

Invesco High Yield Municipal Fund

Quarterly Performance Commentary

Mutual Fund Retail Share Classes
Data as of Sept. 30, 2022



Investment objective

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

Portfolio management

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Fund facts

Total Net Assets	\$7,810,891,719
Total Number of Holdings	1420

Fund characteristics

Weighted Average Maturity (years)	21.14
Option Adjusted Duration	9.74

Investment categories (%)

Revenue Bonds	77.17
General Obligation Bonds	15.00
Prerefunded Bonds	2.69
Cash/Other	5.14

May not equal 100% due to rounding.

Credit quality breakdown (% total)¹

Cash	-1.02
Prerefunded/ETM	2.69
AAA	2.22
AA	6.97
A	6.13
BBB	12.87
BB	11.08
B	2.41
Other	5.12
Not Rated	51.53

Not a deposit; Not FDIC insured; Not guaranteed by the bank; May lose value; Not insured by any federal agency

Market overview

- + For the third quarter, the Bloomberg Municipal Bond Index and the Bloomberg High Yield Municipal Bond Index returned -3.46% and -4.83%, respectively, while the Bloomberg Taxable Municipal Index returned -6.18%.² These negative results reflect investors' concerns about inflation, volatility and the Federal Reserve's (Fed) monetary tightening.
- + Continuing its efforts to stem inflation, the Fed raised the federal funds rate by 0.75% twice during the quarter, bringing the target rate to 3.25%, the highest since 2008.³ With five rate increases so far in 2022, this is the Fed's most aggressive monetary policy since the 1980s.
- + On August 16th, President Biden signed into law the Inflation Reduction Act of 2022, which aims to lower costs for families, create jobs and reduce the deficit while addressing climate change. The act imposes a 15% minimum tax on companies that report over \$1 billion in profits to shareholders in an effort to ensure that large, profitable companies pay a minimum amount of tax.
- + As of quarter end, the yield ratio between 30-year AAA municipals and 30-year Treasuries (the M/T yield ratio) was 104%, 5% higher than its long-term average and 26% higher than the start of 2022. When M/T ratios are higher than historical averages, municipal bonds are considered inexpensive compared to Treasuries. Under normal conditions, these levels typically spur demand from crossover buyers such as hedge funds, banks and insurance companies. However, due to heightened macroeconomic concerns, that was not the case this quarter. Rather, municipal fund outflows continued, totaling approximately \$94 billion year-to-date.⁴
- + New municipal issuance was \$90.5 billion in the third quarter, down 32.5% from the same period in 2021, with tax-exempt supply accounting for \$80.2 billion of the total.⁵ Taxable municipal issuance fell 70% compared to the third quarter of 2021.⁵ Municipal borrowers have been reluctant to issue new bonds or advance refund existing bonds given higher interest rates.
- + Despite various headwinds, municipal credit fundamentals are strong and improving, as evidenced by S&P ratings, where upgrades exceeded downgrades by a 3:1 ratio in the last two quarters.⁶ This favorable dynamic likely stems from the benefits of various fiscal stimulus programs, as well as higher revenues collected by state and local governments.

Positioning and outlook

- + We maintain the fund's preference for revenue bonds over general obligation bonds.
- + Approximately 52% of fund holdings are non-rated by the national agencies but are assigned internal proprietary ratings that allow us to take advantage of pricing anomalies in the high-yield municipal market.
- + We believe the valuable benefits of municipal bonds, including tax-exempt income, low correlations to other asset classes and low default rates, will eventually prevail over current market volatility and economic uncertainty. We continue to rely on our experienced portfolio managers and credit analysts to weather the challenges while identifying marketplace opportunities to add long-term value for shareholders.

Performance highlights

- + Invesco High Yield Municipal Fund Class A shares at net asset value (NAV) returned -4.53% for the third quarter, compared to its style-specific index, the Custom Invesco High Yield Municipal Index, which returned -4.18%. (Please see the investment results table on page 2 for fund and index performance.)

Contributors to performance

- + An underweight in non-rated bonds added to relative return.
- + Underweights in multi-family housing and higher education credits also added to relative return.
- + Underweights in bonds domiciled in Pennsylvania and California added to relative return.

Detractors from performance

- + An underweight in bonds rated AA and above detracted from relative return.
- + An underweight in dedicated tax credits and an overweight in the public power sector detracted from relative return.
- + An underweight in Puerto Rico-domiciled bonds and an overweight in bonds domiciled in New York detracted from relative results.

Expense ratios	% net	% total
Class A Shares	0.98	0.98
Class C Shares	1.71	1.71
Class Y Shares	0.73	0.73

Per the current prospectus

Investment results

Average annual total returns (%) as of Sept. 30, 2022

Period	Class A Shares		Class C Shares		Class Y Shares	Style-Specific Index
	Inception: 01/02/86	NAV	Inception: 12/10/93	NAV	Inception: 03/01/06	NAV
	Max Load 4.25%		Max CDSC 1.00%			Custom Invesco High Yield Municipal Index
Inception	5.22	5.35	4.49	4.49	3.90	-
10 Years	2.50	2.95	2.34	2.34	3.19	3.34
5 Years	-0.19	0.69	-0.04	-0.04	0.92	2.01
3 Years	-4.11	-2.70	-3.40	-3.40	-2.48	-1.25
1 Year	-19.34	-15.76	-17.06	-16.25	-15.61	-13.74
Quarter	-8.55	-4.53	-5.55	-4.61	-4.46	-4.18

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. Visit [invesco.com/performance](https://www.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 sources: Invesco, 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.moody.com and select 'Rating Methodologies' under Research and Ratings on the homepage; www.fitchratings.com and select 'Ratings Definitions' on the homepage.

2 Source: Bloomberg

3 Source: US Federal Reserve

4 Source: Lipper

5 Source: JP Morgan

6 Source: Standard & Poor's

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

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

Income may be subject to state and local taxes. There is no guarantee that the fund's income will be exempt from federal income taxes, including the alternative minimum tax.

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.

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 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 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.

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.

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.

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 financial professionals 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. Financial professionals, 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.