

# Invesco Oppenheimer Rochester AMT-Free Municipal Fund

## Quarterly Performance Commentary

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



### LIPPER FUND AWARD FROM REFINITIV

2019 WINNER  
UNITED STATES

Class Y shares (OMFYX): Best among 80 General & Insured Municipal Debt Funds for the 3-year period and best among 70 General & Insured Municipal Debt Funds for the 5-year period ending 11/30/18 based on risk-adjusted performance.

#### Investment objective

The fund seeks tax-free income.

#### Portfolio management

Joshua Cooney, Elizabeth Mossow, Tim O'Reilly,  
Mark E. Paris, Julius D. Williams, Troy Willis

#### Fund facts

Total Net Assets	\$2,186,822,788
Total Number of Holdings	744

#### Fund characteristics

Weighted Average Maturity (years)	18.90
Option Adjusted Duration	7.64

#### Investment categories (%)

Revenue Bonds	86.24
General Obligation Bonds	12.64
Prerefunded/ETM	2.90
Cash	-1.78

May not equal 100% due to rounding.

#### Credit quality breakdown (% total)<sup>1</sup>

AAA	3.57
AA	29.62
A	25.20
BBB	12.43
BB	2.32
B	1.52
Other	6.90
Not Rated	18.45

### 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 the best performing asset classes of 2019.
- + Strong market technicals, driven by a favorable mix of supply and demand, continued to support 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 their 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 amount 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 of the 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 somewhat unexpected 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. Among revenue bonds, the largest allocations were in the tobacco and hospital/health care sectors.
- + Our goal is to deliver a highly competitive yield through an opportunistic approach that seeks to identify sectors and individual securities offering an attractive balance of reward and risk.
- + 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 Oppenheimer Rochester AMT-Free Municipal Fund Class A shares at net asset value (NAV) returned 0.98% for the fourth quarter, outperforming its benchmark, the Barclays Municipal Bond Index, which returned 0.74%. (Please see the investment results table on page 2 for fund and index performance.)

#### Contributors to performance

- + Security selection in the tobacco and general obligation sectors added to relative results.
- + On a state level, security selection among Ohio and Puerto Rico issues added to relative return.

#### Detractors from performance

- + Exposure to the sales tax revenue sector detracted from relative return.
- + Exposure to the special assessment sector also detracted from relative performance.

Expense ratios	% net	% total
Class A Shares	1.01	1.01
Class C Shares	1.76	1.76
Class Y Shares	0.76	0.76

Per the current prospectus

Net = Total annual operating expenses less any contractual fee waivers and/or expense reimbursements by the adviser in effect through at least May 28, 2021. See current prospectus for more information.

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## Investment results

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

	Class A Shares		Class C Shares		Class Y Shares		Style-Specific Index
	Inception: 10/27/76		Inception: 08/29/95		Inception: 11/29/10		
	<b>Max Load</b> <b>4.25%</b>	<b>NAV</b>	<b>Max CDSC</b> <b>1.00%</b>	<b>NAV</b>	<b>NAV</b>	<b>NAV</b>	<b>Bloomberg Barclays Municipal Bond Index</b>
Period							
Inception	5.79	5.90	4.42	4.42	8.08		-
10 Years	7.04	7.50	6.68	6.68	-		4.34
5 Years	5.66	6.58	5.78	5.78	6.83		3.53
3 Years	6.89	8.45	7.66	7.66	8.69		4.72
1 Year	7.34	12.06	10.18	11.18	12.38		7.54
Quarter	-3.34	0.98	-0.20	0.80	1.04		0.74

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be lower or higher. Visit [invesco.com/performance](http://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. 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](http://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](http://www.standardandpoors.com) and select 'Understanding Ratings' under Rating Resources on the homepage; [www.moodys.com](http://www.moodys.com) and select 'Rating Methodologies' under Research and Ratings on the homepage; [www.fitchratings.com](http://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.

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.

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.

**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.

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**About risk**

The Fund may use leverage to seek to enhance income, which creates the likelihood of greater volatility of the Fund's shares and may also impair the ability to maintain its qualification for federal income tax purposes as a regulated investment company.

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.

Inverse floating rate obligations may be subject to greater price volatility than a fixed income security with similar qualities. When short-term interest rates rise, they may decrease in value and produce less or no income and are subject to risks similar to derivatives.

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.