Among revenue bonds, the largest allocations were in the hospital/health care and multi-family housing sectors.
+ Our approach to investing aims to deliver a highly competitive yield while diversifying both sector and individual security risks.
+ The fund will not invest more than 5% of its total assets in securities rated below investment-grade.
+ Though we cannot predict when the coronavirus pandemic will abate or how acute market volatility will be going forward, we continue to rely on our critical credit research to take advantage of marketplace dislocations to add value during this time of uncertainty.

Performance highlights

+ Invesco Oppenheimer Short Term Municipal Fund Class A shares at net asset value (NAV) returned 1.48% for the second quarter, outperforming its benchmark, the Bloomberg Barclays 1-Year Municipal Bond Index, which returned 1.22%. (Please see the investment results table on page 2 for fund and index performance.)

Contributors to performance

+ Security selection in A-rated issues added to relative return.
+ Overweights in corporate municipal bonds and the transportation sector added to relative return.
+ On a state level, security selection among New York and Illinois domiciled bonds added to relative return.

Detractors from performance

+ Underweights in the tobacco and electric sectors detracted from relative return.
+ On a state level, security selection among New Hampshire and Alaska domiciled issues detracted from relative results.

Expense ratios	% net	% total
Class A Shares	0.82	0.82
Class C Shares	1.57	1.57
Class Y Shares	0.57	0.57

Per the current prospectus

Lipper rankings

Class A shares of the fund ranked 24 of 139, 19 of 116, and 2 of 104 within the Lipper Short Municipal Debt Funds Category for the one, three and five years, respectively.

Source: Lipper Inc.

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Investment results

Average annual total returns (%) as of June 30, 2020

	Class A Shares		Class C Shares		Class Y Shares	
	Inception: 12/06/10		Inception: 12/06/10		Inception: 12/06/10	Style-Specific Index
Period	**Max Load .00%**	**NAV**	**Max CDSC 1.00%**	**NAV**	**NAV**	**Bloomberg Barclays Municipal 1 Year Bond Index**
Inception	2.26	2.26	1.49	1.49	2.51	-
5 Years	2.03	2.03	1.27	1.27	2.28	1.42
3 Years	2.07	2.07	1.31	1.31	2.32	1.81
1 Year	2.20	2.20	0.43	1.43	2.72	2.16
Quarter	1.48	1.48	0.29	1.29	1.54	1.22

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. 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. As the result of a reorganization on May 24, 2019, the returns of the fund for periods on or prior to May 24, 2019 reflect performance of the Oppenheimer predecessor fund. Share class returns will differ from the predecessor fund due to a change in expenses and 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. 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.

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

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.

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. Average effective maturity (AEM) is a weighted average of all the maturities of the bonds in a portfolio, computed by weighting each bond's effective maturity by the market value of the security. It takes into account mortgage prepayments, puts, adjustable coupons and potential call dates.

About risk

If interest rates fall, callable security issuers may call or prepay their securities before maturity, causing the fund to reinvest proceeds in securities with lower interest rates and reducing fund income and distributions.

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.

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

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.