

Invesco High Yield Municipal Fund

Quarterly Performance Commentary

Mutual Fund Retail Share Classes
Data as of Dec. 31, 2019



Limited Offering

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	\$10,921,286,172
Total Number of Holdings	1512

Fund characteristics

Weighted Average Maturity (years)	21.38
Option Adjusted Duration	8.49
Distribution Frequency	Monthly

Investment categories (%)

Revenue Bonds	85.45
General Obligation Bonds	10.05
Prerefunded/ETM	4.22
Cash/Other	0.28

May not equal 100% due to rounding.

Credit quality breakdown (% total)¹

Cash	-0.47
Prefunded/ETM	4.22
AAA	2.36
AA	9.95
A	10.21
BBB	15.05
BB	11.55
B	5.19
Other	6.29
Not Rated	35.65

Market overview

- + For the fourth quarter, the Bloomberg Barclays Municipal Index and the Bloomberg Barclays High Yield Municipal Index had positive returns of 0.74% and 0.90%, respectively, bringing 2019 total returns to 7.54% and 10.68%, respectively. Investment grade and high-yield municipals were among 2019's best performing asset classes.
- + Strong market technicals, driven by a favorable mix of supply and demand, supported municipal bond results. The tax changes made by the Tax Cuts and Jobs Act (TCJA) of 2017 were a key driver of strong municipal demand in 2019. We believe these tax changes have yet to be fully realized and will continue to drive demand into 2020. Under the law, the \$10,000 cap on state and local tax deductions, the so-called SALT cap, has resulted in surprisingly larger Federal tax bills for people in states with high income taxes (especially Democrat-leaning states like California, New York and New Jersey). Investors began to fully understand the impact when they filed tax returns in 2019, leading to record inflows into municipal mutual funds from January 2019 through the fourth quarter. Inflows totaled \$92 billion for the year, the largest since 1992. Investment grade municipals benefited the most, capturing \$73 billion of inflows, while high-yield municipals took in \$19 billion.
- + On October 30th, the US Federal Reserve cut interest rates another 0.25 percentage points, the third cut in the current cycle, and indicated that any further moves would be based on economic data.
- + New municipal issuance during the quarter totaled \$143 billion, bringing 2019 issuance to \$421 billion, 24% higher than 2018. Steady issuance and increases in taxable municipal bonds are expected to continue as issuers take advantage of low interest rates.
- + Though previous quarters saw heightened demand for perceived safe-haven assets due to economic uncertainty, developments in the fourth quarter led investors to favor riskier investments as many major threats looming over markets subsided. The US and China reached a phase one trade deal, Congress settled on a funding "deal in principle" that eliminated the risk of a government shutdown, and UK election results set the stage for an orderly exit from the European Union by January 31, 2020.

Positioning and outlook

- + We maintain the portfolio's preference for revenue bonds over general obligation bonds. The largest allocations were in the health care and industrial development revenue/pollution control revenue sectors.
- + Our approach to investing aims to deliver a highly competitive yield while diversifying both sector and individual security risks.
- + Approximately 36% of fund holdings are non-rated by national agencies but are assigned internal proprietary ratings that allow us to take advantage of pricing anomalies in the high-yield municipal market.
- + Looking ahead, municipal fundamentals should remain strong. We believe the state and local tax deduction limit will continue to drive demand and performance in early 2020, although not to the same magnitude as in 2019.

Performance highlights

- + Invesco High Yield Municipal Fund Class A shares at net asset value (NAV) posted a return of 0.89% for the fourth quarter, compared to its style-specific index, the Custom Invesco High Yield Municipal Index, which returned 1.00%. (Please see the investment results table on page 2 for fund and index performance.)

Contributors to performance

- + An overweight in higher coupon bonds (5.49% and greater) added significantly to relative return during the quarter.
- + Security selection in the health care sector also added to relative return.
- + On a state level, security selection among Illinois and Texas issues added to relative return.

Detractors from performance

- + Security selection among lower coupon bonds (5.49% and less) detracted from relative return.
- + An underweight and security selection in the dedicated tax sector also detracted from relative return.
- + On a state level, an underweight in Puerto Rico and security selection among Florida-domiciled issues detracted from relative results.

Expense ratios	% net	% total
Class A Shares	1.22	1.22
Class C Shares	1.97	1.97
Class Y Shares	0.97	0.97

Per the current prospectus

Investment results

Average annual total returns (%) as of Dec. 31, 2019

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	
	Max Load 4.25%		Max CDSC 1.00%			Custom Invesco High Yield Municipal Index
Inception	5.94	6.07	5.28	5.28	5.34	-
10 Years	6.18	6.65	5.85	5.85	6.91	6.72
5 Years	4.59	5.50	4.72	4.72	5.76	5.29
3 Years	5.14	6.67	5.89	5.89	6.93	6.51
1 Year	4.99	9.70	8.03	9.03	10.07	10.01
Quarter	-3.41	0.89	-0.30	0.70	0.96	1.00

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 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.

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. **Effective open of business on Sept. 6, 2019, Invesco High Yield Municipal Fund limited public sales of its shares to certain investors. For more information on who may invest in the fund, please see the prospectus.** 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 in 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.

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.

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.